

2. *Market Demand and Demographics Analysis*

2.1 OVERVIEW

This chapter identifies characteristics and trends that might influence the types, amount, and location of future development that the market would likely support in the Plan Area. Because southwest Fresno has been studied and planned several times, this chapter does not provide a comprehensive analysis, but rather, it builds on previous work and focuses on current conditions and trends.

The intent of this chapter is to provide an understanding of the economic and market forces that might support the community's visions for the plan area and those economic and market forces that might pose challenges to achieving the vision. It is not intended to dictate what the Specific Plan should or should not include.

2.2 HOUSEHOLD CHARACTERISTICS

From an economic perspective, the household is the basic unit of the economy: decisions on the largest spending choices are made at the household level, such as housing, transportation, and, to a lesser degree, the purchase and consumption of food.

It is estimated that the Plan Area includes 3,043 households and has a total population of 12,649 people as of 2015¹. From 2010 to 2015, this area saw a slight decline in the number of households, an annual rate of decline of -0.8 percent. On contrast, there was a 0.6 percent per year increase in the number of households in the city and county from 2010 to 2015, and, if present trends continue, the Plan Area would see a -0.05 percent per year decline in the number of households from 2015 to 2020, whereas the city would increase by 0.6 percent per year, and the county would grow by 0.7 percent per year.

This difference in the household growth rate indicates that the Plan Area does not share in broader regional growth. On the positive side, though, this also means that there is potential opportunity for broader regional growth to drive new residential development in the Plan Area. However, until household growth starts to increase in the Plan Area, retail chains and retail developers will not likely be interested in expanding in this area except in the case of quantifiable, unmet, retail market demand.

¹ Esri, 2015. *Community Profile for Southwest Fresno Project Area*. Prepared by PlaceWorks on July 23.

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2.2.1 HOUSEHOLD INCOME

As of 2015, the estimated median household income in the Plan Area was 55 percent of the county median. It is projected that median household income will increase 1.6 percent per year in the Plan Area from 2015 to 2020. However, this growth rate is less than the projected median household income growth rate in the city, 2.9 percent per year, and the county, 3.0 percent per year. With less growth, the difference between median household income in the Plan Area and the countywide median household income will increase, to 51 percent of the county median. Figure 2.1 shows the estimated median household income in 2015 and the projected income in 2020 for each of these areas.

Figure 2.1 Median Household Income, Plan Area, City of Fresno, and Fresno County, Estimated for 2015 and Projected for 2020



Source: Esri Business Analyst, 2015.

Because residential developers would likely try to capitalize on regional growth, the median household income would not directly affect residential development potential. However, it does directly affect retailers, and will likely pose a challenge to attracting retail development to the Plan Area, and a lack of retail shopping, dining, and entertainment options could be a challenge to residential developers trying to attract new residents to the Plan Area. Nevertheless, rising household incomes, even if not rising as fast as the rest of the city and county, do represent additional purchasing power, which can be a positive attribute for retail development.

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2.2.2 TENURE

Households owning their homes account for 33 percent of the households in the Plan Area. In contrast, homeowners make up 44 and 48 percent of the households in the city and county. If present trends continue, it is projected that, by 2020, the rate of homeownership would decline by about a percentage point in the Plan Area and by about half a percentage point in the city and county.

Existing homeownership rates do not directly impact the potential for future residential development. The more important tenure question for the Specific Plan is what types of housing and tenure should the Plan accommodate? Does the community desire more of the same, so that future development should target similar levels of owners and renters, or does the community desire future development that more closely resembles the levels of owners and renters elsewhere in the city?

2.2.3 HOUSEHOLD SIZE AND COMPOSITION

In 2015, the average household size in the Plan Area, 4.1 persons per unit, was about 31 percent higher than the sizes in the city, 3.1, and the county, 3.2. The difference has been increasing from 24 percent in 2000 to 30 percent in 2010.

The higher average household size in the Plan Area reflects the types of households residing there. In the Plan Area, about 57 percent have one or more children, compared to 43 percent in the city and 44 percent in the county. In addition, 14 percent of the households in the Plan Area are multi-generational households (three or more generations in one house), compared to 7 percent in the city and 8 percent in the county.

The current average household size does not directly affect residential development potential. These differences do, however, raise the issue of what kind of housing should the Specific Plan accommodate and strive for. Should a larger share of the housing be sized for families and multi-generational households to reflect the current community makeup, or should it more closely reflect the household characteristics seen throughout the city and county? As an alternative, should the plan seek to maintain flexibility so that individual housing products developed can easily respond to market demand?

2.3 POPULATION CHARACTERISTICS

2.3.1 AGE

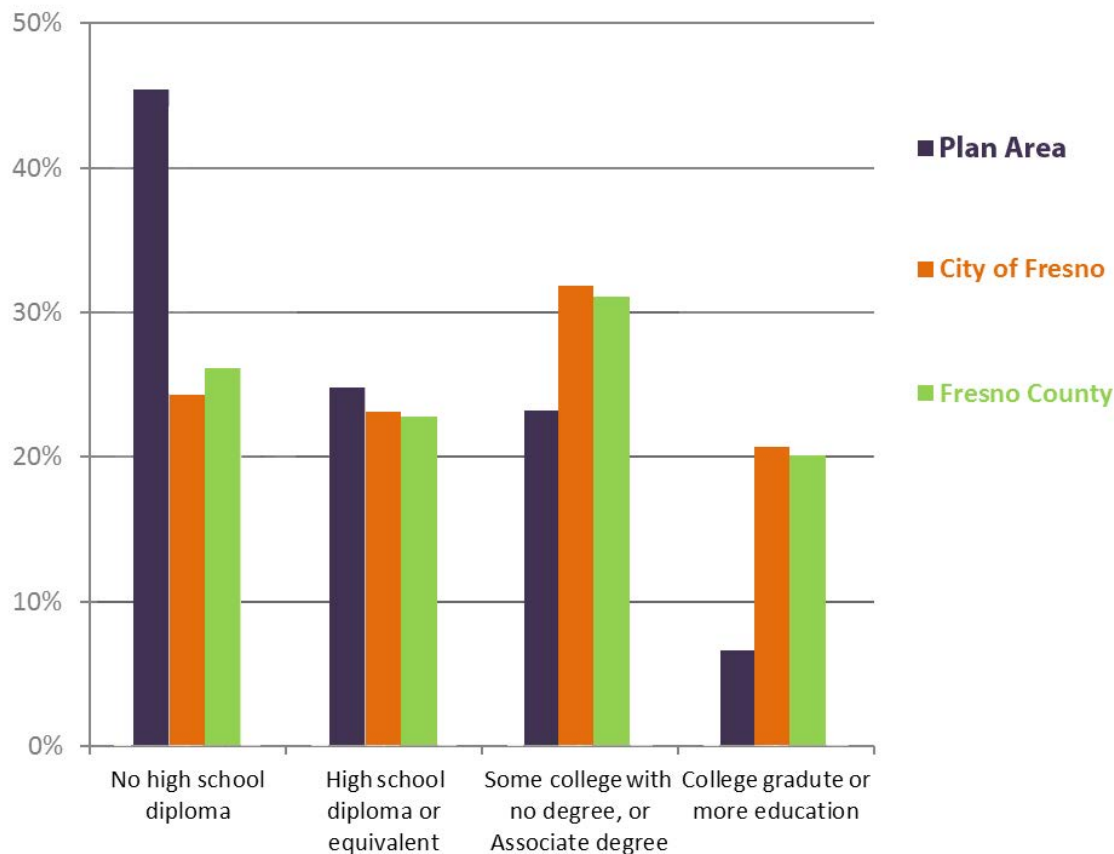
The population of the Plan Area is younger than the overall population in the city and county. In 2015, the median age in the Plan Area was 26, compared to 30 in the city and 31 in the county. Over the next five years, it is projected that the median age in each area will increase by about one year. The younger median age in the Plan Area reflects a higher percentage of children in these areas and a lower percentage of population age 65 and older.

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2.3.2 EDUCATION

As shown in Figure 2.2, there are two substantial differences in the education of the population of the Plan Area, and the population in the city and county. The populations are fairly similar in terms of the percentage with a high school diploma and with some college but no degree or an Associate Degree. About 80 percent more of the population in the Plan Area does not have a high school diploma compared to the population in the city and the county. This is important because individuals without a high school diploma have lower incomes, less job stability, and higher rates of unemployment. This directly translates into less disposable income, which may limit the opportunities to attract businesses providing retail goods and services to local neighborhoods.

Figure 2.2 Educational Attainment of the Population Age 25 and Older, Plan Area, City of Fresno, and Fresno County, 2015



Source: PlaceWorks, 2015, using data from Esri Business Analyst.

The higher percentage of the population without a high school diploma is offset by a much lower percentage of the population with a college degree or more education. On a positive note, however, educational attainment at the neighborhood level does not directly affect employment-generating economic development (i.e. non-local-serving sectors of the economy). Most employers have a regional workforce, and when employers are looking for a new location, they consider the skills and qualification of the regional labor force, not the skills and education in adjacent and nearby neighborhoods.

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2.4 EMPLOYMENT AND COMMUTING PATTERNS

Figure 2.3 shows the location of jobs held by residents who live within the Plan Area. Of the Plan Area’s 4,443 employed residents in 2011, 212, 4.8 percent, work in the Plan Area. The remaining 4,231 employed Plan Area residents, 95.2 percent, out-commute to other areas to work. At the same time, 2,723 workers living outside of the Plan Area commute into the Plan Area for work. Relative to the in-commuters, the out-commuters tend to be younger, work in service sector jobs, and earn less.

A key issue for the Specific Plan will be the extent to which the Plan Area should reserve land for employment generating uses, versus housing and retail shopping, dining, and entertainment. The fact that more younger people commute out to lower paying service sector jobs while more middle-age workers commute in to work at higher paying jobs suggests that the issue is more about the skills and education of residents than the availability of job opportunities. Also, many residents have a relatively short commute to jobs in downtown Fresno, and there are increasing numbers of jobs to the east of the Plan Area in the Fresno Industrial Triangle. Nevertheless, the Plan Area has lower incomes and the community may have a strong desire to see more job opportunities close to home.

2.5 RETAIL MARKET POTENTIAL

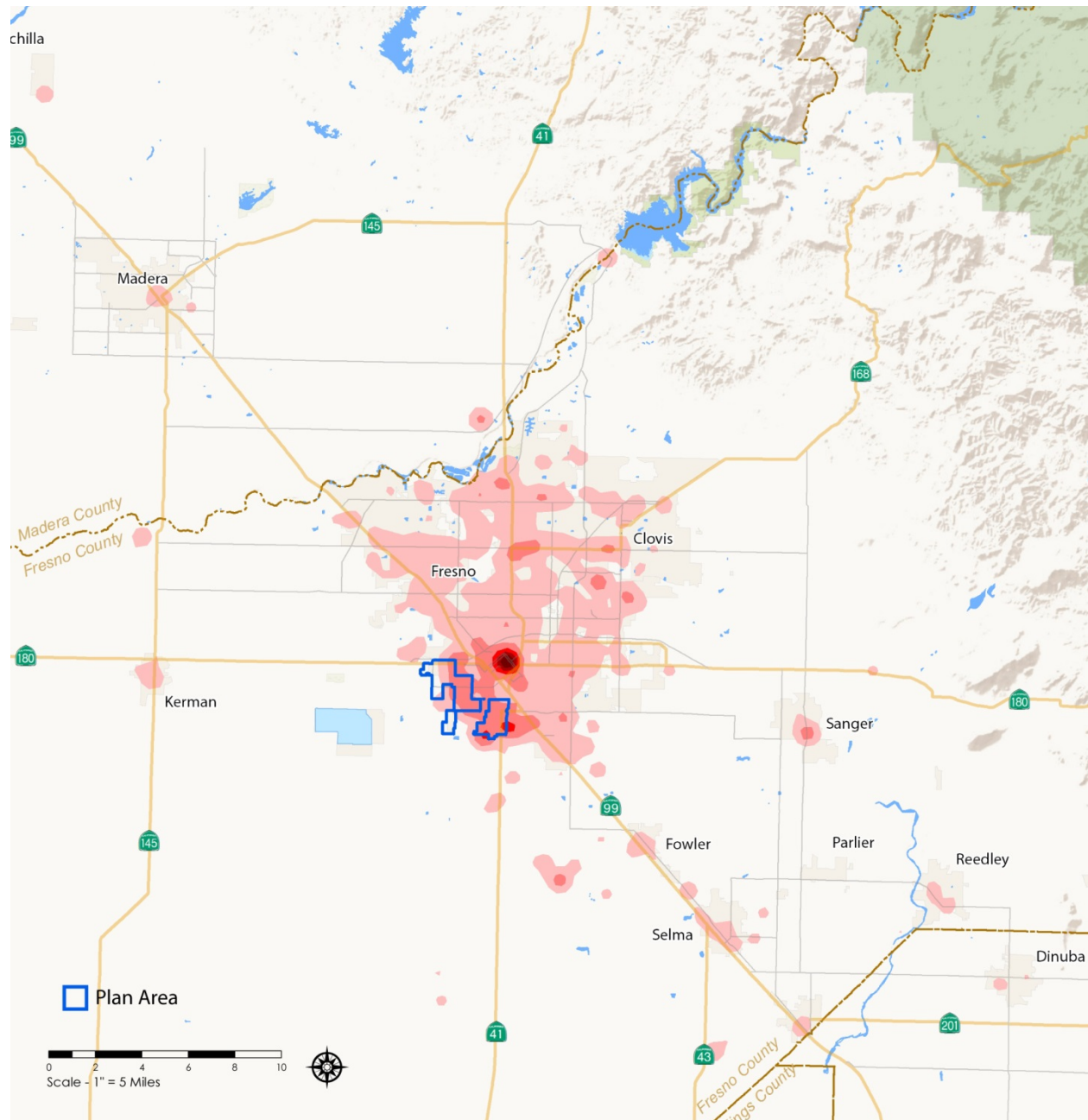
A detailed field survey was conducted by the consultant to identify locations that would be the most desirable by a developer for conventional retail center development. The two sites with the best physical potential were the area around the Marks Avenue and Highway 180 interchange and the area around Jensen Avenue between Elm and Highway 41. The Marks Avenue area has good freeway access, large undeveloped parcels, great visibility from the freeway overpass, and the potential to attract customers from the west along Highway 180. The Jensen Avenue site already has some commercial development, but it has potential to attract customers from the industrial area to the east, customers from the Plan Area along Jensen Avenue, and customers from further south along Highway 41. For both sites, non-overlapping trade areas were defined (see Figure 2.4), generally using a five-minute drive time between the sites and downtown Fresno and extending to a 20-minute drive time away from downtown along the freeways/state highways.

2.5.1 MARKS AVENUE RETAIL POTENTIAL

Table 2.1 shows the retail market potential for this site, based on the defined trade area, which encompasses the Walmart in Kerman. The demand column reflects retail spending by trade area households. The supply column is the estimated amount of sales annual at sores in the trade area. The final column is the retail gap or surplus. A positive number indicates retail leakage—that trade area residents make purchases in the retail category at stores outside of the trade area. Retail leakage is a positive indicator for future retail development. There is spending going elsewhere, and if a business opens in the trade area, it needs only to convince residents to shop closer to home. A negative number in the final column indicates a market surplus—that businesses in the trade area already have to get customers from outside of the trade area to travel to their businesses. A market surplus is a negative indicator for future retail development. It tells a retailer that they cannot necessarily rely on nearby

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Figure 2.3 Location of Jobs Held by Residents Who Live Within the Plan Area



Note: Darker shades of red indicate increasing concentrations of jobs.
Source: PlaceWorks, 2015, using data from the U.S. Census Bureau's Longitudinal Employer-Household Dynamics Program.

residents to support their business. New retailers will either need to out-compete existing businesses or attract customers from farther away.

The data in Table 2.1 show a positive sign for potential retail development at this site. The analysis suggests that the unmet retail market demand could support up to 175,000 square feet of conventional retail center development.

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TABLE 2.1 RETAIL MARKET POTENTIAL, MARKS AVENUE AND WHITESBRIDGE AVENUE SITE, 2015

Retail Store Category	Demand (\$ per year)	Supply (\$ per year)	Retail Gap/ Surplus (\$ per year)
Furniture & Home Furnishings Stores	3,359,760	972,760	2,387,000
Electronics & Appliance Stores	3,519,950	0	3,519,950
Building Materials, Garden Equipment & Supply Stores	4,509,034	5,950,155	(1,441,121)
Food & Beverage Stores	25,793,498	27,604,237	(1,810,739)
Health & Personal Care Stores	11,128,623	76,421,084	(65,292,461)
Gasoline Stations	12,855,807	7,661,271	5,194,536
Clothing & Clothing Accessories Stores	9,739,065	3,394,349	6,344,716
Sporting Goods, Hobby, Book & Music Stores	3,325,296	894,336	2,430,960
General Merchandise Stores	21,243,025	5,962,359	15,280,666
Miscellaneous Store Retailers	4,359,257	1,991,980	2,367,277
Full-Service Restaurants	7,583,024	2,076,872	5,506,152
Limited-Service Eating Places	7,417,697	5,535,615	1,882,082
Drinking Places – Alcoholic Beverages	448,076	185,576	262,500

Source: PlaceWorks, 2015, using data from Esri Business Analyst and the Urban Land Institute.

2.5.2 JENSEN AVENUE MARKET POTENTIAL

Table 2.2 shows the retail market potential for this site, based on the defined trade area. The retail market potential data tell a positive story for this site. In most of the categories, there is unmet market demand. This means that there is existing consumer spending available to support new businesses today. The analysis suggests that the unmet retail market potential could support up to 200,000 square feet of conventional retail center development.

A community concern is the desire for a conventional supermarket. Although the market analysis shows that there is \$12M in leaked spending for food and beverage stores², this amount is not sufficient to support a standard supermarket. However, the field survey research found an abundance of convenience stores selling a limited variety of grocery items. A conventional supermarket would likely offer lower prices and full range of grocery items, including fresh meats and produce. It is possible that a new supermarket could out-compete these existing convenience stores, earning much of the existing sales.

² The food and beverage store category includes supermarkets and grocery stores; convenience stores; specialty food stores, such as butchers, produce markets, bakeries, confectioneries, etc.; and beer, wine, and liquor stores.

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Figure 2.4 Retail Trade Areas Map



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TABLE 2.2 RETAIL MARKET POTENTIAL, JENSEN AVENUE AND ELM AVENUE SITE, 2015

Retail Store Category	Demand (\$ per year)	Supply (\$ per year)	Retail Gap/ Surplus (\$ per year)
Furniture & Home Furnishings Stores	4,073,470	949,466	3,124,004
Electronics & Appliance Stores	4,371,767	3,238,369	1,133,398
Building Materials, Garden Equipment & Supply Stores	5,668,454	8,198,941	(2,530,487)
Food & Beverage Stores	33,355,056	21,089,257	12,265,799
Health & Personal Care Stores	13,897,310	1,552,135	12,345,175
Gasoline Stations	15,853,961	42,300,325	(26,446,364)
Clothing & Clothing Accessories Stores	12,356,099	976,191	11,379,908
Sporting Goods, Hobby, Book & Music Stores	4,154,935	448,571	3,706,364
General Merchandise Stores	26,766,890	200,517	26,566,373
Miscellaneous Store Retailers	5,374,146	6,352,004	(977,858)
Full-Service Restaurants	9,532,423	3,884,283	5,648,140
Limited-Service Eating Places	9,356,166	10,795,198	(1,439,032)
Drinking Places – Alcoholic Beverages	570,813	267,711	303,102

Source: PlaceWorks, 2015, using data from Esri Business Analyst and the Urban Land Institute.

The currently leaked spending and the capture of some of the spending currently going to convenience stores could be sufficient to support a supermarket. This does not mean that a grocer would necessarily be interested in locating here. However, the amount of spending suggests that it is worth discussing the opportunities with regional supermarket chains.

At the same time, the community should be aware that if a grocery store were to open in the Plan Area and be successful, it would likely put several if not many convenience stores out of business. This could result in an increase in the number of vacant buildings in the Plan Area.

2.6 CONCLUSIONS

This overview of socioeconomic characteristics and trends identifies several key issues.

2.6.1 REGIONAL HOUSEHOLD GROWTH

The city and county are continuing to grow. This will result in continuing demand for new housing. Until now, the Plan Area has not fully participated in the regional growth. The Specific Plan will need to explore how southwest Fresno can be attractive for new residential investment.

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2.6.2 MARKET DEMAND FOR NEW RETAIL

The profile showed several socioeconomic characteristics and trends that may discourage new retail development. Nevertheless, the analysis finds that there is sufficient unmet market demand and leaked spending to support new conventional retail shopping centers.

2.6.3 EMPLOYMENT OPPORTUNITIES

The analysis did not find strong economic factors to support the development of new employment opportunities in the Plan Area. Through the planning process, the community will need to determine how important more employment opportunities close to home are, relative to other wants and desires.

2.6.4 WHAT KIND OF COMMUNITY

The final issue, and one that economic analysis cannot answer, is the kind of community residents want southwest Fresno to be in the future. Should the future southwest Fresno mirror the community of today, or should it include more housing types and households reflective of the city and county? Is there a middle ground that the community desires?