Indianapolis Regional Center Land Use Potentials

City of Indianapolis
Greater Indianapolis Progress Committee

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REGIONAL CENTER LAND USE POTENTIALS, INDIANAPOLIS, INDIANA

Prepared for

City of Indianapolis Department of Metropolitan Development
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FOREWORD

The City of Indianapolis Department of Metropolitan Development (DMD) is currently involved in a major planning effort to prepare a new 20-year plan for the Regional Center. This planning effort has been based on the volunteer efforts of the Regional Center Task Force and its 17 committees on office development; retail development; housing; neighborhoods; government and institutions; industrial development; recreation; tourism; the arts; historic preservation; parks and open space; job creation; social services; finance; infrastructure; urban design, architecture and landscape architecture; and quality of life.

To assist DMD and the Regional Center Task Force, Hammer, Siler, George Associates has prepared a detailed analysis of potentials for office, housing, hotel, retail and recreation/entertainment development over the next 20 years as well as a review of labor force issues affecting Regional Center development. This analysis provides an economic and market framework within which to develop strategies to achieve the community's goals and objectives for the Regional Center.

We wish to thank the many public and private organizations and individuals who provided inputs to this analysis, with particular thanks to the Regional Center Plan staff, the Commission for Downtown and the Greater Indianapolis Progress Committee.

HAMMER, SILER, GEORGE ASSOCIATES
Silver Spring, Maryland
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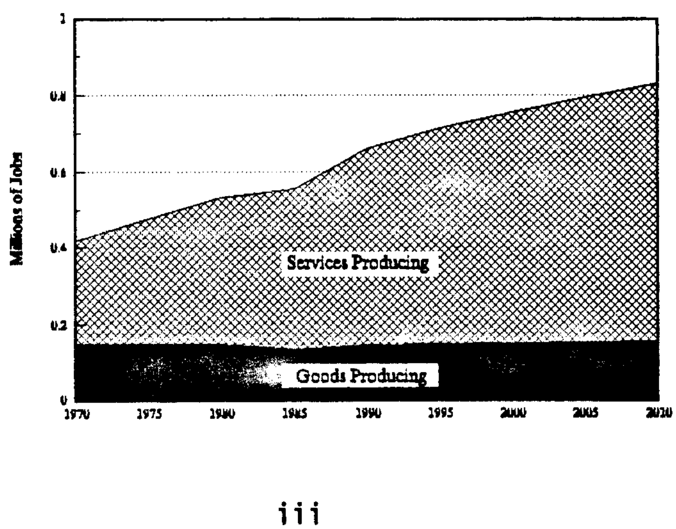
INDIANAPOLIS REGIONAL CENTER
LAND USE POTENTIALS
EXECUTIVE SUMMARY

Hammer, Siler, George Associates was retained to evaluate the full range of potential land uses which might be developed in the Regional Center, including office, housing, hotels, retail and recreation and entertainment. Trends and prospects for future development opportunities were examined for each of these uses to the year 2010. Also considered were labor force and other strategy issues which will be facing the Regional Center over the next 20 years.

Economic Base

The basic framework for the market analyses was the region's economic base -- the size and nature of the employment base. The metropolitan area's job base has grown steadily over the last two decades. Employment growth averaged 2.4 percent per year during the 1970s and 2.2 percent per year during the 1980s. The projections call for continued growth at a slower pace -- 1.4 percent annually through the 1990s and 1.0 percent after the year 2000.

Metropolitan Indianapolis
Employment Trends and Forecasts

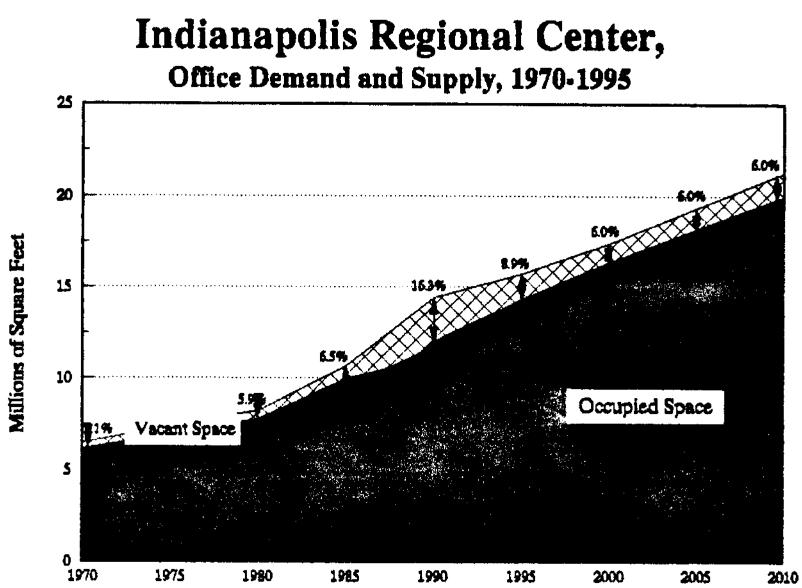


Within the overall employment picture, Indianapolis, like most other regions of the country, has been undergoing a fundamental change in the nature of its economy. While manufacturing and other goods-producing industries remain a critical base for the economy, almost all of the job growth in the last 20 years has been concentrated in the service-producing sectors of the economy. These include health and business services, finance, real estate, insurance, retail and wholesale trade, transportation, communications and government.

This trend is expected to continue but at a slower rate into the 21st century. It has been a very important factor in the office market as a whole and for the Regional Center in particular as the number of jobs within offices has grown very rapidly, fueling the need for new office space.

Office Potentials

Metropolitan Indianapolis and the Regional Center saw unprecedented levels of new office construction during the 1980s. The Regional Center experienced construction of 6.1 million square feet of new office space during the last decade, a 74-percent increase. While this new construction has transformed the Regional Center and had many positive effects, the pace of new construction completely outstripped the growth in demand for office space, creating high vacancy rates which are now constraining the overall office market.



The Regional Center office market had a current vacancy rate of 13.5 percent of the overall office inventory in 1989. Excluding government and single-tenant buildings, the inventory of speculative office space built for multiple tenants had a 1989 vacancy rate of 18 percent, well above the five-percent vacancy rates historically associated with healthy office markets. With the opening of the Bank One Tower and new State office building, the situation can be expected to worsen over the next three years as the supply of office space expands more rapidly than the demand for new space.

These high vacancy rates have led to great competition for tenants, lower rents and greater concessions being offered to prospective tenants. The impact of these high vacancies is falling disproportionately on Class B and C office buildings with older, less competitive office space. One-fifth of all Class B space and one-quarter of all Class C office space are vacant, with certain individual buildings suffering much higher vacancies. With high vacancies and low rents, the future of many of these Class B and C office buildings is brought into doubt, perhaps threatening the loss of several of the historic structures which give downtown its character. The Regional Center plan will need to address the long-term prospects for these buildings.

In this current market, no new office space construction could be financed without significant preleasing to a major tenant. That constraint on the growth in the future supply of office space should be the long-term salvation for the Regional Center office market. The market needs time for demand to catch up with the supply of office space. The market forecasts have assumed little new construction through the early- and mid-1990s other than the projects which are currently underway. With this limited growth in the supply, the demand can catch up and reduce the overall vacancy rate from the 16.3 percent expected for 1990 to six percent by the year 2000. Market support for 1.6 million square feet of new space is projected for the late 1990s and roughly 4 million square feet of new space from 2000 to 2010.

Housing Potentials

The downtown housing market has strengthened during the last decade with major renovations of most existing apartment complexes, new construction of rental housing and extensive renovation of individual homes in existing neighborhoods throughout the Regional Center. In spite of a net loss in Regional Center units caused by the demolition of many substandard units, the quality levels and the demand for downtown housing are better than in earlier years. The Regional Center has a current population estimated to be between 13,600 and 14,350 residents, with

11,400 to 12,150 of those residents living in households. That is a 10-percent increase in the number of household residents.

The supply of downtown rental housing in new or renovated developments has expanded to the current total of 2,960 units in the Regional Center with another 1,061 units in the close-in North Side. The quality of these rental units and the demand for close-in living is reflected by the fact that downtown rents in newly renovated buildings are 10 to 20 percent higher than for rents in comparable suburban units.

A key part of the housing demand analysis was a series of focus groups conducted by Gentleman Associates, small-group discussions among downtown employees, downtown residents and suburban residents. Those focus groups shared a common image of downtown as clean, attractive and safe. The group participants recognized, however, that the cost of downtown housing is higher than that for comparable suburban units and that the downtown is not well suited to households with children. Downtown lacks neighborhood parks and other amenities for children, and the housing stock is not well suited to larger families. But the major issue for families is the quality of the Indianapolis Public Schools. The spotty patterns of redevelopment in some neighborhoods have also constrained demand as buyers avoid units next door to a vacant lot or an unrenovated unit.

There is also a continuing problem of steering by realtors. The Commission for Downtown has worked with realtors to improve their familiarity with the downtown housing opportunities and has made inroads with several realtors. However, many of the realtors and relocation specialists working with new employees who have just moved to Indianapolis still ignore these downtown housing opportunities.

Estimates of the future demand for downtown housing were based upon demographic analysis and a telephone survey which indicated that 20 percent of Marion County renters and 14 percent of other area renters would be very or somewhat likely to consider living downtown. Narrowing that demand to focus on those households which move in any year and those with high enough incomes to afford downtown housing, the following forecasts of Regional Center housing demand were reached.

Indianapolis Regional Center Housing Demand

	Annual Demand	
	Rental Units	Owner Units
1991-1995	305-875	200-450
1996-2000	360-960	250-450
2001-2005	390-1,000	275-475
2006-2010	445-1,115	275-525
Distribution		
Garden Apartments	60%-75%	---
Townhouses	25%-35%	20%-30%
High-Rise Apartments	0%-10%	---
Single-Family Units	---	50%-60%
Condominium Apartments	---	10%-20%
Student Units with Public Financial Assistance	200-400 units per year	

There is a wide band around the estimates of potential demand. The demand exists for the higher number of units, but the question is whether the market can deliver the types of units being sought at rents and prices which these households can afford. The high cost of downtown land and the higher costs of constructing medium-and high-density housing conspire to make the economics of developing new downtown housing difficult. Achieving the high-end projections of demand would require public financial assistance and incentives to counteract the cost disadvantages of downtown sites.

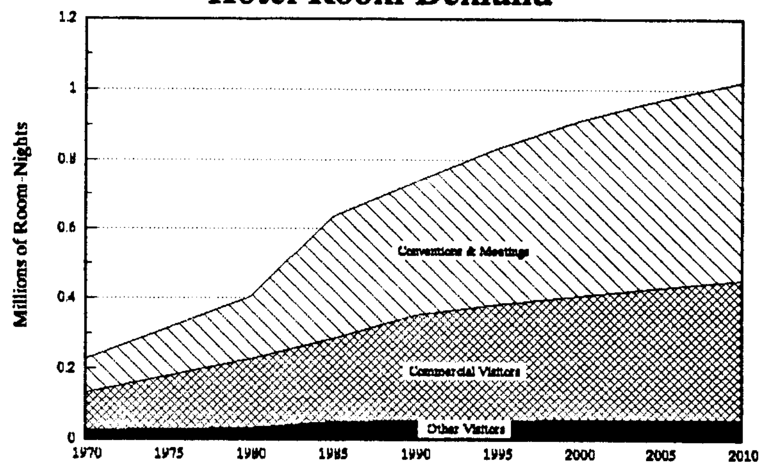
There is a clear demand for student housing to serve IUPUI. The problem lies in the rents which students can afford relative to the rents required to make these projects feasible. There is a latent demand for as many as 4,300 units of student housing. With public financial assistance, 200 to 400 units could be developed annually to meet this market demand.

Hotel Potentials

The same phenomenon of good demand but too much supply seen in the office market exists in the hotel market as well. The Regional Center has seen solid growth in the demand for hotel rooms over the last two decades. The demand for hotel rooms has more than tripled since 1970. The Regional Center has experienced a steady increase in the number of business travelers with the growing base of downtown businesses.

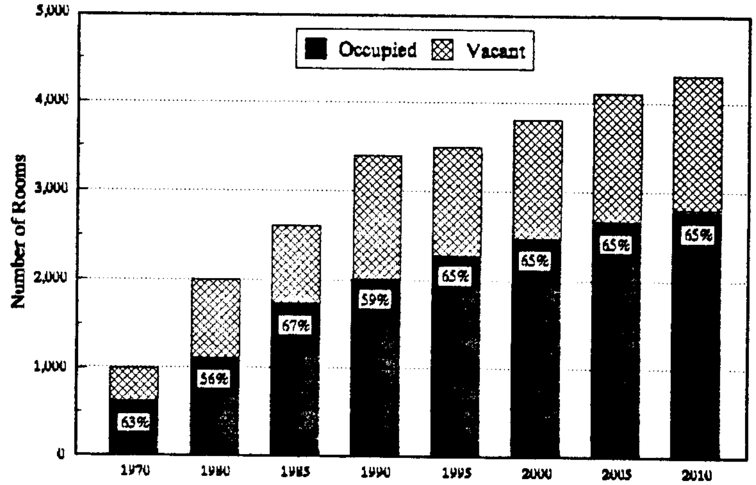
However, the greatest increase in demand has come from the conventions and meetings business, reflecting the great importance of the Convention Center and the new Westin convention hotel. We expect a continuation of these trends into the 21st century with convention and meeting business representing roughly 55 percent of the total demand for downtown hotel rooms.

Indianapolis Regional Center
Hotel Room Demand



The hotel market has been significantly overbuilt with the construction of several downtown hotels during the 1980s. The supply of downtown hotel rooms went from 2,000 rooms in 1980 to a current total of 3,400 rooms including the new Omni Severin. With that rapid expansion of the supply, occupancy rates declined from 67 percent in 1985 to an estimated 59 percent for 1990. Typically, new hotels require occupancies of 65 to 70 percent to break even financially. Thus, the low occupancy level of 59 percent represents serious financial hardship within the Regional Center hotels.

Indianapolis Regional Center
Hotel Room Supply and Demand



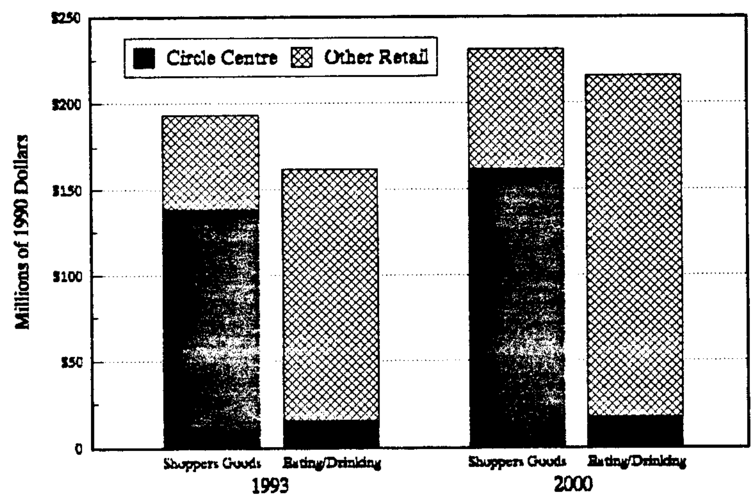
Given present occupancy levels, no construction of new hotel rooms is expected during the next five years until after the Convention Center has been expanded. The Convention Center is currently running at full utilization and cannot accommodate much more business without an expansion of its facilities. Once demand has increased to the point where it can support new hotel construction, modest increases in the supply of hotel rooms are expected.

From the perspective of the overall health of the Regional Center hotel market, the downtown would be best served by the attraction of a convention hotel or expansion of an existing hotel with a full complement of new rooms and meeting facilities. A second convention hotel would allow the Regional Center to host more than one major convention at once, increasing its ability to compete for this important convention and meeting trade.

Retail Potentials

Central to the analysis of demand for downtown retailing is the potential effect of Circle Centre. The introduction of major new retailers and competitive new retail space within this project will significantly increase the Regional Center's ability to attract shoppers. Given that major new appeal, downtown retailing should improve significantly. Most of the traditional retailing space will be contained within Circle Centre with other retailers serving specialty needs of downtown employees and other shoppers.

Indianapolis Regional Center
Retail Sales Potentials



In terms of dollars spent, the demand for eating and drinking in the Regional Center is almost as large as the demand for traditional retail goods. This reflects the large number of downtown employees who eat out at lunch and after work and conventioneers who need restaurants and entertainment facilities. Most of this demand will be met by establishments outside of Circle Centre, including Union Station and a series of independent restaurants and bars.

Given the potential for retail and eating and drinking space outside of Circle Centre, a number of retail opportunities are presented. Clearly, there is a continuing demand for retail space within office buildings to meet the needs of the office tenants conveniently. These may include personal services, pharmacies, newsstands, card shops and a variety of other retailers.

Specialty/entertainment uses have already been developed in and around Union Station. They have attracted a lot of popular support from local residents and from conventioneers and other visitors. These uses could be expanded.

Value Retail includes a number of different options for selling off-price merchandise. One option would be a power center developed between the expressway and Circle Centre. A power center combines several major discounters such as Circuit City, Home Depot, Toys R Us and Marshall's. Another option would be an outlet/off-price center with a number of off-price stores, such as Hit or Miss and TJ Maxx, and manufacturers outlets. These outlets have tended to avoid locations near department stores, but Warehouse Row in Chattanooga and B&C Crossing in Baltimore's Inner Harbor are examples of recent centers which have broken those patterns.

Expansion of the City Market to include a larger variety of fresh produce, seafood, meats and other foods could meet a growing demand for fresh foods.

Many of the downtown residents and employees have indicated an interest in more car repair facilities and gas stations in the Regional Center. A new concept has been developing for car-care centers or auto malls which combine several service operations into one location.

The final opportunity would relate to neighborhood retailing. The Lockerbie Marketplace is an important amenity for downtown residents so it is important to retain and reinforce this center. In the near term, most of the neighborhood retailing opportunities will be met by the Marketplace and independent retailers. As the downtown residential base expands, there may be the potential for another center, but that potential will depend very much on the specific location and accessibility of the potential site.

Recreation and Entertainment Potentials

The Regional Center is already home to many of the region's recreational and entertainment facilities, including Union Station, White River State Park, the Zoo and a wide variety of museums, sports and cultural facilities. Collectively, these attractions have a combined attendance of more than 6.5 million people per year.

Potentials for additional attractions include a new baseball stadium to house the Indianapolis Indians and then expand eventually to accommodate a major league team. Given its central location and good promotion, the Indians should be able to expand their current attendance, perhaps as high as the 1 million level being achieved in Buffalo.

Major aquarium facilities have proven to be strong draws in markets across the country, including Baltimore, Boston, Monterey and New Orleans. Given the potential markets which could be served from Indianapolis, a major aquarium could attract 700,000 to 800,000 people.

Outdoor amphitheaters are becoming increasingly popular within the entertainment industry. Usually, they provide a large stage with covered seating and open or lawn seating and attract top recording artists of all types and some comedy and children's entertainment. A White River Park location would be appropriate.

The Regional Center currently has no movie houses. Successful cinema complexes have been developed recently in downtown Baltimore, Buffalo and San Diego. A movie complex in the Regional Center could round out the entertainment offering while providing an amenity for downtown residents.

Theme museums attract people with an interest and curiosity on certain subject matters such as sports, industry, transportation and music. Additional theme museums could be developed within the Regional Center, preferably in an area of high visibility and pedestrian traffic.

Each of these potential attractions has been analyzed and judged to have good probability of success. These five facilities could attract another 2.8 to 3.7 million in annual visitors to the Regional Center. Clearly, however, new museums, an aquarium and a stadium would require major commitments of public and private dollars for their development.

Labor Force Issues

The Regional Center will be facing a number of downtown labor force issues over the next two decades. The job creation suggested by the preceding projections of new development are summarized below.

Indianapolis Regional Center
Net New Jobs

	Annual	Total
1991-1995	2,640	13,200
1996-2000	2,200	11,000
2001-2005	2,000	10,000
2006-2010	1,880	9,400

There are three major labor force concerns:

1) the overall supply of labor;
2) labor force skills; and
3) the Regional Center's ability to attract workers.

In terms of supply, the number of new workers entering the labor is smaller than during the 1980s because of the fewer number of young people graduating from high school and college over the next decade. That fact has already begun to affect some employers, particularly those in low-wage industries.

Some marketplace responses to this problem are expected:

- more women may enter the labor force as employers accommodate their need for child care and flexible work schedules;

- the pressures for early retirement may ease as employers seek to retain older, more experienced workers; and

- other persons, including welfare recipients, may be trained to make them more employable.

Thus, while the growth in the labor force can be expected to slow, it may not be as sharp a drop as the data on young workers would suggest.

There is a growing concern about the adequacy of labor force skills. The future economic health of the Regional Center and the entire Indianapolis economy will depend on the quality of education throughout the region. Regional Center businesses will have a particular need to work with the Indianapolis Public Schools to insure that all of the students develop a basic proficiency in language, math and other technical skills.

The Regional Center should be in a good position to compete for workers, but it must remain convenient and attractive to workers. This would include convenient parking, day care and better transportation services. As importantly, recruiting and retaining workers will depend on keeping the downtown exciting and attractive through development of new retail, entertainment and recreation facilities, better urban design, improved parks and a full range of downtown activities and promotions.

Leadership Concerns and Commitment

That Downtown Indianapolis was one of the urban success stories of the 1980s was very much due to the high quality of the business, governmental and institutional leadership and their commitment to the downtown cause. The progress to be made over the next decade will necessarily be equally dependent on the effectiveness of the leadership. As a part of the economic consultant input to the Regional Center II work program, a series of in-depth interviews were carried out with a sample of the top leadership group. The purpose of the interviews was to explore their perceptions of the progress of the 1980s and what was learned in the process, to discuss their perspective on the present and the critical decisions being made, and to ask them to share their vision for the downtown of the future.

Commitment To The Downtown Heart of the Region

Through the successes of the past decade, downtown Indianapolis has firmly reestablished its role as the heart of the region. The prestige and economic development success of the region have been much enhanced by the achievement. There is broad leadership awareness of these successes and unanimous commitment to preserving and enhancing this downtown role.

Circle Centre Mall Success

There was unanimous agreement in the leadership group of the essential importance of the successful completion and operation of the Circle Centre Mall. Given the disarray in the department store industry, changes may need to be made, but there is a strong belief that the completion of this project is required to solidify the gains and continue the momentum of the 1980s into the 1990s.

Political Leadership Continuity

Downtown Indianapolis "has been blessed" with two of the most effective pro-downtown Mayors in our nation. Because this is a time of leadership change, there is uncertainty as to the priority which downtown will hold with new leadership. There is concern that the momentum not be lost even in the natural transition period.

The Regional Center Plan II process should provide private and governmental leadership dialogue.

Downtown and Neighborhood Partnership

The leadership feels that the strength of the downtown development momentum provides the foundation for a coordinated downtown and neighborhood development program in the 1990s. Improved housing for all parts of the population and a full role for the various parts of the Regional Center in this housing strategy is felt to be important to the cause of continued city-wide support for downtown development. Neighborhood participation in the Regional Center II process is an essential part of this partnership.

Continued White River Development

There is a strong feeling among the leadership that the development of the White River State Park has been very important to the strong image which has been projected for the community nationally. Continued development of the park is seen as very important to continuing the momentum.

Centralized Downtown Management

The public and private financial resources available to create the facility and program "infrastructure" required to encourage and support continued downtown development can be most efficiently utilized under a centralized downtown management organization. The functions of such organizations include transportation, parking, security, maintenance, promotion, advertising, consultation on leasing and merchandising and other functions. There is leadership feeling that better financing and greater coordination are essential to the continued development of downtown in the 1990s.

Better Leveraging of Regional Growth on Downtown

There was a feeling of concern that with all its downtown achievements and dramatically strengthened image that Indianapolis had not been more successful in attracting new corporate locations. Economic development professionals and the leadership need to raise this objective in their priorities and efforts and intensify the outreach and "closing" effort.

Clear Canal Development Policy

There is support among various members of the leadership for each of the uses under construction or under consideration for the total canal area. However, there is concern that the Regional Plan and immediate action program include a clear determination of the use pattern for this area so that public and private investments can be made with confidence.

Specific Tactics To Achieve The Plan

There was concern that while the Regional Center Plan for the future is prepared that the leadership place at least equal attention on establishing the specific project priorities for the immediate future and on setting forth the specific steps required of agencies, businesses and individuals to move immediately to carry out these projects.

Summary

An active leadership role in Regional Center II Plan preparation is essential to the commitment required for plan implementation. These first-priority concerns can play an important role in plan formulation.

Section I. ECONOMIC OVERVIEW

Section I. ECONOMIC OVERVIEW

Regional employment, population, household and income trends will have a major impact on the future potentials for the Regional Center. This section documents these 1970-1990 trends and provides forecasts to 2010 for key economic indicators.

Employment

The Indianapolis economic region defined for this report is the official eight-county Standard Metropolitan Area: Marion, Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby Counties.

Economic trends cover the 1970 to 1990 period; forecasts are extended to 2010. Data sources include U.S. Department of Commerce, State of Indiana, and Indiana University and City of Indianapolis.

Employment Trends, 1970 to 1990

The region's economic base is built upon the State government and the area's role as a regional center for transportation, banking, health care and business services. Manufacturing remains an important source of economic activity. Major private employers include Allison Gas Turbine, Division of GMC; Indiana Bell Telephone Company; Truck and Bus Operations Division of GMC; Ford Motor Company; Blue Cross/Blue Shield of Indiana, Inc.; Eli Lilly and Company; Navistar International Transportation, Inc.; and United Technology's Carrier Corporation.

The shift toward a service base economy accelerated in metropolitan Indianapolis during the 1980s. Employment in goods-producing industries (mining, construction, and manufacturing) declined in the first half of the 1980s and increased somewhat during the last half of the decade. Manufacturing employment has stabilized in recent years, while construction employment has increased as a result of the commercial real estate boom. Nearly all of the metropolitan area's job gains since 1970 have been concentrated in the services-producing sector of the economy. Miscellaneous services, retail trade, and government have provided the largest incremental gains in employment. In terms relative to the national economy, transportation, communications and utilities, wholesale trade, and services have considerably increased in importance in the metropolitan area since 1970.

Table 1. TRENDS IN NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT, METROPOLITAN INDIANAPOLIS, 1970-1990

	1970	1980	1985	1990	Change 1970-1990	Change Percent
Number						
Goods Producing:						
Mining	n.a.	n.a.	900	900	900	-
Construction	19,100	23,400	25,100	35,500	16,400	85.86%
Manufacturing	127,500	123,300	108,000	107,600	(19,900)	(15.61%)
Subtotal	146,600	146,700	134,000	144,000	(2,600)	(1.77%)
Services Producing:						
T.C.U. 1/	28,700	31,400	32,600	42,200	13,500	47.04%
Wholesale Trade	25,800	37,100	37,600	42,600	16,800	65.12%
Retail Trade	68,700	95,300	104,500	128,100	59,400	86.46%
F.I.R.E. 2/	28,100	38,400	40,900	50,600	22,500	80.07%
Services	53,500	94,900	119,600	156,000	102,500	191.59%
Government	67,400	89,400	85,500	98,400	31,000	45.99%
Subtotal	272,200	386,500	420,700	517,900	245,700	90.26%
Total	418,800	533,200	554,700	661,900	243,100	58.05%
Percent Distribution						
Goods Producing:						
Mining	0.00%	0.00%	0.16%	0.14%	0.37%	
Construction	4.56	4.39	4.52	5.36	6.75	
Manufacturing	30.44	23.12	19.47	16.26	(8.19	
Subtotal	35.00%	27.51%	24.16%	21.76%	(0.07%	
Services Producing:						
T.C.U. 1/	6.85%	5.89%	5.88%	6.38%	5.55%	
Wholesale Trade	6.16	6.96	6.78	6.44	6.91	
Retail Trade	16.40	17.87	18.84	19.35	24.43	
F.I.R.E. 2/	6.71	7.20	7.37	7.64	9.26	
Services	12.77	17.80	21.56	23.57	42.16	
Government	16.09	16.77	15.41	14.87	12.75	
Subtotal	65.00%	72.49%	75.84%	78.24%	101.07%	
Total	100.00%	100.00%	100.00%	100.00%	100.00%	

1/ Transportation, Communications, and Utilities.
2/ Finance, Insurance, and Real Estate

Source: U.S. Department of Commerce, Bureau of Labor Statistics; and Indiana University.

Employment Projections, 1990 to 2010

Local employment forecasts are based on those prepared by Bureau of Economic Analysis (OBERS). Hammer, Siler, George Associates' review of these estimates indicated that they were somewhat obsolete when compared to the actual growth rate for the metropolitan Indianapolis economy over the past 20 years.

The metropolitan area economic base added a total of 114,400 non-agricultural wage and salary jobs during the 1970s and 128,700 jobs during the 1980s. The OBERS forecast of November 1985 indicated that the metropolitan area would add 56,100 jobs in the 1990s and 32,000 jobs between 2000 and 2010. These forecasts are well below the actual results of the past 20 years.

Hammer, Siler, George Associates has compared the metropolitan area's growth since 1970 with that of the nation as a whole. This data indicated that the region's employment base has been growing at about the same rate as the nation as a whole for the past 20 years. We see no reason why the region should not continue to pace national growth. Consequently, our forecast calls for gains of 95,100 jobs in the 1990s and 75,000 jobs in the first decade of the next century.

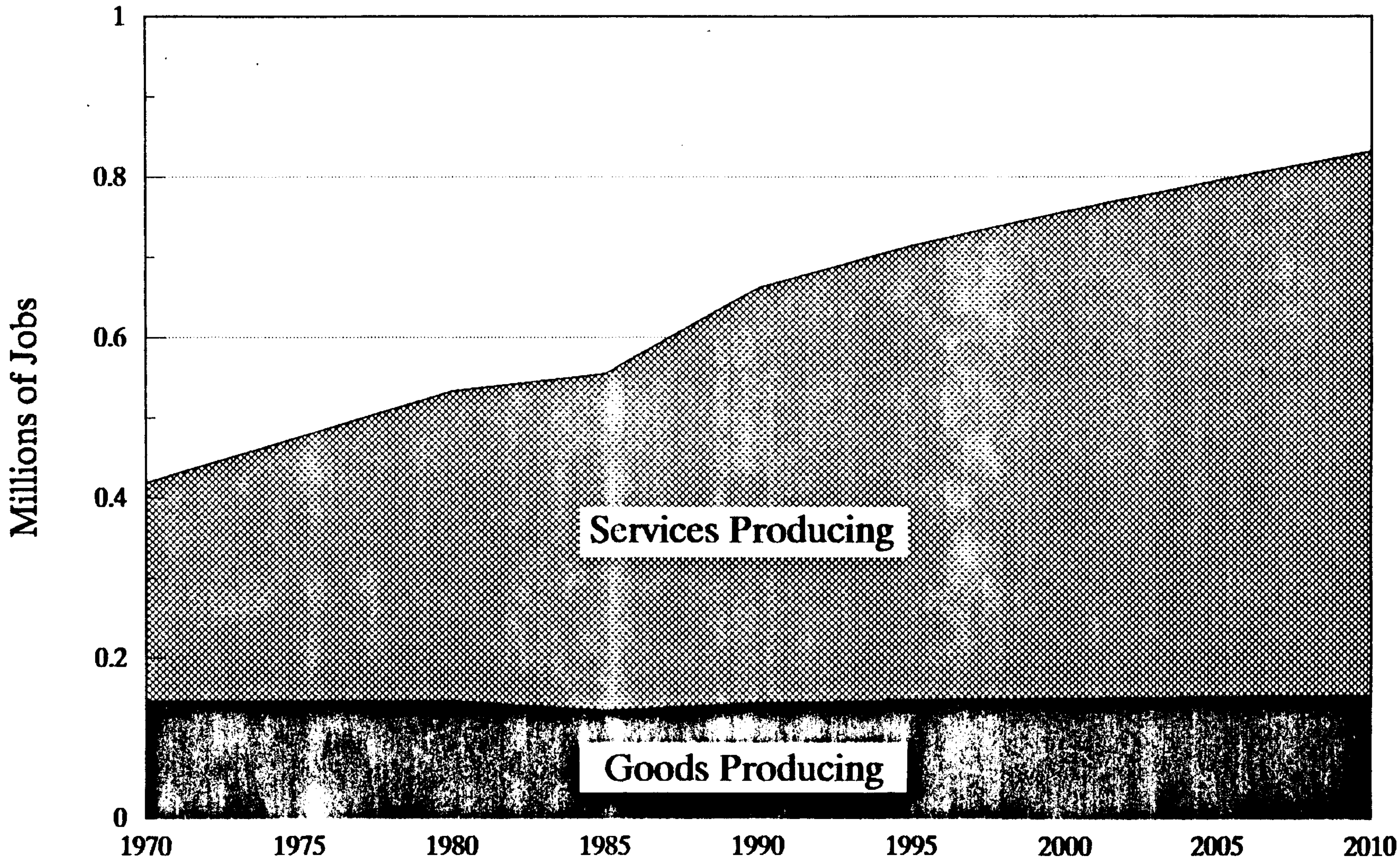
Table 2. PROJECTIONS FOR NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT, METROPOLITAN INDIANAPOLIS, 1990-2010

	OBERS	HSGA
Trends		
1970	418,800	418,800
1980	533,200	533,200
1985	554,700	554,700
1990	661,900	661,900
Forecast		
1995	695,000	715,000
2000	718,000	757,000
2005	735,000	796,000
2010	750,000	832,000
Change, 1970-80		
Amount	114,400	114,400
Percent	27.3%	27.3%
Change, 1980-90		
Amount	128,700	128,700
Percent	24.1%	24.1%
Change, 1990-00		
Amount	56,100	95,100
Percent	8.5%	14.4%
Change, 2000-10		
Amount	32,000	75,000
Percent	4.5%	9.9%

Source: City of Indianapolis; Indiana University; and Hammer, Siler, George Associates.

Metropolitan Indianapolis' job base grew at an average annual rate of 2.4 percent in the 1970s and 2.2 percent in the 1980s. The HSGA forecast calls for an annual average job growth rate of 1.4 percent in the 1990s and 1.0 percent after the year 2000.

Metropolitan Indianapolis Employment Trends and Forecasts



Our research indicates a continued shift toward service employment during the forecast period. Overall goods-producing employment is expected to expand by an estimated 6.9 percent over the next two decades, while services-producing employment is expected to expand by an estimated 30.9 percent. The Business Services and Finance, Insurance, and Real Estate categories are expected to lead service employment expansion.

Table 3. FORECASTS FOR NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT, METROPOLITAN INDIANAPOLIS, 1990-2010

	1990	1995	2000	2005	2010	Change 1990-2010	Change Percent
Number							
Goods Producing:							
Mining	900	1,000	1,000	1,000	1,000	100	11.11%
Construction	35,500	38,000	40,000	41,000	42,000	6,500	18.31%
Manufacturing	107,600	108,000	109,000	110,000	111,000	3,400	3.16%
Subtotal	144,000	147,000	150,000	152,000	154,000	10,000	6.94%
Services Producing:							
T.C.U. 1/	42,200	45,000	49,000	52,000	54,000	11,800	27.96%
Wholesale Trade	42,600	46,000	49,000	51,500	53,500	10,900	25.59%
Retail Trade	128,100	138,000	146,000	153,500	160,500	32,400	25.29%
F.I.R.E. 2/	50,600	55,000	60,000	65,000	70,000	19,400	38.34%
Services	156,000	177,000	190,000	203,000	215,000	59,000	37.82%
Government	98,400	107,000	113,000	119,000	125,000	26,600	27.03%
Subtotal	517,900	568,000	607,000	644,000	678,000	160,100	30.91%
Total	661,900	715,000	757,000	796,000	832,000	170,100	25.70%

Table 3. FORECASTS FOR NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT, METROPOLITAN INDIANAPOLIS, 1990-2010
(cont'd)

	1990	1995	2000	2005	2010	Change 1990-2010
Percent Distribution						
Goods Producing:						
Mining	0.14%	0.14%	0.13%	0.13%	0.12%	0.06%
Construction	5.36	5.31	5.28	5.15	5.05	3.82
Manufacturing	16.26	15.10	14.40	13.82	13.34	2.00
Subtotal	21.76%	20.56%	19.82%	19.10%	18.51%	5.88%
Services Producing:						
T.C.U. 1/	6.38%	6.29%	6.47%	6.53%	6.49%	6.94%
Wholesale Trade	6.44	6.43	6.47	6.47	6.43	6.41
Retail Trade	19.35	19.30	19.29	19.28	19.29	19.05
F.I.R.E. 2/	7.64	7.69	7.93	8.17	8.41	11.41
Services	23.57	24.76	25.10	25.50	25.84	34.69
Government	14.87	14.97	14.93	14.95	15.02	15.64
Subtotal	78.24%	79.44%	80.18%	80.90%	81.49%	94.12%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

1/ Transportation, Communications, and Utilities.
2/ Finance, Insurance, and Real Estate

Source: Indiana University and Hammer, Siler, George Associates.

Population and Households

The metropolitan area's expanding economic base has attracted a modest rate of in-migration during the 1970s and 1980s. Our forecast would indicate that the region will continue to attract a modest amount of in-migration over the next 20 years.

Population Trends and Forecasts

During the 1970s the metropolitan area gained some 56,753 persons, an increase of 5.1 percent. The net population gains for the 1980s are estimated at some 83,425, or 7.2 percent.

Population forecasts prepared by the Indiana State Board of Health call for population gains of 58,400 persons in the 1990s and 35,000 persons between 2000 and 2010.

Once the revised employment forecasts are considered, these forecasts appear to be somewhat conservative. Consequently, we have revised population forecasts so that the ratio between jobs and people is more in line with our expectations for long-term employment growth. As a result, we have forecast a population increase of 75,000 in the 1990s and an increase of 60,000 between 2000 and 2010.

Household Trends and Forecasts

Metropolitan Indianapolis households increased at a faster rate than population during the 1970s and 1980s. This is a result of a dramatic decrease in the average household size in the metropolitan area and the nation as a whole during that period. The metropolitan area households increased by 71,589, or 20.6 percent, during the 1970s and by 53,615, or 12.8 percent, during the 1980s. Household gains actually exceeded population gains in the 1970s as the average household size declined from 3.14 persons to 2.74 persons. Average household size continued to decline during the 1980s and currently stands at 2.6 persons.

Metropolitan area household size has tracked that of the nation as a whole since 1970. Our household forecasts call for this trend to continue during the forecast period. We expect household gains of some 52,600 persons in the 1990s, and 42,000 for the following 10 years. Average household size is expected to decline from 2.6 persons to 2.4 persons during that 20-year period.

Table 4. POPULATION AND HOUSEHOLD TRENDS, METROPOLITAN INDIANAPOLIS, 1970-2010

	Population	Household Population	Persons Per Household	Households
Trends				
1970	1,109,822	1,089,155	3.14	346,896
1980	1,166,575	1,145,421	2.74	418,485
1985	1,203,200	1,181,500	2.62	451,700
1990	1,250,000	1,227,500	2.60	472,100
Forecast				
1995	1,290,000	1,266,800	2.54	498,700
2000	1,325,000	1,301,200	2.48	524,700
2005	1,355,000	1,330,600	2.43	547,600
2010	1,385,000	1,360,100	2.40	566,700
Change, 1970-80				
Amount	56,753	56,266	-.40	71,589
Percent	5.1%	5.2%	-12.8%	20.6%
Change, 1980-90				
Amount	83,425	83,425	-.14	53,615
Percent	7.2%	7.2%	- 5.0%	12.8%
Change, 1990-00				
Amount	75,000	73,700	-.12	52,600
Percent	6.0%	6.0%	- 4.6%	11.1%
Change, 2000-10				
Amount	60,000	58,900	-.08	42,000
Percent	4.5%	4.5%	- 3.2%	8.0%

Source: U.S. Department of Commerce; Bureau of the Census, 1970, 1980, and 1985; Hammer, Siler, George Associates, 1990, 1995, 2000, 2005, and 2010.

Subregional Population Trends

Marion County is the central and most populous county within the metropolitan area. According to the Bureau of the Census, its population declined slightly between 1970 and 1980. These losses were recovered during the 1980s and the county's 1990 population is expected to show a slight gain over the 1970 total. Marion County accounted for 71.4 percent of the metropolitan area's population in 1970. This share is expected to decline to 63.8 percent in 1990. This downward trend in its share of metro population is expected to continue during the forecast period.

In the future, residents of Marion County are expected to be older and to have a smaller average household size than the suburban counties. Marion County households are projected to decline in size from 2.48 persons per household in 1990 to 2.37 in 2000 and 2.30 in 2010.

Table 5. COUNTY POPULATION TRENDS, METROPOLITAN INDIANAPOLIS, 1970-1990

	1970	1980	1988	1990
Marion	792,299	765,233	791,900	798,000
Percent of Metro	71.4%	65.6%	64.4%	63.8%
Boone	30,870	36,446	39,000	40,000
Hamilton	54,532	82,027	102,300	104,000
Hancock	35,096	43,939	45,700	46,000
Hendricks	53,974	69,804	76,800	78,000
Johnson	61,138	77,240	85,800	87,000
Morgan	44,176	51,999	54,900	56,000
Shelby	37,797	39,887	40,200	41,000
Suburban	317,583	401,342	444,700	452,000
Percent of Metro	28.6%	34.4%	35.6%	36.2%
Metro	1,109,882	1,166,575	1,236,600	1,250,000

Source: U.S. Department of Commerce; Bureau of the Census, 1970, 1980, and 1988; Hammer, Siler, George Associates, 1990.

Income

Metropolitan Indianapolis income trends have generally tracked the swings in national economic activity over the past 20 years. Real income gains were depressed by the combined effects of high unemployment and inflation during the 1970s. An expanding economy and a relatively low rate of inflation in the 1980s has resulted in more substantial levels of real income.

Per Capita Income

Between 1970 and 1980 per capita income in metropolitan Indianapolis increased by $2,211, or 16.2 percent, in constant 1990 dollars. During the 1980s per capita income increased by $3,236, or 20.4 percent, in 1990 constant dollars.

Our forecasts indicate continued moderate growth through the 20-year forecast period. We would expect a $2,866, or 15 percent, gain in real per capita income in the 1990s, and a $2,500, or 11.4 percent, gain between 2000 and 2010.

Average Household Income

The combined effects of inflation and substantial decline in the average household size held average household incomes to a $500, or 1.2 percent, real gain in metropolitan Indianapolis during the 1970s. An improved economic climate and a moderating of the rate of decline in household size resulted in a dramatic increase in real household incomes in the 1980s. Metropolitan Indianapolis average household income increased from $43,500 in 1980 to an estimated $49,700 in 1990, a real increase of $6,200, or 14.2 percent.

HSGA forecasts indicate continued moderate increases in average household income during the forecast period. We would expect real gains of $4,900, or 9.9 percent, in the 1990s and $4,200, or 7.7 percent, between 2000 and 2010.

Subregional Income Trends

Marion County per capita and average household income were somewhat higher than metropolitan Indianapolis in 1970. Both per capita and average household incomes in Marion County have dropped below the metropolitan Indianapolis level since 1980.

This shift in the income relationship is a result of the fact that many of the region's more affluent family households have moved to suburban counties. Households headed by retirees, younger workers, and poor families represent a more significant portion of Marion County households. These factors will continue the trend towards county incomes which are slightly lower than metropolitan incomes in the forecast period.

Table 6. INCOME TRENDS AND FORECASTS, METROPOLITAN INDIANAPOLIS AND MARION COUNTY, 1970-2010
(in 1990 dollars)

	Metropolitan Indianapolis		Marion County	
	Per Capita	Household	Per Capita	Household
Trends				
1970	$13,687	$43,000	$14,316	$44,200
1980	$15,898	$43,500	$15,867	$41,800
1985	$16,832	$44,000	$16,669	$41,900
1990	$19,134	$49,700	$18,800	$46,700
Forecast				
1995	$20,500	$52,100	$20,100	$48,600
2000	$22,000	$54,600	$21,500	$50,500
2005	$23,250	$56,500	$22,700	$52,000
2010	$24,500	$58,800	$23,900	$53,800
Change, 1970-80				
Amount	$ 2,211	$ 500	$ 1,511	-$ 2,400
Percent	16.2%	1.2%	10.5%	- 5.4%
Change, 1980-90				
Amount	$ 3,236	$ 6,200	$ 2,933	$ 4,900
Percent	20.4%	14.2%	18.5%	11.7%
Change, 1990-00				
Amount	$ 2,866	$ 4,900	$ 2,700	$ 3,800
Percent	15.0%	9.9%	14.4%	8.1%
Change, 2000-10				
Amount	$ 2,500	$ 4,200	$ 2,400	$ 3,300
Percent	11.4%	7.7%	11.2%	6.5%

Source: U.S. Department of Commerce, Bureau of Economic Analysis; Bureau of Labor Statistics; Indiana University; and Hammer, Siler, George Associates.

Section II. REGIONAL CENTER OFFICE POTENTIALS

Section II. REGIONAL CENTER OFFICE POTENTIALS

The Indianapolis office market enjoyed a considerable increase in construction and leasing during the 1980s.

Nearly 15 million square feet of new office space was added to the metropolitan area between 1980 and 1990. Over 6.1 million square feet of this space was located within the Regional Center.

Our research focused on Regional Center office activity, including data on all non-medical office buildings in excess of 20,000 rentable square feet assembled from a variety of local office surveys. This office data is broken down by government-owned, institutional, and general-occupancy space by buildings and rentable square feet. General-occupancy space has been subdivided into A, B, and C category space in order to further define trends in the downtown office market.

Regional Center Office Space

The Regional Center has experienced an unprecedented volume of new office construction since 1970. Some eight million square feet of new office space has been built and total space has more than doubled. More than 75 percent of the net gains in new space were added during the 1980s.

Office space owned by federal, state, or local government accounted for 392,100 rentable square feet of new space, or 4.9 percent; private institutions accounted for 879,800 rentable square feet, or 11.2 percent, while general-occupancy or speculative office space accounted for 6,618,300 rentable square feet, or 83.9 percent of the total. General-occupancy office space accounted for the overwhelming majority of new space added to the Regional Center since 1970; 85 percent of this general-occupancy space has been added to the stock since 1980.

Many older buildings have been renovated since 1970. This has considerably upgraded the quality of office space in the older facilities, making them more competitive with the newer buildings.

Table 7. OFFICE SPACE TRENDS, BY MAJOR CATEGORY, INDIANAPOLIS REGIONAL CENTER, 1970-1990
(existing stock in rentable square feet)

	Government	Institutional	General Occupancy	Total
Square Feet				
1970	1,653,800	433,700	4,407,200	6,494,700
1980	2,045,900	837,400	5,378,700	8,262,000
1985	2,045,900	1,177,400	7,414,500	10,637,800
1990	2,045,900	1,313,500	11,025,500	14,384,900
Net Change:				
1970-1980	392,100	403,700	971,500	1,767,300
1980-1990	-	476,100	5,646,800	6,122,900
1970-1990	392,100	879,800	6,618,300	7,890,200
Percent Distribution				
1970	25.5%	6.7%	67.8%	100.0%
1980	24.8%	10.1%	65.1%	100.0%
1985	19.2%	11.1%	69.7%	100.0%
Net Change:				
1970-1980	22.2%	22.8%	55.0%	100.0%
1980-1990	-	7.8%	92.2%	100.0%
1970-1990	4.9%	11.2%	83.9%	100.0%

Source: Indianapolis Office Guide; Indianapolis Business Journal; F. C. Tucker Company, Inc.; and field surveys by Hammer, Siler, George Associates.

Class A Office Space

Nearly all of the new general-occupancy office space built in the Regional Center since 1970 is classified as Class A office space. Fifteen buildings containing 6.5 million square feet have been completed since 1970. Twelve of these structures containing nearly 4.9 million square feet were completed between 1980 and 1990.

Monument Circle is the main focal point for business activities in the downtown area. Most of the Regional Center's stock of office space is within walking distance of this location. Most new Class A office development has occurred within close proximity of Monument Circle. Two new buildings with 1.4 million square feet have been built on blocks that abut Monument Circle; eight buildings with 3.44 million square feet have been built on the second tier of blocks surrounding the circle; three buildings with 0.95 million square feet have been built on third-tier blocks and three buildings with a total of 0.7 million square feet have been built in other locations. Overall, 89 percent of new Class A office buildings is located within three blocks of the Circle Monument.

Office Occupancy Trends

Office occupancy data for 1985, 1987, and 1989 was developed by using data provided by the Indianapolis Business Journal, F. C. Tucker and Company, Inc., and other local data sources. Occupancy data for 1980 are estimates based on 1979 data used in the 1980 Regional Center plan. Government and institutional office space is, under most circumstances, 100 percent occupied by the owner. Consequently, general occupancy, or speculative space, bears most of the variation in occupancy.

Regional Center office occupancy remained fairly stable between 1980 and 1985. Occupancy rates started to decline as large blocks of general-occupancy space entered the market between 1985 and 1989. Downtown office occupancy declined from 94.1 percent in 1980 to 93.5 percent in 1985. By the end of 1989 occupancy rates had declined to 86.5 percent.

All of the declines in occupancy were concentrated in the general-occupancy, or speculative, sector of the market. Speculative office occupancies were fairly stable between 1980 and 1985. Occupancy rates declined as more new space was completed. Occupancy rates for speculative office space reached 82 percent at the end of 1989.

Downtown office stock increased by 5.2 million square feet between the end of 1980 and the end of 1989. Office occupancy increased by some 3.9 million square feet. This created an addition to vacant space of some 1.3 million square feet.

Table 8. NEW CLASS A OFFICE SPACE, REGIONAL CENTER, INDIANAPOLIS, MARCH 1990
(net rentable sq. ft.)

Map No.	Building	Year Opened	Circle Blocks	Blocks Second Tier	Blocks Third Tier	Other	Total
1	Indiana National Bank	1970		654,800			654,800
2	Market Square Center	1974			396,000		396,000
3	Merchants Plaza	1977		575,500			575,000
4	One North Capital	1981		164,700			164,700
5	American United	1982		691,800			691,800
6	Landmark Center	1984				290,000	290,000
7	Two Market Square Center	1985			206,300		206,300
8	Capital Center North	1985		325,000			325,000
9	Capital Center South	1986		318,000			318,000
10	Pan American Plaza	1987				135,000	135,000
11	Market Tower	1988	495,000				495,000
12	101 W. Ohio	1988		290,000			290,000
13	First Indiana Plaza	1988		423,000			423,000
14	Gateway Plaza	1988				280,000	280,000
15	300 N. Meridian	1989			344,700		344,700
16	Bank One Tower	1990	905,900				
	Total		1,400,900	3,442,800	947,000	705,000	6,495,700
	Percent Distribution		21.57%	53.00%	14.58%	10.85%	100.00%

Source: Field surveys by Hammer, Siler, George Associates.

Table 9. OCCUPANCY TRENDS, INDIANAPOLIS REGIONAL CENTER, 1980-1989 1/
(square feet)

	1980	1985	1987	1989
Total Space				
Government	2,045,900	2,045,900	2,045,900	2,045,900
Institutional	837,400	1,177,400	1,177,400	1,291,500
General Occupancy	5,378,000	7,414,500	8,212,700	10,119,600
Total	8,262,000	10,637,800	11,436,000	13,457,000
Occupied Space				
Government	2,045,900	2,045,900	2,045,900	2,045,900
Institutional	837,400	1,177,400	1,177,400	1,291,500
General Occupancy	4,894,600	6,721,500	7,001,100	8,297,800
Total	7,777,900	9,944,800	10,224,400	11,635,200
Occupancy Rate				
Government	100.0%	100.0%	100.0%	100.0%
Institutional	100.0%	100.0%	100.0%	100.0%
General Occupancy	91.0%	90.7%	85.3%	82.0%
Total	94.1%	93.5%	89.4%	86.5%

1/ Fourth quarter.

Source: Indianapolis Business Journal; F. C. Tucker and Company, Inc.; and Hammer, Siler, George Associates.

General-Occupancy or Speculative Office Space

Our general-occupancy space analysis divides this market into three classes: A, B, and C. We have counted all renovated office buildings as part of Class B space.

Most of the new space added to the Regional Center submarket between 1980 and 1989 has been Class A space, 3.96 million square feet; Class B space increased by 0.67 million square feet; and Class C space increased by 110,000 square feet. Class A space accounted for most of the net increases in occupancy between 1980 and 1989, 3.2 million square feet. Class B space accounted for 147,000 square feet of net gains in occupancy; Class C space occupancy increased by an insignificant 8,000 square feet. Occupancy rates for all categories of speculative office space declined between 1980 and 1989. The major increase in Class A office space, combined with aggressive marketing programs and discounted rates, has moved many of the Regional Center's Class B tenants into Class A office buildings. This trend has been a major factor in the declining occupancy rates for both Class B and Class C office buildings.

The major increase in Class A office space, combined with aggressive marketing programs and discounted rates, has moved many of the Regional Center's Class B tenants into Class A office buildings. This trend has been a major factor in the declining occupancy rates for both Class B and Class C office buildings.

Class B and C office space can be upgraded to approach the quality of current Class A office space. Current rents, however, will not support these types of improvements. Effective rents have declined over the last three years and it is unlikely that very many Class A buildings are operating on a profitable basis at this time. As occupancy levels increase, the real rental rates should improve and upgrading buildings will become feasible again. This process is expected to take three to five years.

Table 10. GENERAL-OCCUPANCY OFFICE SPACE, BY CATEGORY, INDIANAPOLIS REGIONAL CENTER, 1980-1989
(square feet)

	1980	1985	1987	1989
Total Space				
Class A	1,626,300	3,097,800	3,757,100	5,589,800
Class B 1/	2,914,800	3,369,100	3,508,000	3,582,200
Class C	837,600	947,600	947,600	947,600
Total	5,378,700	7,414,500	8,212,700	10,119,600
Occupied Space				
Class A	1,500,000	2,941,400	3,320,400	4,697,800
Class B 1/	2,700,000	2,993,100	2,946,200	2,897,200
Class C	694,600	787,000	734,500	702,800
Total	4,894,600	6,721,500	7,001,100	8,297,800
Occupancy Rate				
Class A	92.2%	95.0%	88.4%	84.0%
Class B 1/	92.6%	88.8%	84.0%	80.9%
Class C	82.9%	83.1%	77.5%	74.2%
Total	91.0%	90.7%	85.3%	82.0%

1/ Includes renovated buildings.

Source: Indianapolis Business Journal; F. C. Tucker and Company, Inc.; and Hammer, Siler, George Associates.

General-Occupancy Office Rental Rates

Quoted office rents have increased substantially in the Regional Center over the past 10 years. Quoted Class A rents have doubled, and quoted Class B and Class C rents have increased between 50 and 100 percent.

Quoted rents have become less meaningful as an economic indicator as office occupancy rates have declined. Deep discounts from quoted rates are part of the marketing program in all categories of speculative office space. Effective rents (contract or quoted rate less free rent and special finish allowances) were $15.00 to $16.00 per square foot for upper-end Class A space in 1985. The current effective rate for this type of space is some $14.00 per square foot. Class B and C effective rental rates are under greater market stress than Class A rates and discounts are greater than those granted for Class A space.

Table 11. QUOTED RENTAL RATES, GENERAL-OCCUPANCY OFFICE SPACE, INDIANAPOLIS REGIONAL CENTER, 1979-1989

	1979	1989
Class A	$8.00-$10.50	$16.00-$22.00
Class B	$6.50-$ 8.50	$ 9.00-$16.50
Class C	$4.00-$ 7.00	$ 6.00-$14.50
Total	$4.00-$10.50	$ 6.00-$22.00

Source: Field surveys by Hammer, Siler, George Associates.

The Suburban Office Market

Very little office space existed outside the Regional Center as of 1970. This space was mainly composed of small one- and two-story facilities. Some 3.6 million square feet of new office space was built in the suburbs during the 1970s and another 8.5 million square feet was added during the 1980s. The suburban office stock has been continuously upgraded and currently contains a large number of medium-scale, multi-story facilities.

New space has been added to the suburban market faster than it has been absorbed during the 1980s. As a result, occupancy rates declined steadily between 1980 and 1987. Construction has slowed down and occupancies have improved over the past two years. Suburban occupancy rates have been consistently lower than that of the Regional Center since 1970. Both quoted rental rates and effective rental rates are also lower than in the Regional Center.

Very little office space is currently under construction in the suburban submarket. All facilities currently under construction are build-to-suit facilities that will be 100-percent occupied on completion. Most of these facilities are 15,000 to 20,000 square feet; one or two are 50,000 to 100,000 square feet. Banks have virtually ended new speculative office construction by cutting off loan funds.

Table 12. GENERAL-OCCUPANCY OFFICE TRENDS, SUBURBAN METROPOLITAN INDIANAPOLIS, 1970-1989
(net rentable square feet)

	Occupied	Vacant	Total	Occupancy
1970	1,123,000	124,800	1,247,800	90.0%
1980	4,366,800	485,200	4,852,000	90.0%
1985	7,309,500	1,189,900	8,499,400	86.0%
1987	9,078,400	2,326,600	11,405,000	79.6%
1989	10,543,300	2,473,100	13,016,400	81.0%
Change				
1970-1980	3,243,800	360,400	3,604,200	90.0%
1980-1985	2,942,700	704,700	3,647,400	80.7%
1985-1989	3,233,800	1,283,200	4,517,000	71.6%

Source: Indianapolis Business Journal; F. C. Tucker and Company, Inc.; and Hammer, Siler, George Associates.

The vast majority (85 to 90 percent) of suburban office space is located in the subsector north of the Regional Center.

Table 13. SUBURBAN OFFICE STOCK, BY MAJOR SUBMARKET, METROPOLITAN INDIANAPOLIS, 1980-1989

	Rentable Square Feet			
Submarket	1980	1985	1987	1989
North	1,479,500	2,391,000	3,227,00	3,847,600
Northeast	2,141,700	3,904,400	5,222,600	5,816,600
Northwest	649,800	977,700	1,371,400	1,728,100
Southeast	164,100	464,000	546,300	541,200
Southwest	416,800	762,300	1,037,500	1,082,900
Total	4,852,000	8,499,400	11,405,000	13,016,400

	Percent Distribution			
Submarket	1980	1985	1987	1989
North	30.5%	28.1%	28.3%	29.6%
Northeast	44.1	45.9	45.8	44.7
Northwest	13.4	11.5	12.0	13.3
Southeast	3.4	5.5	4.8	4.2
Southwest	8.6	9.0	9.1	8.3
Total	100.0%	100.0%	100.0%	100.0%

Source: Indianapolis Business Journal; F. C. Tucker and Company, Inc.; and Hammer, Siler, George Associates.

Future Office Demand

The future demand for office space was calculated by relating employment in high-office-use sectors of the economy (T.C.U., F.I.R.E., Services and Government) to long-term trends in office occupancy.

High-office-use employment has expanded at a faster rate than total employment in metropolitan Indianapolis since 1970. These industries accounted for two-thirds of the region's job gains in the 1970s and three-quarters of the gains in the 1980s. Our forecasts indicate that high-office-use employment will account for approximately 69 percent of the metropolitan area's job gains between 1990 and 2010.

The ratio between high-office-use employment and occupied office space has enjoyed a steady increase since 1970, as shown in Table 14. This indicates a gradual increase in the proportion of office workers within the various industry groups. Appendix Table A-1 relates total employment to occupied office space.

Employment increases and the shift towards a high proportion of office workers increased metropolitan Indianapolis' office demand by 4.86 million square feet in the 1970s and 11.26 million square feet in the 1980s. HSGA forecasts indicate that metropolitan office occupancies will increase by 9.6 million square feet during the 1990s and 9.1 million square feet between 2000 and 2010.

Table 14. OFFICE DEMAND TRENDS AND FORECASTS, METROPOLITAN INDIANAPOLIS, 1970-2010

	High-Office-Use Employment 1/	Office Space Per Employee 2/ (sq.ft.)	Occupied Office Space (sq.ft.)
Trends			
1970	177,700	41.0	7,287,200
1980	254,100	47.8	12,144,700
1985	278,600	61.9	17,254,300
1987	307,200	62.8	19,302,800
1989	335,500	66.1	22,178,500
Forecasts			
1990	347,200	67.4	23,407,000
1995	384,000	73.3	28,132,000
2000	412,000	80.2	33,032,000
2005	439,000	86.0	37,757,000
2010	464,000	90.8	42,132,000
Change			
1970-1980	76,400	63.6	4,857,500
1980-1990	93,100	121.0	11,262,300
1990-2000	64,800	148.5	9,625,000
2000-2010	52,000	175.0	9,100,000

1/ Transportation, Communication, Utilities; Finance, Insurance, and Real Estate; Services and Government.
2/ Occupied office space divided by high-office-use employment.

Source: U. S. Department of Commerce, Bureau of Labor Statistics; Indianapolis Business Journal; F. C. Tucker and Company, Inc.; and Hammer, Siler, George Associates.

Downtown Vs. The Suburbs

As of 1970, nearly 85 percent of the metropolitan area office space was located in the Regional Center. About one-third of the 1970 to 1980 net gains in office space occurred in the Region Center. A renewed interest in the downtown area during the 1980s increased the downtown area's share of net office space gains to some 37.8 percent. The

Regional Center's share of new office construction was even higher. Nearly all of the office space removed by demolition and conversion to other uses since 1970 was located in the Regional Center. Acutal new construction in the downtown area exceeded net gains by an estimated one million square feet between 1970 and 1990. As of 1990, slightly more than 51 percent of the metropolitan area's office space was located in the Regional Center.

The central location of the Regional Center, the considerable infrastructure developed in recent years, and the considerable momentum created by office development activities of the 1980s will provide it with a slightly improved share of future office space gains.

The completion of the new state office building will also give the Regional Center a considerable one-time boost in maintaining its share of the metropolitan area's office stock during the 1990s. Existing buildings in the Regional Center will attract tenants by discounting rents in the 1990s, helping the Regional Center to maintain its position in the regional market. By the year 2000, the cost differentials between Regional Center and suburban locations would again favor suburban development. Our research indicates that the Regional Center will capture 44 percent of net office gains in the 1990s and 40 percent of the net gains between 2000 and 2010. The Regional Center is expected to be the site of 47.5 percent of the metropolitan area's office stock by 2010.

Table 15. TRENDS AND FORECASTS, OCCUPIED OFFICE SPACE, BY SUBAREA, METROPOLITAN INDIANAPOLIS, 1970-2010
(square feet)

	Regional Center	Suburban	Total
Trends			
1970	6,164,200	1,123,000	7,287,200
1980	7,777,900	4,366,800	12,144,700
1985	9,944,800	7,309,500	17,254,300
1987	10,224,400	9,078,400	19,302,800
1989	11,635,200	10,543,300	22,178,500
Forecasts			
1990	12,034,400	11,372,600	23,407,000
1995	14,300,000	13,832,000	28,132,000
2000	16,300,000	16,732,000	33,032,000
2005	18,200,000	19,370,000	37,757,000
2010	20,000,000	22,132,000	42,132,000
Change, 1970-80			
Amount	1,613,700	3,243,800	4,857,500
Percent	33.2%	66.8%	100.0%
Change, 1980-90			
Amount	4,256,500	7,005,800	11,262,300
Percent	37.8%	62.2%	100.0%
Change, 1990-00			
Amount	4,265,600	5,359,400	9,625,000
Percent	44.3%	55.7%	100.0%
Change, 2000-10			
Amount	3,700,000	5,400,000	9,100,000
Percent	40.6%	59.4%	100.0%

Source: U. S. Department of Commerce, Bureau of Labor Statistics; Indianapolis Business Journal; F. C. Tucker and Company, Inc.; and Hammer, Siler, George Associates.

Downtown Demand and Supply

During the 1970s office space was completed at a rate which was readily absorbed by the downtown market. Net gains in occupancy were 91 percent of the net gains in the supply. During the 1980s increases in the supply of office space exceeded the capacity of the Regional Center's absorption potential. Net gains in occupancy were just under 70 percent of net gains in supply.

Excess office production and the resulting decline in downtown office occupancies will have to be corrected in the 1990s if office development is to recover its economic viability. Consequently, net gains in demand will have to exceed net gains in supply. Our forecasts indicate that net gains in demand will need to be 146 percent of net gains in supply during the 1990s in order to obtain an equilibrium occupancy rate of 94 percent by the year 2000. This will reduce the need for new space to some three million square feet for the 1990s, including the state office building. Another four million square feet of office space would be required to meet downtown needs between 2000 and 2010.

Table 16. TRENDS AND FORECASTS, OFFICE DEMAND AND SUPPLY, REGIONAL CENTER, METROPOLITAN INDIANAPOLIS, 1970-2010
(rentable square feet)

Trends	Occupied 1/	Vacant	Total Space 2/	Occupancy Rate
1970	6,164,200	330,500	6,494,700	94.9%
1980	7,777,900	484,100	8,262,000	94.1%
1985	9,944,800	693,000	10,637,800	93.5%
1987	10,224,400	1,211,600	11,436,000	89.4%
1989	11,635,200	1,821,800	13,457,000	86.5%
Forecasts				
1990	12,034,400	2,350,500	14,384,900	83.7%
1995	14,300,000	1,400,000	15,700,000	91.1%
2000	16,300,000	1,040,000	17,340,000	94.0%
2005	18,200,000	1,162,000	19,362,000	94.0%
2010	20,000,000	1,277,000	21,277,000	94.0%
Change				
1970-1980	1,613,700	153,600	1,767,300	
1980-1990	4,256,500	1,866,400	6,122,900	
1990-2000	4,265,600	(1,310,500)	2,955,100	
2000-2010	3,700,000	237,000	3,937,000	

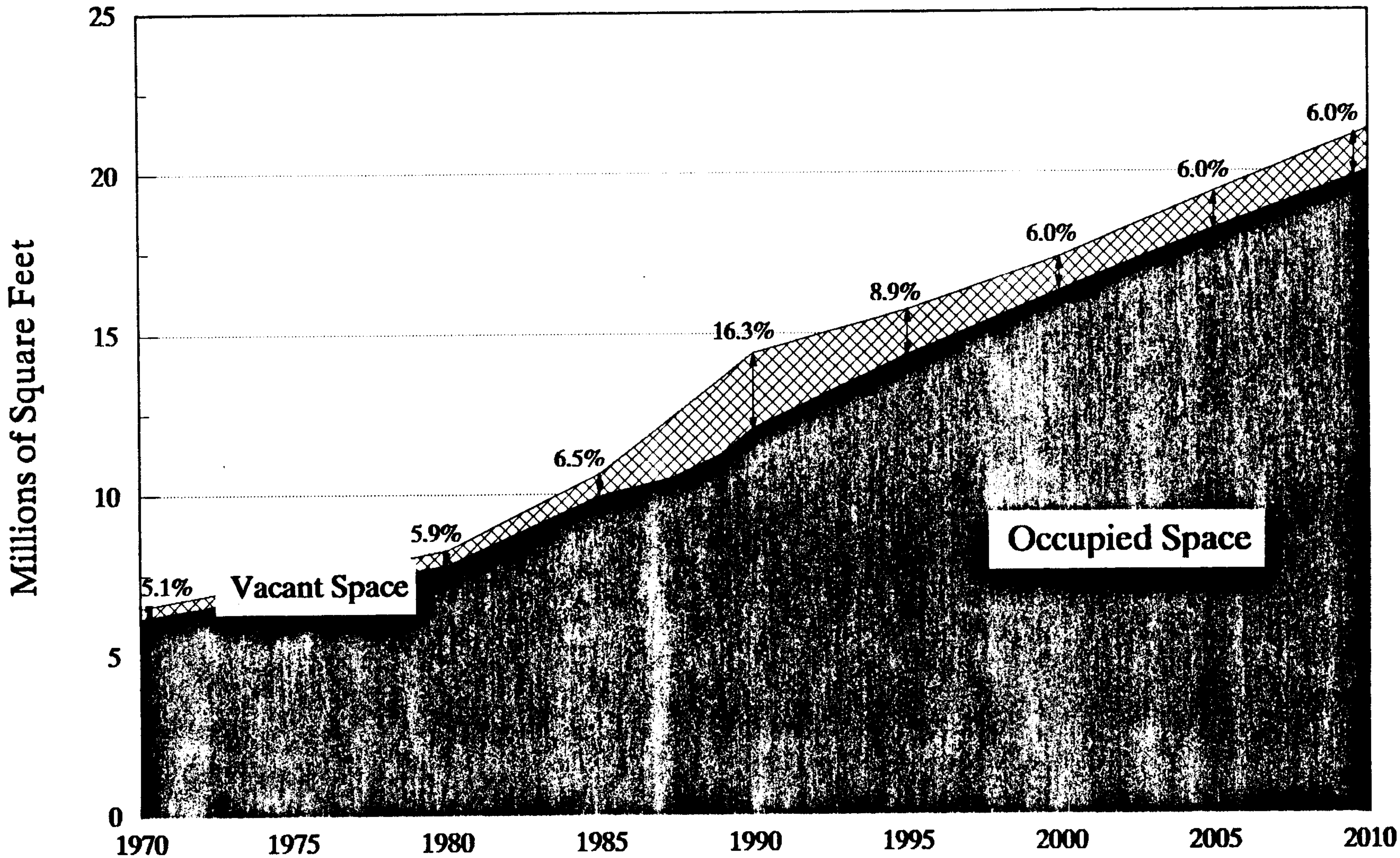
1/ Demand.
2/ Supply.

Source: Indianapolis Business Journal; F. C. Tucker and Company, Inc.; and Hammer, Siler, George Associates.

Impact of the New State Office Building

The State of Indiana will complete construction on a one-million-square-foot building in the summer of 1991. This structure will have some 650,000 rentable square feet of office space. State of Indiana departments currently located in downtown general-occupancy office buildings will be moved into this new structure. Departments will be temporarily moved out of the old state office building in order to accommodate its rehabilitation. Several state departments, located in

Indianapolis Regional Center,
Office Demand and Supply, 1970-1995



eight buildings in the Regional Center currently utilizing some 450,000 rentable square feet of space, have been identified as potential tenants for the new state office building.

Table 17. STATE AGENCIES IN REGIONAL CENTER OFFICE BUILDINGS, MARCH 1990

Department	Building	Rentable Square Feet
Class A Buildings:		
Human Servics	Capitol Center North	41,800
Education	Two Market Square Center	52,800
Commerce	One North Capitol	36,400
Fire and Building Services	Landmark Center	26,500
Subtotal		157,500
Class B Buildings:		
Human Services	225 N. Capitol	66,200
Public Welfare	141 S. Meridian	75,200
Human Services	115 N. Pennsylvania	32,800
Aging and Community Services	115 N. Pennsylvania	27,000
Subtotal		201,200
Class C Buildings:		
Environmental Management	Chesapeake	95,100
Total		453,800

Source: State Office Building Commission.

Three major office buildings will be completed in the Regional Center between 1989 and 1991: Bank One Tower, 900,000 square feet, in 1990; State Office Building Two, 655,000 square feet, in 1991; and Farm Bureau Insurance, 350,000 square feet, at Quadrant Four in 1991. Consequently, Regional Center office stock will increase by approximately 1.9 million rentable square feet between the end of 1989 and the end of 1991. Thereafter, we would expect the Regional Center office stock to remain fairly stable until 1995.

The impact of the completion of State Office Building Two should be between 1991 and 1993. We have assumed the new building is fully occupied at the end of 1991 and the old building will be partially occupied as a result of the renovation process through the end of 1992.

Office occupancies are expected to improve somewhat in 1990. The completion of the new state office building and the Farm Bureau Insurance building will cause occupancy rates to decline in 1991. General-occupancy office space will bear the brunt of these declines.

Table 18. OFFICE MARKET FORECASTS, REGIONAL CENTER, 1990-95

	1990	1991	1992	1993	1994	1995
Rentable Space (sq.ft.)						
Government	2,045,900	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Institutional	1,313,500	1,315,000	1,400,000	1,450,000	1,500,000	1,500,000
General Occupancy	11,025,500	11,385,000	11,300,000	11,350,000	11,400,000	11,500,000
Total	14,384,900	15,400,000	15,400,000	15,500,000	15,600,000	15,700,000
Occupied Space (sq.ft.)						
Government	2,045,900	2,500,000	2,500,000	2,700,000	2,700,000	2,700,000
Institutional	1,313,500	1,315,000	1,400,000	1,450,000	1,500,000	1,500,000
General Occupancy	8,675,000	8,700,000	8,950,000	9,200,000	9,600,000	10,100,000
Total	12,034,400	12,515,000	12,850,000	13,350,000	13,800,000	14,300,000
Occupancy						
Government	100.0%	92.6%	92.6%	100.0%	100.0%	100.0%
Institutional	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
General Occupancy	78.7%	76.4%	79.2%	81.1%	84.2%	87.8%
Total	83.7%	81.3%	83.4%	86.1%	88.5%	91.8%

Source: Hammer, Siler, George Associates.

Our research indicates that the opening of the Bank One Tower will cause a drop in occupancy rates for speculative office space in 1990. The loss of state government tenants will create a zero growth year for speculative office space in 1991. This, combined with the opening of the Farm Bureau Insurance building at Quadrant Four, will cause a further decline in speculative office occupancy. If new office space construction is severely restricted within the next two years, occupancy rates should begin to improve in 1992. The market should support a modest amount of new construction beyond 1992.

Class A office space is expected to improve its occupancy rates by discounting rents and drawing tenants out of Class B buildings in the short run. Class B office space is expected to attempt to improve its occupancy rates by discounting rents and drawing tenants out of Class C buildings in the short run. These facilities will be hard pressed to maintain their current level of occupancy. Class C buildings will be hard pressed to retain tenants. Occupancies are expected to decline and some buildings will be removed from the market.

Table 19. GENERAL-OCCUPANCY OFFICE MARKET FORECASTS, REGIONAL CENTER, 1990-95

	1990	1991	1992	1993	1994	1995
Rentable Space (sq.ft.)						
Class A	6,495,700	6,500,000	6,500,000	6,600,000	6,700,000	6,850,000
Class B	3,582,200	3,937,000	3,900,000	3,900,000	3,900,000	3,900,000
Class C	946,600	948,000	900,000	850,000	800,000	750,000
Total	11,025,500	11,385,000	11,300,000	11,350,000	11,400,000	11,500,000
Occupied Space (sq.ft.)						
Class A	5,300,000	5,400,000	5,650,000	5,900,000	6,150,000	6,400,000
Class B	2,700,000	2,700,000	2,750,000	2,800,000	2,900,000	3,100,000
Class C	675,000	600,000	550,000	500,000	550,000	600,000
Total	8,675,000	8,700,000	8,950,000	9,200,000	9,600,000	10,100,000
Occupancy						
Class A	81.6%	83.1%	86.9%	89.4%	91.8%	93.4%
Class B	75.4%	68.6%	70.5%	71.8%	74.4%	79.5%
Class C	71.2%	63.3%	61.1%	58.8%	68.8%	80.0%
Total	78.7%	76.4%	79.2%	81.1%	84.2%	87.8%

Source: Hammer, Siler, George Associates.

Regional Center Outlook

The Regional Center has experienced an unprecedented boom in office construction during the 1980s. Overbuilding is apparent (as in nearly every other metropolitan area in the United States) and the first half of the 1990s will undoubtedly be a period for digesting existing vacancies. Proposed new office buildings are on the back burner and no new construction is expected to be initiated as long as occupancies and effective rents are declining. Most of the major tenants (i.e. banks, insurance companies, accounting and law firms) have made their move into new facilities. These local companies and the State of Indiana have accounted for the bulk of the Regional Center's growth in office demand during the 1980s.

Future office demand is expected to be mainly generated by the expansion of businesses that are currently located in metropolitan Indianapolis. Inter-regional relocations have impacted the local market and will continue to do so in the future. Regional administration, sales and distribution operations are the most likely types of uses to be relocated. These types of relocated tenants are not likely to represent more than 10 to 20 percent of local office demand in future years.

Strategy Implications

Over the next three to five years, the existing supply of office space plus the space currently under construction will more than meet the demand for new office space. Given our forecasts of future office demand, the Regional Center will need roughly three million square feet of new office space during the 1990s. Much of that required supply is currently under development. This forecast is based upon stabilization of the office market at an overall vacancy rate of six percent.

Expansion of the Regional Center office inventory beyond the projected demand would come largely at the expense of Class B and Class C office buildings. Major new construction in advance of major increases in demand would need to attract tenants from existing Class B and C buildings.

This phenomenon has already decreased substantially the occupancy rates for Class B and C buildings. That impact will be exacerbated in the next three years by the shift of several state agencies into the new state office building. A number of Class B and C buildings may go through financial difficulties resulting from high vacancies and constrained rent levels. Current office economics do not support the cost of major renovations; the pace of building renovation and upgrading can be expected to slow during this period of constrained profitability.

These cost pressures may cause some building owners to explore alternatives, including building demolition. Protection of the Regional Center's historic building stock may require legislation or zoning regulations to prevent demolition for the purpose of creating surface parking lots. In addition to reducing the stock of interesting buildings, surface parking lots significantly interrupt the continuity of buildings along the street. This interruption affects pedestrians' perceptions of the street and their walking experience, making them less likely to walk around to shop or to run other errands while downtown. This loss of pedestrian activity can be very damaging to the vitality of individual downtown blocks.

Reuse potentials will need to be explored for individual buildings based on each building's location, physical characteristics, condition and financial situation. For some buildings, conversion to other uses may be appropriate. Some buildings may be suitable for conversion to residential use. Ideally, such buildings would be clustered in close proximity to each other and to retail, service and entertainment facilities which help to create an attractive and competitive residential environment. Individual residential buildings isolated from other residential structures are less likely to attract tenants than those located within a neighborhood and residential environment.

However, the market economics for most of the Class B buildings will suggest continued operation as office buildings rather than conversion to other uses. With a return to higher office occupancy rates in the mid-1990s, the potential income from upgraded office space will once again exceed the potential income from residential use.

Section III. REGIONAL CENTER HOUSING POTENTIALS

Section III. REGIONAL CENTER HOUSING POTENTIALS

Downtown Indianapolis has a limited but healthy housing base with a number of neighborhoods showing growing strength and appeal. In this section, the downtown housing market is analyzed within the framework of the regional market. The analysis is based upon 1) demographic analysis; 2) interviews with developers and realtors active in the market; 3) a telephone survey of 400 metropolitan residents; and 4) a series of focus group discussions.

Metropolitan Market

As discussed in the Economic Overview section, Metropolitan Indianapolis (Marion, Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan and Shelby Counties) has an estimated 1990 population of 1,250,000. Of that total, 98.2 percent live in households and 1.8 percent are in group quarters -- dormitories, boarding houses, jails, nursing homes, etc. With an average household size of 2.6 persons per household, the region's household population makes up 472,100 households. That is a 12.8-percent increase from the 1980 level of 418,485 households.

Rental apartments are the major downtown market due to land costs and the nature of the downtown population. Currently, the regional multi-family market is recovering from significant overbuilding during the mid-1980s. Vacancies in the region's apartment complexes range from 14.4 percent downtown to 7.9 percent in the western and southern suburbs, as estimated by Coldwell Banker Real Estate Services on the basis of a direct survey of the region's multi-family projects. The higher vacancy rate downtown reflects in part the presence of older units which have not been renovated and cannot compete effectively for the potential demand. The northern suburbs which experienced a great deal of new construction and strong demand had an 8.3-percent vacancy rate among multi-family rental projects. In the eastern suburbs, the vacancies were estimated at 12.5 percent. Monthly rents average $372 for a one-bedroom apartment and $511 for a two-bedroom, two-bath apartment, as shown in Table 20, but many complexes are offering rent and lease incentives such as free rent or free spa membership to lure tenants. Realtors report that the prevalence of such incentives is diminishing as more projects reach full occupancy and the oversupply of rental units declines.

Table 20. APARTMENT RENTS, METROPOLITAN INDIANAPOLIS, 1989

Unit Type	Rent Range	Average Rent	Size Range (sq. ft.)	Rent Range Per Sq. Ft.	Average Rent Per Sq. Ft.
Separately Metered					
Studio	$300-$510	$376	376-815	$0.54-$1.13	$0.72
1 Bedroom/1 Bath	$300-$750	$430	500-1,044	$0.44-$0.83	$0.60
2 Bedrooms/1 Bath	$295-$1,150	$503	602-1,577	$0.39-$0.75	$0.55
2 Bedrooms/2 Baths	$495-$925	$663	916-1,650	$0.39-$0.81	$0.55
3 Bedrooms	$805-$1,600	$1,203	2,600	$0.46	$0.46
Master Metered					
Studio	$187-$500	$276	250-550	$0.41-$1.02	$0.64
1 Bedroom/1 Bath	$250-$710	$331	389-980	$0.35-$0.87	$0.56
2 Bedrooms/1 Bath	$300-$775	$433	610-1,000	$0.40-$0.81	$0.54
2 Bedrooms/2 Baths	$695-$935	$815	954-1,635	$0.63	$0.63
3 Bedrooms	$995-$1,050	$1,023	1,190-1,912	$0.66	$0.66

Source: Coldwell Banker Commercial Real Estate Services.

The significant overbuilding of the mid-1980s mirrored construction activity across the country as investors responded to generous real estate tax incentives. The Tax Reform Act of 1986 cut back those tax incentives quite sharply reducing investor interest in multi-family residential development.

Currently, the tightening of credit resulting from the Savings and Loan industry crisis is putting a further damper on development. Lenders are being particularly conservative in their real estate development loans as bank and S&L regulators scrutinize their loan portfolios and lending practices.

Coldwell Banker estimates that regional absorption of rental apartments averages 1,600 units per year. With construction constrained below that level, the existing oversupply will be drawn down over time and the market will again achieve a healthy balance between supply and demand. As would be expected, the demand is favoring new complexes with extensive amenities. Many of these new complexes have now reached full occupancy at the expense of older apartment complexes which have not been modernized to meet the demands of the market.

Current Downtown Situation

Prior to completion and analysis of the 1990 Census, we must rely on estimates of the current downtown housing market. The Division of Metropolitan Development (DMD) estimates the current downtown housing stock at 7,280 to 7,500 housing units. This represents a loss of 700 to 920 units since the 1980 Census. Many of these units were uninhabitable and were cleared for new construction such as Lockefield Gardens. Drawing on broker surveys and the postal vacancy survey conducted for the Federal Home Loan Bank of Indianapolis, DMD estimates downtown vacancies at 10 to 13 percent of the total housing stock. This is a significant improvement over the 26-percent vacancy rate reported in the 1980 Census. In addition to improved demand, this vacancy rate reflects demolition of some uninhabitable and substandard units.

The current Regional Center household population is estimated by DMD at 11,400 to 12,150, a 10-percent increase over the 1980 level of residents living in households. If the 1980 group quarters population has remained stable at 2,190 people, that estimate would imply a total Regional Center population of 13,600 to 14,350.

Existing Housing Stock

The market-rate rental housing stock includes 2,960 units in 39 buildings, as inventoried by the Commission for Downtown. Table 2 summarizes this inventory by building and rent ranges. Most of these competitive rental projects are major renovations. Other rental units are located throughout the Regional Center in houses with two to four apartments, older complexes and subsidized housing complexes.

Table 21. INVENTORY OF RENTAL APARTMENT COMPLEXES, DOWNTOWN INDIANAPOLIS AND CLOSE-IN NORTH SIDE, 1990

Project Name	Type	Number of Units	Rent Range	Unit Type 1/
Alameda	Renovation	24	$285	s,1
The Argyle	Renovation	35	$330 - $400	1,2
Canal Commons	Proposed	221		1,2,3
Canal Overlook	New	125	$470 - $895	s,1,2
Canal Square	New	275	$435 - $750	1,2,
Cathcart		19	$250 - $325	s,1
The Chalet		30	$285	s
The Clifford		12	$385	1
Delaware Court	Renovation	38	$299 - $450	1,2
Drake Manor	Renovation	13	$296	2
Garden Arch		40	$325	1
Glencoe	Renovation	8	$600 - $700	2
Horace Mann School	Renov. Studios	22	$375 - $825	1,2
Lockerbie Apartments	Renovation	17	$250 - $300	1
Lockerbie Court	Renov. Towns	46	$475 - $800	1,2
Lockerbie Flats	Renovation	15	$400 - $750	s,1,2
Lockefield Gardens	New/Renovation	493	$414 - $592	1,2
The Lodge	Renovation	16	$375 - $425	1
The Martens	Renov. Towns	19	$475 - $750	1,2
The Massachusetts	Renovation	8	$474 - $525	s,1
Penn Arts	Renovation	79	$310 - $350	s,1
Pennsylvania Place				
The Ambassador	Renovation	60	$390 - $510	1
The Dartmouth	Renovation	42	$325 - $650	s,1,2
Harness Factory Lofts	Renovation	95	$400 - $925	s,1,2
The McKay	Renovation	24	$330 - $505	s,1,
The Pennsylvania	Renovation	14	$360 - $535	1
The Plaza	Renovation	29	$425 - $815	1,2
The Raleigh	Renovation	69	$300 - $610	s,1,2
Renaissance Tower	Furnished	81		s
Richlieu Annex		39	$300 - $475	1,2
Riverpointe Apts.		143	$370 - $445	1,2,3
The St. Clair	Renovation	8	$800	2
The St. Regis	Renovation	72	$275 - $300	1
Senate Manor	Renovation	77	$224	s
Shelton Apartments	Renovation	50	$292	s
The Towers at Riley	Renovation	502	$395 -$1,595	s,1,2,3
The Turnverein	Renovation	51	$400 -$1,800	s,1,2,3
The Wyndham	Renovation	49	$320 - $435	s,1
Regional Center Total		2,960		

Table 21. INVENTORY OF RENTAL APARTMENT COMPLEXES, DOWNTOWN INDIANAPOLIS AND CLOSE-IN NORTH SIDE, 1990
(Continued)

Project Name	Type	Number of Units	Rent	Range	Unit Type 1/
North Side Projects					
The Barbee	Renovation	38	$325 -		1
Buckingham Balmoral		88	$350 -	$800	s,1,2,3
Chatham Manor		19	$290 -	$350	s,1
Chelsea Manor	Renovation	38	$345 -	$425	s,1
Court of Two Sisters	Renov. Towns.	20	$595 -	$600	2
The Harrison	Renovation	85	$270 -	$350	s,1
The Jordan	Renovation	38	$275 -	$355	s,1
The Marleigh	Renovation	48	$320 -	$450	s,1
The Maplecrest	Renovation	24	$335 -	$350	1
The Maryden	Renovation	24	$330 -	$400	1,2
The Spink (PP)	Renovation	58	$325 -	$530	s,1
The Van Dyke (PP)	Renovation	26	$315 -	$575	s,1,2
Rotherwood	Renovation	61	$235 -	$380	s,1,2
St. James Court		43	$395 -	$450	1
Sherwood Tower	Renovation	106	$319 -	$395	s,1
The Standish	Renovation	30	$215		1
Stonegate Apartments		49	$260 -	$275	s,1
The Traymore		43	$325		1
The Utemin	Renovating	20			1
The Vancouver	Renovation	30	$225		s
The Windsor	Renovation	38	$275 -	$355	s,1
The Winter House	Renovation	135	$321 -	$499	s,1
North Side Total		1,061			
Grand Total		4,021			

1/ s denotes studio apartment
1 denotes one-bedroom apartment
2 denotes two-bedroom apartment
3 denotes three-bedroom apartment

Source: Commission for Downtown

Generally, rents are $0.55 to $0.70 per square foot for a typical one-bedroom apartment renting for $430 per month plus heat. Price sensitivity in the downtown reflects the competitive conditions throughout the regional market as suburban complexes with high vacancies offer free rent and other inducements. Downtown rents in newly renovated buildings, however, remain 10 to 20 percent above rents for comparable suburban units.

Table 22. APARTMENT RENTS, DOWNTOWN INDIANAPOLIS, 1989

Unit Type	Rent Range	Average Rent	Size Range (sq. ft.)	Rent Range Per Sq. Ft.	Average Rent Per Sq. Ft.
Separately Metered					
Studio	$140-$510	$287	280-818	$0.38-$1.13	$0.72
1 Bedroom/1 Bath	$200-$750	$372	440-1,240	$0.28-$0.89	$0.53
2 Bedrooms/1 Bath	$225-$1,150	$398	600-1,577	$0.28-$0.75	$0.46
2 Bedrooms/2 Baths	$200-$1,795	$511	800-2,100	$0.81-$0.92	$0.47
3 Bedrooms	$305-$1,600	$561	800-3,800	$0.30-$0.58	$0.42
Master Metered					
Studio	$125-$500	$270	250-800	$0.31-$1.16	$0.64
1 Bedroom/1 Bath	$195-$710	$340	370-1,200	$0.29-$0.98	$0.51
2 Bedrooms/1 Bath	$225-$775	$385	450-1,458	$0.26-$0.94	$0.45
2 Bedrooms/2 Baths	$247-$935	$458	728-1,800	$0.22-$0.67	$0.42
3 Bedrooms	$269-$1,050	$529	850-2,400	$0.20-$0.66	$0.41

Source: Coldwell Banker Commercial Real Estate Services.

Future Development Opportunities

From a physical standpoint, many sites within the Regional Center are still available for residential development. A March 1990 survey by the Regional Center Housing Task Force's subcommittee on infill housing identified vacant and underutilized sites and buildings which might accommodate as many as 7,800 units. This inventory included 164 sites. Of these, 64 were vacant or parking lots. While some of these were scattered lots for individual housing units, 19 were major sites with at least 100,000 square feet which could be suitable for garden or townhouse apartment developments. Following the extensive renovation of historic buildings over the last 20 years, fewer available structures are suitable for renovation or adaptive reuse for housing.

Major public investment in the Canal has created a series of residential sites. Two complexes are complete or nearing completion -- the 125-unit Canal Overlook and the 275-unit Canal Square project which will open later this year. Two more projects are planned but not yet underway -- the 31-unit Boardwalk condominium project by DeMars-Haka Development Co. and Canal Commons, a mixed-use project with 221 units by Revken, Inc. Additional sites exist to the North of Indiana Avenue; however, their future use has been called into question by the diversion of canal land for development of a research park. With development of Circle Centre, sites for high-rise development may be created within the City-owned portion of the Circle Centre project. Other direct public incentives for residential development are relatively limited. From the Federal Government, low-income housing tax credits are available for a limited time to assist housing developments which commit 40 percent of the units to low- and moderate-income households.

Private investment was particularly strong in the mid- to late-1980s. Roughly 1,200 housing units were renovated from 1982 to 1989. Much of this investment was made financially feasible by historic preservation tax credits. An additional 419 new units were constructed at Canal Overlook and Lockefield Gardens as well as other new units on scattered sites within Chatham-Arch and other neighborhoods.

The sharp limitations placed on the use of historic preservation tax credits, other real estate tax incentives and the lowering of marginal tax rates in the Tax Reform Act of 1986 changed much of the economics of housing development in general and renovation of historic properties in particular. Development can be tax-driven no longer; it must stand on its own economic merits without benefit of tax incentives. The change in the tax laws and the overbuilt market conditions which resulted in part from the overly generous real estate tax provisions have slowed multi-family residential development throughout the country and the metropolitan area.

As mentioned earlier, the S&L crisis has resulted in generally tighter underwriting standards among real estate lenders nationally. In the Regional Center, developers report that there is some skepticism among potential lenders as to the strength of the downtown rental market resulting from the bankruptcy of one tax-driven renovator of historic properties. That skepticism will need to be overcome by continued good performance of existing downtown projects.

The current constraints on real estate lending should be transitory trends which will ease once the region's oversupply of multi-family housing is significantly reduced with the resulting improvement in vacancy rates, rents and operating performance.

On the home ownership side, lenders are now recognizing the viability of downtown housing and neighborhoods. Realtors active in the downtown single-family market report that many fewer households are having problems getting individual mortgage loans, in contrast to earlier years when such loans were hard to get.

Future Housing Demand

Issues Affecting Downtown Housing Demand

Several factors are currently constraining downtown housing development. As in most downtowns, the cost of land and the greater costs associated with high-density construction combine to make housing more expensive downtown than in the suburbs. To some extent, this cost burden is offset by the higher rents people are willing to pay for the convenience of living close to work. However, downtown housing projects compete within a regional marketplace and their rents are constrained by those in competitive suburban locations.

The spotty nature of redevelopment has proven to be a barrier to marketing of some renovated housing units in Chatham Arch and other redeveloping neighborhoods. The presence of a deteriorated unit or a vacant lot next door is a negative factor that households consider in choosing a home. Additional infill housing is needed to reinforce the on-going private investment in downtown housing.

The quality of the Indianapolis Public Schools is an issue for families with children. Until further improvements, such as those instituted at the Key School, are made, the market for downtown housing will continue to be dominated by small households without children.

Though lenders are now recognizing that housing in downtown neighborhoods can be a sound investment, the region's realtors are not fully aware of the opportunities available in downtown Indianapolis. Recent efforts by the Commission for Downtown and Flock Realty to educate realtors as to the downtown opportunities seem to be improving their level of awareness, but it is still a constant battle for downtown neighborhoods. A related problem is the tendency of realtors and corporations helping to find housing for new employees who have just moved to Indianapolis to ignore downtown neighborhoods in showing properties. Additional efforts need to be made to encourage downtown corporations to include downtown housing opportunities in their presentations to new employees.

Telephone Survey Results

As input to this analysis, Gentleman Associates conducted a telephone survey of 400 metropolitan residents, including 100 downtown employees. The survey included questions related to both housing and shopping. Following is a brief summary of some of the key results related to housing. More detailed tabulations are shown in Appendix A.

Of the 400 people surveyed, 20 (5 percent) reported that they would be very likely to consider downtown as a housing location if they were to move and the type of housing they were seeking were available downtown; another 38 (9 percent) answered that they would be somewhat likely to consider downtown. One-fourth of the respondents who were very or somewhat likely to consider downtown reported expected to be moving in the next two years.

The individuals who would consider downtown were significantly younger than those who were not likely to consider downtown. Forty percent were aged 25 to 34 (versus 27 percent of other respondents) and 16 percent were between 18 and 24 (as compared with 9 percent of other respondents). Fifty-nine percent of the respondents favorable to downtown were part of a one-person or a two-person household as opposed to 48 percent of the other respondents. Of those favorable to downtown, 44 percent currently rent; this compares with 29 percent of the other respondents.

Those who would consider downtown had somewhat lower incomes. Eighty percent had household incomes of $40,000 or less, as compared with 63 percent of other respondents. This income disparity may reflect the larger number of single persons interested in downtown, the correlation between age and income, and the relatively lower incomes of renter households.

Of those who would consider downtown living, 52 percent have monthly rents or mortgage payments of $400 or less as compared with 58 percent of the other respondents. Currently, 36 percent of those favorably disposed to downtown live in an apartment or a townhouse/condominium, as contrasted with 19 percent of the other respondents. Thus, those very or somewhat likely to consider downtown are more mobile and somewhat better prepared to afford downtown rents given their current housing expenditures.

When asked what amenities they would want to see in downtown, 38 percent of those individuals who were favorable to downtown cited extra security, 26 percent said off-street parking, eight percent wanted pools and tennis courts, and four percent wanted on-site retail facilities. Other respondents who planned to move in the next two years but who were unlikely to consider downtown had similar recommendations. Sixteen percent wanted extra security; 14 percent wanted off-street parking; six percent thought the addition of pools and tennis courts would make them more interested in downtown; and four percent wanted more or better grocery stores.

Focus Group Inputs

Focus groups are small-group discussions designed to elicit qualitative, in-depth discussions on a specific topic. They are run by professional moderators in order to insure that the results are not biased by the person asking the question, and the participants are recruited according to specific guidelines. In this case, Gentleman Associates conducted four focus groups comprised of professional and managerial downtown employees, clerical and support downtown employees, downtown residents and suburban residents who do not work downtown. There were four separate groups to allow distinctions among the various market groups which might consider downtown housing. Following is a brief distillation of some of the key downtown housing issues raised by the focus groups.

There is an over-riding market image that downtown living is oriented to single people, senior citizens and couples without children. This image is a relatively accurate picture of existing residents. The bias toward one- and two-person households without children reflects both the nature of the housing stock and the reluctance of families to enroll their children in the Indianapolis Public School system. The focus group participants with children were particularly concerned about the school system and the quality of education their children would receive. The one exception was the Key School, which was mentioned favorably by one resident of the Old North Side whose child attends the school and by other participants who had heard good things about the school.

Beyond the issue of schools, the groups felt strongly that downtown was not designed for children. They reported that there are no Regional Center parks or facilities designed with children in mind, particularly in the neighborhoods.

The focus group participants talked about the need for greater housing variety. Their perceptions of the downtown market are that the rents are high and that downtown caters to an exclusive clientele. They would like to see more projects such as Lockefield Gardens which offers units at reasonable prices with some of the amenities they are accustomed to in the suburbs.

They see downtown as being more attractive to transplants, people who have experienced urban living in other locations. Downtown is also seen as more appealing to people who work long hours, for whom a short commuting time carries a particular premium.

Parking is a major issue and concern for potential residents. The basic demand is for secured parking for all of their cars, preferably covered parking.

The downtown residents were generally very positive about downtown living. They loved not only the convenience to downtown work locations, but also the fact that the highway patterns make commuting very easy from downtown to any other part of the region. One resident whose firm is moving out of downtown is considering continuing to live downtown because of that easy commute. The participants enjoy the full range of activities available to them -- the festivals, the theaters, Union Station, the night life, the museums, the zoo and White River Park. Lockerbie Marketplace and O'Malia's play an important part in their satisfaction with downtown living. Having downtown stores for their day-to-day needs was very attractive, though most felt that O'Malia's prices were too high. They enjoyed the unique housing opportunities offered by historic buildings and high-rise structures. All felt safe in the downtown and in their neighborhoods.

Many of the downtown employees and suburban residents had housing desires they felt could not be met within the downtown. These generally ran to large homes with yards and garages. Some preferred the amenity package of a large suburban apartment complex with a pool, tennis courts and other recreational facilities. Some preferred the convenience of being able to reach a shopping center within five minutes which could meet all their shopping needs. Two or three were particularly insistent on not wanting to be anywhere near their place of work during their off-hours.

Demand Analysis

The analysis of demand for new housing in the Regional Center combines inputs from the telephone survey, the Division of Metropolitan Development's estimates of current housing stock and population, realtor and developer interviews, and detailed data from the 1980 Census of Population and Housing. Based on survey results which indicate that close-in residents are more likely to favor downtown, this analysis is separated between Marion County households and households from the balance of the metropolitan area. Starting with the base of metropolitan area households who move within a single year, the potential downtown demand is determined by identifying those small households which would consider downtown housing and which are paying rents or mortgage payments comparable to those required downtown. From that potential pool of renters and owners, the share which would actually move into downtown is estimated and then allocated among existing housing and newly constructed housing.

Renter Housing Demand. Drawing from data in the 1980 U.S. Census of Population and Housing, roughly 9.3 percent of owner households and 37.5 percent of renter households in the area move each year. Given the current count of 472,100 households, that suggests that 90,200 housing units will be leased or sold annually within the metropolitan area from 1991 through 1995. This includes the estimated 5,200 net new households forecast to be created in or attracted to the metropolitan area annually. Using metropolitan area household projections and a constant factor for annual housing turnover, the projected number of annual household moves is as follows:

	Annual Number of Households Moving			
	Marion County		Balance of Metro	
Time Period	Owner	Renter	Owner	Renter
1991-1995	17,400	48,500	11,300	13,000
1996-2000	18,200	50,800	12,100	14,000
2001-2005	19,000	52,900	13,000	15,000
2006-2010	19,600	54,800	13,800	15,900

The telephone survey indicated that 20 percent of Marion County renter households and 14 percent of other metropolitan area renter households would be very likely or somewhat likely to consider downtown living. Thus, the number of potential households which would consider downtown living is as follows:

Time Period	Annual Renter Households Which Would Consider Downtown
1991-1995	11,500
1996-2000	12,200
2001-2005	12,700
2006-2010	13,200

From this total universe of renter households which would consider downtown, the demand for market-rate housing needs to exclude those households whose income would not allow them to pay market rents. Given the rent structure of the new and renovated units downtown, market rent is estimated to be at least $400 per month. Again, drawing upon the telephone survey's current rent distribution for individuals favorably disposed to consider downtown living, only 48 percent of the sample was paying current rents of $400 or more. Excluding those individuals paying lower rents, the potential demand is as follows:

Time Period	Annual Renter Households Which Would Consider Downtown at Market Rents
1991-1995	5,600
1996-2000	5,900
2001-2005	6,100
2006-2010	6,500

The next iteration is to limit the potential demand to the one- and two-person households shown to be most likely to live downtown. Sixty-nine percent of Indianapolis renter households and 63 percent of other metropolitan area renter households have one or two persons. The resulting demand is as follows:

Time Period	Annual Small Renter Households Which Would Consider Downtown at Market Rents
1991-1995	3,800
1996-2000	4,000
2001-2005	4,100
2006-2010	4,400

Finally, an adjustment must be made to account for the fact that the desired housing style will not be available at a rent which is affordable for some and that some people will tell you what they think you want to hear in a survey. Our estimate is that downtown housing can successfully accommodate 25 to 40 percent of the potential demand from small renter households in Marion County and 15 to 25 percent of the demand from elsewhere in the metropolitan area. This provides the following estimate of potential downtown renter households:

Time Period	Potential Demand for Regional Center Rented Housing at Market Prices
1991-1995	890 - 1,430
1996-2000	940 - 1,510
2001-2005	970 - 1,550
2006-2010	1,020 - 1,660

To convert from household demand to new housing construction, allowance needs to be made for typical vacancies in new and existing units. Rental units typically average a five-percent vacancy rate; therefore the potential household demand is increased by five-percent. This demand for market-rate rental housing includes both demand which will be accommodated in existing units and that which will be served by new construction. To estimate the number of new market-rate rental units which could be developed in the Regional Center, an allowance must be made for the turnover within existing units. The inventory of rental units shown in Table 21 indicates that roughly 2,200 rental units within the

Time Period	Annual Small Renter Households Which Would Consider Downtown at Market Rents
1991-1995	3,800
1996-2000	4,000
2001-2005	4,100
2006-2010	4,400

Finally, an adjustment must be made to account for the fact that the desired housing style will not be available at a rent which is affordable for some and that some people will tell you what they think you want to hear in a survey. Our estimate is that downtown housing can successfully accommodate 25 to 40 percent of the potential demand from small renter households in Marion County and 15 to 25 percent of the demand from elsewhere in the metropolitan area. This provides the following estimate of potential downtown renter households:

Time Period	Potential Demand for Regional Center Owner Housing at Market Prices
1991-1995	890 - 1,430
1996-2000	940 - 1,510
2001-2005	970 - 1,550
2006-2010	1,020 - 1,660

To convert from household demand to new housing construction, allowance needs to be made for typical vacancies in new and existing units. Rental units typically average a five-percent vacancy rate; therefore the potential household demand is increased by five-percent. This demand for market-rate rental housing includes both demand which will be accommodated in existing units and that which will be served by new construction. To estimate the number of new market-rate rental units which could be developed in the Regional Center, an allowance must be made for the turnover within existing units. The inventory of rental units shown in Table 21 indicates that roughly 2,200 rental units within the

Regional Center have rents of $400 or more. Within this competitive inventory, developers and realtors estimate an annual turnover of roughly 30 percent. That would suggest that 660 new households could be accommodated within the existing market-rate rental housing stock each year. The remaining demand would be accommodated in newly constructed units. New construction required to replace units lost to commercial use or to demolition is estimated to average 30 units per year. The resulting projection of demand by existing and new housing is as follows:

Time Period	Potential Demand for Rental Housing at Market Rents New Construction or Renovation Annual Demand	Five-Year Total
1991-1995	305 - 875	1,525 - 4,375
1996-2000	360 - 960	1,800 - 4,800
2001-2005	390 - 1,000	1,950 - 5,000
2006-2010	445 - 1,115	2,225 - 5,575

Owner Housing Demand. The demand for owner-occupied housing is somewhat more limited due to the smaller percentage of owner households which move each year and the smaller share of owner households who favor downtown housing (12 percent versus 20 percent for Marion County renters). The potential pool of owner households which are favorable to downtown living must be limited further to the roughly 30 percent of households favorable to downtown which were reported in the telephone survey to be paying $500 or more in current rent or mortgage payments. This leaves the following potential demand from one- and two-person owner households:

Time Period	Annual Small Owner Households Which Would Consider Downtown at Market Prices
1991-1995	430
1996-2000	450
2001-2005	470
2006-2010	490

Even more than with the renter housing demand, there may be difficulties in providing the type of owner housing desired by the potential market. The prices may be too high and the parking provisions not ideal. For these reasons, the estimated share of this demand which can actually be captured by the Regional Center is estimated at 20 to 30 percent of the Marion County demand and 10 to 20 percent of the demand from the metropolitan area. This leaves a potential annual demand for market-rate owner-occupied housing as follows:

Time Period	Potential Demand for Regional Center Owner Housing at Market Prices
1991-1995	70 - 120
1996-2000	80 - 120
2001-2005	85 - 125
2006-2010	85 - 135

These households demand estimates are increased by one percent to allow for typical vacancies among owner units. Turnover among owner-occupied units is typically much lower than among rental units. The annual turnover of Regional Center owner-occupied housing is estimated at eight percent. With an estimate 500 renovated owner-occupied units in the Regional Center, the existing housing stock could accommodate 50 new households annually. An additional 10 units per year are estimated to be required to replace existing units lost to demolition or conversion to commercial use. The resulting projection of demand for owner-occupied housing for renovation of existing homes and new construction is as follows.

	Potential Demand for Owner Housing at Market Prices New Construction or Renovation	
Time Period	Annual Demand	Five-Year Total
1991-1995	40 - 90	200 - 450
1996-2000	50 - 90	250 - 450
2001-2005	55 - 95	275 - 475
2006-2010	55 - 105	275 - 525

University-Related Demand

In addition to the demand for market-rate rental housing documented above, there exists additional potential for development of lower-cost housing. One of the strongest potentials is development for the Indiana University - Purdue University at Indianapolis (IUPUI) students, faculty and staff. Given the current IUPUI enrollment of 24,270 students, the potential market is quite large if rental projects can be developed near to campus. A recent survey of IUPUI students indicated that as much as on-third of the study body would be interested in living closer to campus if affordable housing can be developed. With an average household size of 1.75, 8,000 students would represent 4,600 households. Currently, downtown housing managers report that students occupy only 200 to 300 downtown housing units, leaving a latent demand as high as 4,300 households. Some additional demand may be generated by students at Indiana Business College and interns in the teaching hospitals near downtown.

Though the vast majority of IUPUI students are employed, most cannot afford monthly rents of $400 or more. The survey indicates that housing for this market should not exceed rents of $350 to $375 per month for one-bedroom units and $425 to $475 per month for two-bedroom units. These projects must provide the security and amenities of the suburban apartments where many of these students now live. Given the economics of housing development, it is virtually impossible to develop new housing to meet those rent ranges without public financial assistance.

With public assistance to write-down land costs and to provide low-cost financing, the demand from IUPUI students could justify construction of 200 to 400 units annually. However, it must be emphasized that the private market acting alone cannot be expected to meet much, if any, of this demand. Public financial assistance is essential to achieving these potential construction targets.

Elderly Housing Needs

Elderly households are another special population whose needs are not well met by the private housing market. Given the demographic trends toward aging of the population, the number of households headed by individuals aged 70 and above is growing rapidly. The 1980 U.S. Census of Population identified 33,300 metropolitan Indianapolis households headed by individuals aged 70 to 79 and another 14,800 households whose heads were 80 or older. Hammer, Siler, George Associates estimates that these numbers have increased 16 percent from 1980 to 1990, for an increase of 4,600 households with heads aged 70 to 79 and 3,100 additional households headed by individuals aged 80 or older. By the year 2000, the number of households with the head aged 70 or older is projected to increase by another 8,900 households.

While many of these households have private resources and Social Security income sufficient to take care of their own housing needs, many do not. The 1980 U.S. Census of Population indicated that 14 percent of individuals aged 65 and over and households headed by individuals aged 65 and over had incomes below the poverty line.

With the growing elderly population, more elderly-headed households can be expected to need subsidized housing. More of this housing could be developed within the Regional Center. However, the number of units is dependent upon the availability of funding assistance from the Federal and City governments.

Housing Demand by Unit Type

The demand forecasts discussed in the preceding pages focus on the demand for market-rate housing to be developed primarily by the private market. The market's ability to meet those demands will depend upon the relationship between the cost of development and the rents and prices individual households are willing to pay.

Rental Units. The rental unit demand will be met through renovation of existing apartment buildings, garden apartments, rental townhouses and high-rise apartments. The number of units provided through renovation of existing projects is limited by the number of buildings still available for redevelopment and their suitability given modern standards.

Garden apartments located on one level of a two- to four-story structure are the most prevalent unit type due to the greater achievable densities and the lower costs of construction. The greater density allows the land cost to be distributed over a larger number of units. The smaller units typically included in a garden apartment complex have lower total development costs and therefore can lease for significantly lower rents.

Garden apartments can be expected to capture 60 to 75 percent of the demand for newly constructed rental units within the Regional Center. These units should have a rough split of 45 percent one-bedroom units (500 to 750 square feet), 50 percent two-bedroom units (800 to 900 square feet) and 5 percent efficiencies (400 to 600 square feet). The supportable rents range from $0.60 to $0.75 per square foot.

The challenge will be to provide safe and secure sites of sufficient size to build an apartment complex of at least 150 units (four acres or more). While apartment complexes can be developed with fewer units, smaller complexes cannot achieve the economies of scale in project management available to larger projects.

Rental townhouses are the most popular unit type in terms of renter preference. However, the constraint comes in the higher cost of land and the higher cost of construction. Rental townhouses are expected to average 25 to 35 percent of the new rental units. Most should have two bedrooms and roughly 900 square feet with rents of $0.70 to $0.80 per square foot.

A limited segment of the housing market prefers high-rise apartments, roughly 10 percent of the overall market. Beyond the demand limitations, the difficulty in developing high-rise apartments is the inability to phase the construction to keep pace with market demand. A high-rise apartment building brings 300 to 500 new units into the market at one time and may take two to four years to reach full occupancy. The negative cash flow during those first years of lower occupancy becomes an additional development cost, increasing the rents required to make the project feasible. Currently, the demand for Regional Center high-rise living is being met by the Towers at Riley Center.

In order to increase the likely absorption pace, a new high-rise apartment building in the downtown would need a unique marketing appeal. It is our judgment that the presence of the Circle Centre shopping center in downtown could create the additional excitement and appeal need to significantly improve the demand for a high-rise apartment development in the Regional Center. This demand would be best met by an apartment complex within two to four blocks of Monument Circle and Circle Centre. The projected demand would indicate a market for 300 to 400 high-rise units over the next five to ten years.

To develop high-rise apartments for a market seeking to pay $0.75 to $1.00 per square foot, project economics is likely to demand some form of public assistance. High construction and land costs make it very difficult to develop such units on a purely private-market basis. The public sector may be asked to provide land write-downs or financing assistance to reduce the development costs of such projects. Currently, the public resources available for such assistance are quite limited.

Owner Units. Clearly, the greatest demand for owner-occupied housing units is for single-family units. The enhanced privacy, larger units and the opportunity for a yard, even a small one, are very attractive to middle- and higher-income households. The renovation activity of the last decade in Lockerbie, Chatham-Arch and other downtown neighborhoods is evidence of the appeal of single-family units. Creative unit designs have been developed to allow new construction on small lots within these historic neighborhoods which harmonizes with the existing structures. Roughly 50 to 60 percent of the demand for owner-occupied units will be met by single-family units.

Two major factors are constraining development of additional single-family housing within the Regional Center. First is the limited availability of suitable lots within desirable neighborhoods. As noted earlier, the spotty pattern of redevelopment in some of the Regional Center's historic neighborhoods is affecting the marketability of houses. Until deteriorated units can be removed and more units built on the "missing tooth" vacant lots, demand will be somewhat constrained. The second issue is the cost of developing a limited number of houses at one time to the finish standards expected by this market.

To meet the demand for ownership opportunities within the downtown, townhouses have a strong appeal for first-time buyers who want to buy a home with more space but cannot afford a single-family detached unit.

These units could meet 20 to 30 percent of the demand for owner-occupied units. They should include 70 percent two-bedroom units (1,000 to 1,200 square feet) and 30 percent three-bedroom units (1,400 square feet).

Condominium apartments meet a special need for households seeking homeownership opportunities but not wishing to deal with the upkeep of a single-family or townhouse unit. These units have particular appeal to "empty-nester" households whose children have left the family home and who find yard work and house upkeep too time-consuming or demanding. Younger households show a greater preference for townhouses than for condominium apartments. With a target market of empty-nester households, condominium apartments could attract 10 to 20 percent of the market for owner-occupied units. Given this target market of households moving from larger single-family units, the condominiums should be larger than renter units, averaging 1,200 to 1,600 square feet. With competitive prices at $100 per square foot, this sizing would suggest pricing of $120,000 to $160,000. Clearly, though, there are also opportunities for small projects in different segments of the market, including young professionals, at lower costs and smaller sizes.

Demand Summary

The following table summarizes the potential demand for market-rate housing units in the Regional Center. Actual construction will depend upon the development efforts of individual developers and property owners. Some of the potential demand for Regional Center housing may be met by new construction and housing renovation in close-in neighborhoods such as the Old Northside.

Table 23. SUMMARY OF DEMAND FOR MARKET-RATE HOUSING IN THE REGIONAL CENTER, NEW CONSTRUCTION AND RENOVATION, 1991-2010

Time Period	Rental Unit Demand Annual	Rental Unit Demand Total Period
1991-1995	305 - 875	1,525 - 4,375
1996-2000	360 - 960	1,800 - 4,800
2001-2005	390 - 1,000	1,950 - 5,000
2006-2010	445 - 1,115	2,225 - 5,575

Distribution By Unit Type	
Garden Apartments	60% - 75%
Townhouses	25% - 35%
High-Rise Apartments	0% - 10%

Time Period	Owner-Occupied Unit Demand Annual	Owner-Occupied Unit Demand Total Period
1991-1995	40 - 90	200 - 450
1996-2000	50 - 90	250 - 450
2001-2005	55 - 95	275 - 475
2006-2010	55 - 105	275 - 525

Distribution By Unit Type	
Single-Family Units	50% - 60%
Townhouses	20% - 30%
Condominium Apartments	10% - 20%

	Student Unit Demand
Latent Demand	4,300 units
Potential Construction with Public Financial Assistance	200 - 400 units/year

Source: Hammer, Siler, George Associates.

Strategy Implications

The Regional Center is home to several healthy and attractive neighborhoods. The private investment in these neighborhoods could be reinforced with public improvements to the basic infrastructure of streets, sidewalks and open spaces. Particular attention needs to be given to improving the public schools serving the Regional Center; currently, public perceptions about the quality of these schools prevent most families with children from considering downtown living.

With completion of the new Regional Center plan, the underlying zoning to implement the plan will need extensive revisions. In some neighborhoods, the underlying zoning does not allow development of compatible residential structures. Other neighborhoods are threatened by proximity to incompatible land uses; zoning controls should strengthen their protection against intrusions from commercial and industrial uses.

Housing development in the Regional Center needs clear direction from the Regional Center plan as to areas preserved for residential development. Developers and homebuyers need to be assured that their housing investments will not be undermined by future development of incompatible uses on adjoining properties. Clear commitments should be made as to the future land uses in Midtown and along the Canal so that housing developers can proceed with confidence. Without such clear commitments, financing for these projects may be jeopardized as lending institutions weigh the risk of future land use conflicts.

Housing construction supports significantly lower land prices than does office development. The Regional Center zoning should clearly prohibit commercial and industrial development in areas planned for housing. Otherwise, landowners have unrealistic expectations about the price they can charge for their land based on its value for offices rather than housing. These inflated land prices further constrain the feasibility of private housing development without public financial assistance.

Future planning for Regional Center housing should accommodate a wide variety of housing styles and price ranges in order to appeal to the widest possible market. One of the limitations on the Regional Center's ability to attract residents has been the narrow range of housing types currently available. Many potential residents cannot find appropriate housing styles to meet their particular needs and pricing.

Provision of affordable housing within the Regional Center will require public/private partnerships to reduce land and site development costs. Public/private efforts to meet this need should give special consideration to potential Regional Center sites.

The downtown housing effort should generally emphasize housing within existing neighborhoods or in new clusters with enough units to create a neighborhood and provide a sense of identity. Isolated buildings are more difficult to market to potential tenants without other special features to counterbalance the lack of a neighborhood.

Within that overall approach of emphasizing neighborhoods and clustered housing, one clear exception should be made for new housing associated with Circle Centre. The unique environment of a downtown shopping center can be very attractive to certain types of households. In that situation, the high level of activity generated by the shopping center can provide a feeling of community and activity. This is quite different from an isolated residential building surrounded by office buildings which are empty at night and on weekends.

Lockerbie Marketplace is an important amenity for downtown residents, one which is highly valued by existing residents. This community asset should be reinforced. Additional opportunities for additional retail and service establishments which meet the day-to-day needs of downtown residents should be pursued as well.

In general, the potential for new housing construction and renovation in the Regional Center and adjoining neighborhoods will be enhanced by overall improvements in downtown retailing, attractions and open spaces. As downtown becomes a more exciting and vibrant place to visit and work, it also becomes more attractive to potential residents.

Section IV. REGIONAL CENTER HOTEL POTENTIALS

Section IV. REGIONAL CENTER HOTEL POTENTIALS

This section examines the market for motel and hotel rooms in the Indianapolis Regional Center. Our research also includes a brief overview of hotel room supply and demand for the entire metropolitan area. We have focused on three prime sectors of market support for hotel rooms: commercial visitations; conventions and other group business; and tourist and other visitors.

Market Overview

This discussion includes general market data on all metropolitan area hotel rooms and segments of market support. However, the main focus of our research is on the supply and demand situation for the Regional Center.

Existing Facilities

Metropolitan Indianapolis currently has 102 competitive hotel facilities with 15,519 rooms and suites. Total units available nearly tripled during the 1970s and nearly doubled during the 1980s. While suites accounted for only about one percent of all hotel units in 1970, nearly 1,900 hotel suites were added to the stock of hotel units during the 1980s. As of 1990, some 13.5 percent of the metropolitan area's hotel units were suites.

Table 24. TRENDS IN COMPETITIVE MOTOR HOTELS, METROPOLITAN INDIANAPOLIS, 1970-1990

	Facilities	Units: Rooms	Units: Suites	Units: Total
1970	17	2,956	30	2,986
1980	60	8,007	216	8,223
1985	79	10,120	1,677	11,797
1989	99	13,119	1,964	15,083
1990	102	13,427	2,092	15,519
Change, 1970-80				
Number	43	5,051	186	5,237
Percent	25.3%	170.9%	620.0%	175.4%
Change, 1980-90				
Number	42	5,420	1,876	7,296
Percent	97.7%	67.7%	868.5%	88.7%

Source: Field surveys by Hammer, Siler, George Associates.

Subarea Distribution

The Regional Center contains some 3,567 hotel units and accounts for 23 percent of the metropolitan area's hotel units in 1990. These units include 678 suites, about one-third of the metropolitan area total.

The northern suburbs contain 4,529 hotel units, or 29.2 percent of the regional total. Suites account for 1,142 of the above units, and the northern suburbs have some 55 percent of the total suites within the region.

The eastern and southern suburbs contain a total of 4,119 hotel units, 27.6 percent of the region's total. Only 175 of these units are suites, 8.4 percent of the metropolitan area total.

The airport area and western suburbs have a total of 3,129 hotel units, 20.2 percent of the metropolitan area total. Less than 100 of these units are suites.

Table 25. DISTRIBUTION OF MOTOR HOTEL FACILITIES, METROPOLITAN INDIANAPOLIS, MARCH 1990

	Units		
Submarket	Rooms	Suites	Total
Regional Center	2,889	678	3,567
Suburban:			
North	3,387	1,142	4,529
East	2,327	65	2,392
South	1,792	110	1,902
Airport and West	3,032	97	3,129
Total Suburban	10,538	1,414	11,952
Total	13,427	2,092	15,519

	Percent Distribution		
Submarket	Rooms	Suites	Total
Regional Center	21.5%	32.4%	23.0%
Suburban:			
North	25.2%	54.6%	29.2%
East	17.3	3.1	15.4
South	13.4	5.3	12.2
Airport and West	22.6	4.6	20.2
Suburban Total	78.5%	67.6%	77.0%
Total	100.0%	100.0%	100.0%

Source: Field surveys by Hammer, Siler, George Associates.

The Regional Center has experienced a steady decline in its share of total metropolitan area hotel units since 1970. The 14 competitive hotels currently operating in the downtown are primarily engaged in catering to the commercial traveler and the convention/group meeting attendee. Tourist and budget travelers are a minimal part of this market.

The northern submarket, which includes the midtown area and the northern suburbs, has experienced an explosion of facilities during the 1980s. More than 25 new facilities were built during the 1980s, adding some 3,700 units to the existing inventory. About one-third of the new units were suites. The facilities have been built to serve the many new office facilities that have been built in the market area over the past few years.

The east and south market areas have added some 1,500 units to the existing stock during the 1980s. Moderately priced and budget hotels are the dominant facilities. These hotels cater to the commercial traveler calling on the tenants of the various industrial parks within these submarkets and to interstate highway travelers.

The airport and west market areas gained some 1,100 units between 1970 and 1990, less than 100 of these units were suites. These facilities are primarily oriented to serving the needs of commercial travelers calling on offices in the vicinity of the airport, airport-related meetings, motor speedway events, and interstate highway travelers.

Proposed Facilities

The hotel industry experienced an unprecedented expansion during the 1980s. Rising development costs and occupancies which are well below the typical breakeven point of 70 percent have clouded the prospects for new construction in the immediate future.

Three new hotels will open in the metropolitan area in 1990:

Marriott Courtyard Airport	151 rooms
Marriott Courtyard North	149 rooms
AmeriSuites North	128 suites

The Regional Center has seen the completion of several major hotel projects in the past two years. Current plans call for the construction of a 216-unit suites hotel (possibly a Radisson) at Canal Commons. This project is expected to be started in the summer of 1990 and to be completed in late 1991 or early 1992. This project could be delayed because of financing difficulties.

Operating Analysis

Future demand for hotel rooms in the Regional Center is based on forecasts of employment, group meeting activities and visitor/tourist-generating activities within the metropolitan area. Demand is expressed in room-nights, the number of nights each room is occupied.

Room Demand

Annual room-night demand for the 1989 operational year in metropolitan Indianapolis was estimated at 3.6 million. This generated an average daily demand of 9,880 rooms, indicating an annual occupancy rate of 65 percent.

Regional Center occupancy rates for 1989 were estimated at about 60 percent, while suburban facilities were operating nearly seven percentage points higher -- 67 percent. HSGA research indicates that some 19.4 percent of metropolitan Indianapolis room-night demand is being satisfied by Regional Center hotels.

Table 26. ROOM-NIGHT SUPPLY AND DEMAND, BY MAJOR SUBAREA, METROPOLITAN INDIANAPOLIS, 1989

Location	Available Rooms	Annual Occupancy Rate	Room-Night Demand Daily	Room-Night Demand Annual
Regional Center	3,200	60.0%	1,920	701,000
Suburban	11,900	66.9%	7,960	2,905,000
Metro	15,100	65.4%	9,880	3,606,000
Percent Distribution:				
Regional Center	21.2%		19.4%	
Suburban	78.8		80.6	
Metro	100.0%		100.0%	

Source: Hammer, Siler, George Associates.

Market Support

Demand for hotel facilities is derived from three primary sources: 1) commercial business travelers; 2) group business consisting of convention and corporate meetings; and 3) tourists, sporting events attendees, and other visitors to the metropolitan area.

Commercial Demand

Commercial travelers accounted for an estimated 2.2 million room nights in metropolitan Indianapolis during 1989. This amounted to more than 60 percent of total demand for the metropolitan area.

Regional Center commercial demand amounted to some 285,000 room nights in 1989, some 13 percent of total metropolitan demand.

Commercial demand accounted for just under 41 percent of total Regional Center demand.

Group Demand

Group demand is generated by national and state convention activities, business meetings, and trade shows. During 1989 these activities accounted for an estimated 817,000 room-nights within the metropolitan area; more than 22 percent of total demand.

Regional Center group demand amounted to an estimated 366,000 room-nights in 1989; nearly 45 percent of the metropolitan group demand. Group demand accounted for more than 52 percent of total Regional Center demand in 1989.

Other Demand

Other demand is generated by tourists, hospital outpatients, persons visiting friends and relatives, and major sporting event attendees. This sector of hotel demand accounted for an estimated 608,000 room-nights in metropolitan Indianapolis during 1989; 16.8 percent of total demand.

The Regional Center accounted for some 50,000 room-nights of other demand; 8.2 percent of the metropolitan Indianapolis total. Other demand accounted for just over seven percent of total Regional Center room-night demand in 1989.

Table 27. ANNUAL ROOM-NIGHT DEMAND, BY LOCATION AND MARKET SOURCE, METROPOLITAN INDIANAPOLIS, 1989

Location	Annual Room-Night Demand			
	Commercial	Group	Other	Total
Regional Center	285,000	366,000	50,000	701,000
Suburban	1,896,000	451,000	558,000	2,905,000
Total	2,181,000	817,000	608,000	3,606,000

Location	Distribution By Location			
	Commercial	Group	Other	Total
Regional Center	13.1%	44.8%	8.2%	19.4%
Suburban	86.9%	54.2	91.8	80.6
Total	100.0%	100.0%	100.0%	100.0%

Location	Distribution By Source of Market			
	Commercial	Group	Other	Total
Regional Center	40.7%	52.2%	7.1%	100.0%
Suburban	65.3%	15.5%	19.2%	100.0%
Total	60.5%	22.7%	16.8%	100.0%

Source: Hammer, Siler, George Associates.

Regional Center

Downtown Indianapolis currently has 12 transient lodging facilities with a total of 3,362 units. Some 539 of these units are suites. Eight of these hotels are considered to be Class A facilities; collectively, they have 2,362 rooms and 513 suites, for a total of 2,875 units. Two hotels provide less than Class A accommodations in the Regional Center. These facilities collectively have some 320 rooms and six suites, for a total of 326 units. Two private clubs are available to a limited number of business travelers on a reciprocity basis. These facilities have a total of 143 rooms and 18 suites for a total of 161 units.

Most of Regional Center hotels have been extensively refurbished (Hilton and Hyatt), completely rebuilt (Canterbury, Omni, and Ramada Inn), or newly constructed (Embassy, Holiday Inn, University Place, and Westin) during the 1980s. The result is a modern, high-quality inventory of transient lodging facilities.

Table 28. TRANSIENT LODGING FACILITIES, REGIONAL CENTER, METROPOLITAN INDIANAPOLIS, MARCH 1990

	Year Opened	Rooms	Suites	Total
Class A Hotels				
Hilton at the Circle	1971	326	45	371
Hyatt Regency	1977	475	21	496
Canterbury	1984	84	15	99
Embassy Suites	1985	-	360	360
Holiday Inn	1986	270	6	276
University Place	1987	262	16	278
Westin Hotel	1988	533	39	572
Omni Severin	1990	412	11	423
Subtotal		2,362	513	2,875
Other Hotels				
Inn Towner	N/A	89	5	94
Ramada Inn	1988	231	1	232
Subtotal		320	6	326
Private Clubs				
Columbia Club	N/A	63	14	77
Athletic Club	N/A	80	4	84
Subtotal		143	18	161
Total		2,825	537	3,362

N/A - Not Available

Source: Hammer, Siler, George Associates.

Room Rates

Regional Center Class A hotel rates are, generally speaking, the highest in metropolitan Indianapolis. Currently, Class A rates range between $69.00 per night for a single occupancy room to $215.00 per night for a top-of-the-line suite. The effective rates for a Regional Center hotel room are believed to have ranged between $65.00 and $70.00 during 1989; these are the actual rates achieved after discounting for group business and corporate discounts. Downtown Indianapolis hotels (and hotels throughout the nation) are providing non-price incentives in an attempt to increase individual occupancy. Corporate rates, frequent guest programs, free breakfast programs, and other incentives are generally included in quoted rates.

Table 29. HOTEL ROOM RATES, REGIONAL CENTER, METROPOLITAN INDIANAPOLIS, MARCH 1990

	Regular Rates		
	Low	High	Rating
Class A Hotels			
Hilton at the Circle	$ 79.00	$160.00	***
Hyatt Regency	$ 69.00	$150.00	***
Canterbury	$145.00	$215.00	****
Embassy Suite	$ 99.00	$130.00	***
Holiday Inn	$ 92.00	$145.00	***
University Place	$ 74.00	$104.00	NR
Westin Hotel	$ 95.00	$160.00	NR
Omni Severin	-	-	NR
Other Hotels			
Inn Towner	-	-	NR
Ramada Inn	$ 49.00	$ 95.00	**
Private Clubs			
Columbia Club	-	-	NR
Athletic Club	-	-	NR

NR = Not Rated

Source: Hammer, Siler, George Associates.

Demand Forecast

Future demand levels for hotel rooms in the Regional Center will depend on the downtown area's ability to capture a share of the metropolitan area total.

Commercial Demand

The business traveler is the largest single source of demand for hotel rooms in the metropolitan area. Historically, hotel room demand generated by the commercial traveler bears a close relationship to civilian non-farm wage and salary employment. Annual room-nights per employee increased from an estimated 1.12 in 1970 to 3.38 in 1989. This reflects the dramatic shift from a manufacturing-based economy to a service-based economy that has occurred in the metropolitan area over this 19-year period. Most of the changes in commercial room demand generated by this shift to a service job base have already occurred. Consequently, the gains in annual room demand per employee are expected to be modest after 1989. Our forecasts indicate a ratio of four room nights per employee by the year 2010.

Between 1970 and 1989 commercial room-night demand increased from 469,400 to 2,180,600; an average of some 90,100 room-nights per year. Our forecasts indicate that commercial room-night demand will increase to some 3,328,000 by 2010; an average of some 54,600 room-nights annually.

Table 30. ANNUAL COMMERCIAL ROOM-NIGHT DEMAND, METROPOLITAN INDIANAPOLIS, 1970-2010

	Employment	Ratio of Annual Room-Nights Per Employee	Annual Room-Night Demand
Trends			
1970	418,800	1.12	469,400
1980	533,200	2.25	1,199,700
1985	554,700	2.88	1,594,800
1989	646,100	3.38	2,180,600
Forecasts			
1990	661,900	3.50	2,316,700
1995	715,000	3.63	2,591,900
2000	757,000	3.75	2,838,800
2005	796,000	3.88	3,084,500
2010	832,000	4.00	3,328,000
Change, 1970-1989			
Amount	227,300	2.26	1,711,200
Percent	54.3%	201.8%	364.6%
Change, 1989-2010			
Amount	185,900	.62	1,147,400
Percent	28.8%	18.3%	52.6%

Source: Hammer, Siler, George Associates.

Group Meeting Demand

Annual hotel room demand generated by group meetings is a function of the following factors:

1. The number of delegates attending national conventions, state conventions, business meetings, and non-public trade shows.
2. The average number of nights each delegate stays in the metropolitan area as a result of their particular meeting.
3. The average number of delegates per hotel room.

Attendance figures for the conventions, business meetings, and non-public trade shows for 1980 to 1989 are available from the Indianapolis Convention and Visitors Association. The average length of the meeting and the number of delegates per hotel room are based on national data. This research indicates that meetings last between one and four nights and between one and one and one half delegates occupied each room.

Our trend and forecast data is indicated as a simple ratio between delegates and room-nights. This ratio increased from 1.55 in 1970 to an estimated 1.97 in 1989. Our forecast of future demand assumes that the average meeting length and delegates per room will stabilize. Consequently, the ratio between delegates and room-nights will remain at 2.0 during the forecast period. Between 1970 and 1990 group meeting room-night demand increased from 232,900 to 816,800; an average of some 30,700 room-nights per year. Our forecasts indicate that group meeting room demand will increase to some 1,260,000 by 2010; an average of some 21,100 room-nights annually.

We have assumed the 300,000-square-foot downtown convention facility will be expanded some time in the 1990s in order to service this demand. Given the current 74-percent occupancy and more than 1,000 event-days, the Convention Center is essentially operating at its practical maximum occupancy. The region is currently losing some convention business due to timing conflicts among events. An expansion would allow overlapping conventions and increase the number of days with convention and meeting activity. Obviously, this expansion of convention activity has direct benefits for Regional Center hotels.

Table 31. ANNUAL GROUP MEETING ROOM-NIGHT DEMAND, METROPOLITAN INDIANAPOLIS, 1970-2010

	Group Meeting Attendance	Ratio - Annual Room-Nights Per Attendee	Annual Room-Night Demand
Trends			
1970	150,000	1.55	232,900
1980	243,300	1.65	400,600
1985	441,300	1.79	788,200
1989	414,600	1.97	816,800
Forecasts			
1990	428,000	2.00	856,000
1995	500,000	2.00	1,000,000
2000	560,000	2.00	1,120,000
2005	600,000	2.00	1,200,000
2010	630,000	2.00	1,260,000
Change, 1970-1989			
Amount	264,600	.42	583,900
Percent	176.4%	27.1%	250.7%
Change, 1989-2010			
Amount	215,400	.03	443,200
Percent	52.0%	1.5%	54.3%

Source: Indianapolis Convention and Visitors Association; and Hammer, Siler, George Associates.

Tourist and Other Visitor Demand

Tourism, sporting events, and personal visits generate the remaining demand for hotel room-nights in the metropolitan area. Our estimates of room-nights generated by these activities were based on attendance for public trade shows, sporting events, entertainment events, and a variety of other local events. The ratio of these activities and annual room-night demand increased from an estimated .15 in 1970 to .40 in 1989.

Tourist and other visitor demand increased from 122,600 annual room-nights in 1970 to an estimated 608,300 in 1989; an average annual increase of 25,600. Our forecasts indicate that this category of demand will increase to some 220,000 room-nights in 2010; an annual average increase of 5,300.

Table 32. ANNUAL TOURIST AND OTHER VISITOR ROOM DEMAND, METROPOLITAN INDIANAPOLIS, 1970-2010

	Tourists and Other Visitors	Ratio - Annual Room-Nights Per Visitor	Annual Room-Night Demand
Trends			
1970 1/	800,000	.15	122,600
1980 1/	1,200,000	.21	
252,000			
1985	1,450,000	.35	507,500
1989	1,520,700	.40	608,300
Forecasts			
1990	1,500,000	.40	600,000
1995	1,600,000	.40	640,000
2000	1,700,000	.40	680,000
2005	1,750,000	.40	700,000
2010	1,800,000	.40	720,000
Change, 1970-1989			
Amount	720,700	.25	485,700
Percent	90.1%	166.7%	396.2%
Change, 1989-2010			
Amount	279,300	-	111,700
Percent	18.4%	-	18.4%

1/ Estimates.

Source: Indianapolis Convention and Visitors Association; and Hammer, Siler, George Associates.

Metropolitan Indianapolis Supply and Demand

Overall demand for hotel rooms more than quadrupled between 1970 and 1989. The commercial sector accounted for 55 to 60 percent of total demand. The group sector accounted for 22 to 28 percent of total demand and visitors accounted for 14 to 18 percent of demand. Hotel occupancy rates dropped as new units were added to the marketplace. Rates have remained in the mid-sixties as a result of overbuilding.

Forecasts indicate that total demand will expand by nearly 50 percent between now and 2010. The commercial sector will remain the largest part of the market, followed by group and visitors.

Occupancy rates can increase to 70 percent, an economically viable operating ratio, and still support a 1,000-unit increase in stock between 1990 and 1995. Projected growth and an occupancy ratio stabilized at 70 percent will support an additional 4,200 units between 1995 and 2010. These calculations do not include the replacement of facilities removed from the market.

Table 33. ANNUAL DEMAND, OCCUPANCY RATE AND SUPPLY OF HOTEL ROOMS, METROPOLITAN INDIANAPOLIS, 1970-2010

	Annual Demand				Hotel	
	Commercial	Group	Visitor	Total	Occupancy	Rooms
Trends						
1970	469,400	232,900	122,600	824,900	70.6%	3,200
1980	1,199,700	401,400	252,000	1,853,100	61.9%	8,200
1985	1,594,800	789,900	507,500	2,892,200	66.6%	11,900
1989	2,180,600	816,800	608,300	3,605,700	65.4%	15,100
Forecasts						
1990	2,316,700	856,000	600,000	3,772,700	66.3%	15,600
1995	2,591,900	1,000,000	640,000	4,231,900	70.0%	16,600
2000	2,838,800	1,120,000	680,000	4,638,800	70.0%	18,200
2005	3,084,500	1,200,000	700,000	4,984,500	70.0%	19,500
2010	3,328,000	1,260,000	720,000	5,308,000	70.0%	20,800

	Percent Distribution			
	Commercial	Group	Visitor	Total
Trends				
1970	56.9%	28.2%	14.9%	100.0%
1980	64.7%	21.7%	13.6%	100.0%
1985	55.1%	27.3%	17.6%	100.0%
1989	60.5%	23.7%	16.8%	100.0%
Forecasts				
1990	61.4%	22.7%	15.9%	100.0%
1995	61.2%	23.6%	15.1%	100.0%
2000	61.2%	24.1%	14.7%	100.0%
2005	61.9%	24.1%	14.0%	100.0%
2010	62.7%	23.7%	13.6%	100.0%

Source: Hammer, Siler, George Associates.

Future Regional Center Demand

Occupancy levels for downtown hotels are a function of the ability of the Regional Center to capture a share of the various sectors of total metro area hotel room demand. This ability of the downtown area to capture a reasonable share of the metropolitan Indianapolis market is a function of the following factors:

- The degree to which downtown Indianapolis represents a center of finance, business, trade and distribution, and government, as well as the extent of the area the center serves and the depth of its influence.
- The extent to which downtown Indianapolis continues to be a focal point of corporate and government administrative activity.
- The ability with which downtown Indianapolis attracts convention, conferences, and business meetings.
- The extent to which downtown Indianapolis remains a tourist and visitor destination center.

These factors should remain strong during the forecast period.

Downtown Commercial Demand

The Regional Center accounted for 23 percent of metro commercial demand in 1970. The decentralization of the region's stock of office space and the expansion of industrial activities out of the Regional Center caused this capture rate to decline to 13.1 percent in 1989. The eventual occupancy of the greatly-expanded downtown office stock, the expansion of major institutional facilities, and the State of Indiana's new office center should stabilize the downtown capture rate for commercial room-night demand during the 1990s. Downtown demand increased from 108,000 room nights in 1970 to 284,600 room-nights in 1989. Our forecasts indicate a demand for 399,400 room-nights in 2010.

Table 34. ANNUAL COMMERCIAL ROOM-NIGHT DEMAND, METROPOLITAN INDIANAPOLIS AND THE REGIONAL CENTER, 1970-2010

	Metropolitan Indianapolis	Regional Center	
		Number	Market Share
Trends			
1970	469,400	108,000	23.0%
1980	1,199,700	198,000	16.5%
1985	1,594,800	235,200	14.7%
1989	2,180,600	284,600	13.1%
Forecasts			
1990	2,316,700	301,200	13.0%
1995	2,591,900	330,500	12.7%
2000	2,838,800	354,900	12.5%
2005	3,084,500	377,900	12.3%
2010	3,328,000	399,400	12.0%
Change, 1970-1989			
Amount	1,711,200	176,600	10.3%
Percent	364.6%	163.5%	
Change, 1989-2010			
Amount	1,147,400	114,800	10.0%
Percent	52.6%	40.3%	

Source: Hammer, Siler, George Associates.

Downtown Group Meeting Demand

Downtown Indianapolis is the convention center for the metropolitan area. Nearly 42 percent of the region's group meeting room-night demand was satisfied by Regional Center hotels in 1970. An aggressive marketing and facilities development program helped to expand this capture rate to nearly 45 percent in 1989. Our research indicates that the Regional Center can maintain this capture rate during the forecast period. Between 1970 and 1989 annual group meeting demand increased from 97,600 to 366,700 room-nights. Our forecasts indicate that this sector of downtown demand will reach 567,000 room-nights by 2010.

Table 35. ANNUAL GROUP MEETING ROOM-NIGHT DEMAND, METROPOLITAN INDIANAPOLIS AND THE REGIONAL CENTER, 1970-2010

	Metropolitan Indianapolis	Regional Center Number	Regional Center Market Share
Trends			
1970	232,900	97,600	41.9%
1980	401,400	176,600	44.0%
1985	789,900	351,500	44.5%
1989	816,800	366,700	44.9%
Forecasts			
1990	856,000	385,200	45.0%
1995	1,000,000	450,000	45.0%
2000	1,120,000	504,000	45.0%
2005	1,200,000	540,000	45.0%
2010	1,260,000	567,000	45.0%
Change, 1970-1989			
Amount	583,900	269,100	46.1%
Percent	250.7%	275.7%	
Change, 1989-2010			
Amount	443,200	200,300	45.2%
Percent	54.3%	54.6%	

Source: Hammer, Siler, George Associates.

Downtown Tourists and Other Visitor Demand

Of the three sectors of hotel demand, downtown has captured the smallest amount from tourists and other visitors. The downtown capture rate of tourist potential declined from 18.4 percent of the metro total to 8.2 percent between 1970 and 1989. The expense of staying at a downtown hotel has been a major factor affecting the capture rate.

Tourists, for the most part, are responsible for their own expenses and tend to gravitate to less expensive facilities outside the Regional Center. The downtown share of tourist room-night demand is expected to continue to decline to an estimated 7.5 percent by 2010. Tourists and other visitors demand increased from 22,600 room-nights in 1970 to an estimated 50,500 by 1989. Our forecasts indicate a modest increase to 54,000 room-nights by 2010.

Table 36. ANNUAL TOURIST AND VISITOR ROOM-NIGHT DEMAND, METROPOLITAN INDIANAPOLIS AND THE REGIONAL CENTER, 1970-2010

	Metropolitan Indianapolis	Regional Center Number	Regional Center Market Share
Trends			
1970	122,600	22,600	18.4%
1980	252,000	30,200	12.0%
1985	507,500	48,200	9.5%
1989	608,300	50,500	8.3%
Forecasts			
1990	600,000	49,800	8.3%
1995	640,000	51,200	8.0%
2000	680,000	53,000	7.8%
2005	700,000	53,200	7.6%
2010	720,000	54,000	7.5%
Change, 1970-1989			
Amount	485,700	27,900	5.7%
Percent	396.2%	123.5%	
Change, 1989-2010			
Amount	111,700	3,500	3.1%
Percent	18.4%	6.9%	

Source: Hammer, Siler, George Associates.

Regional Center Supply and Demand

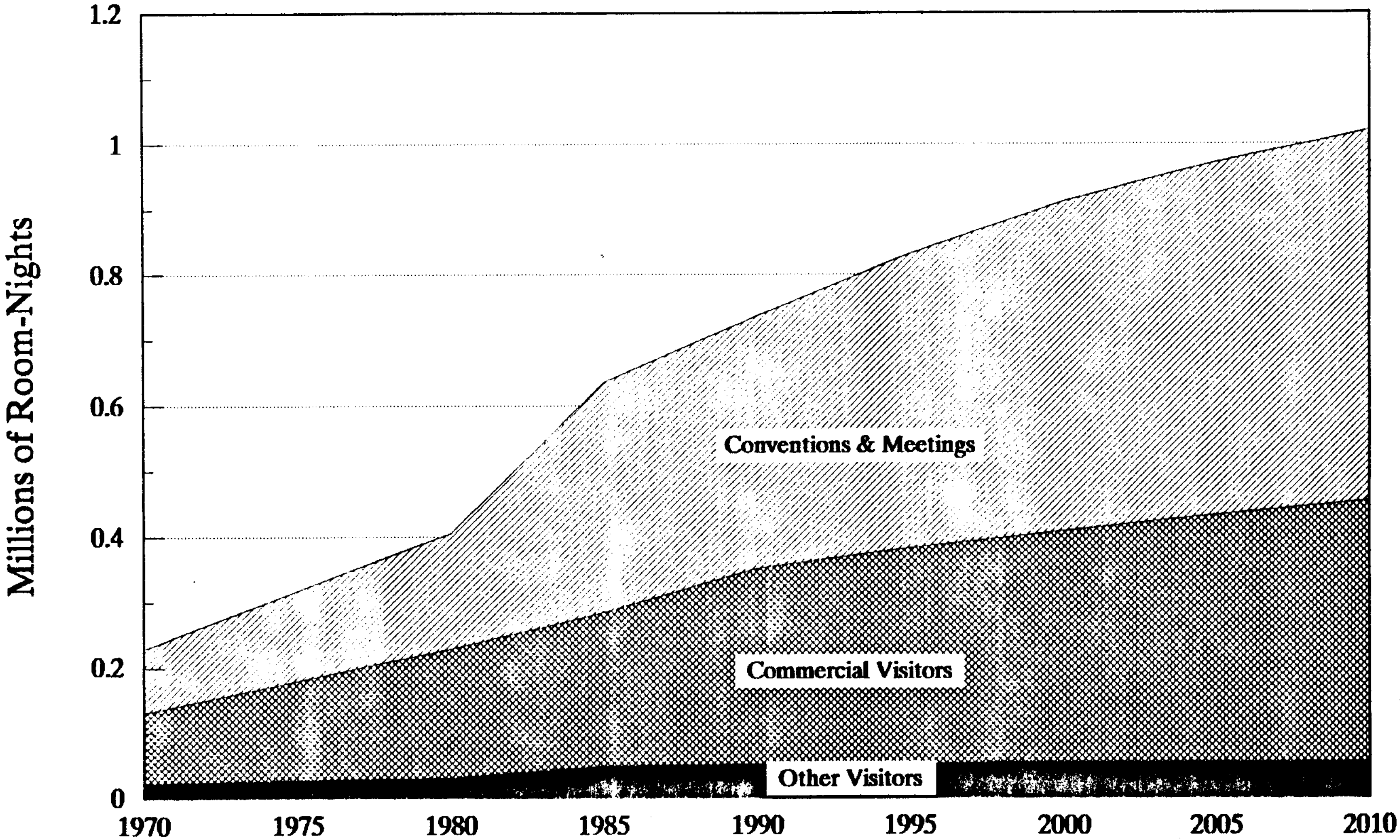
Overall demand for downtown hotel rooms more than tripled between 1970 and 1989. The commercial sector accounted for between 37 percent and 49 percent of total demand; the group sector accounted for 43 to 55 percent of total demand, and tourism accounted for between seven and 10 percent of demand.

Group meeting demand can vary considerably from year to year and accounts for the wide swings in market share from year to year. These variations are caused by large-scale conventions or meetings which occasionally distort trend lines. Our forecasts are based on a longer term perspective. Overall room demand is expected to increase by nearly 50 percent between 1989 and 2010. The commercial sector of demand is expected to decline from nearly 41 percent of the total to 38 percent. Group demand is expected to increase from 52 percent to nearly 56 percent of total downtown demand. Tourism is expected to see its downtown market share decline from 7.2 percent to 5.3 percent during the forecast period.

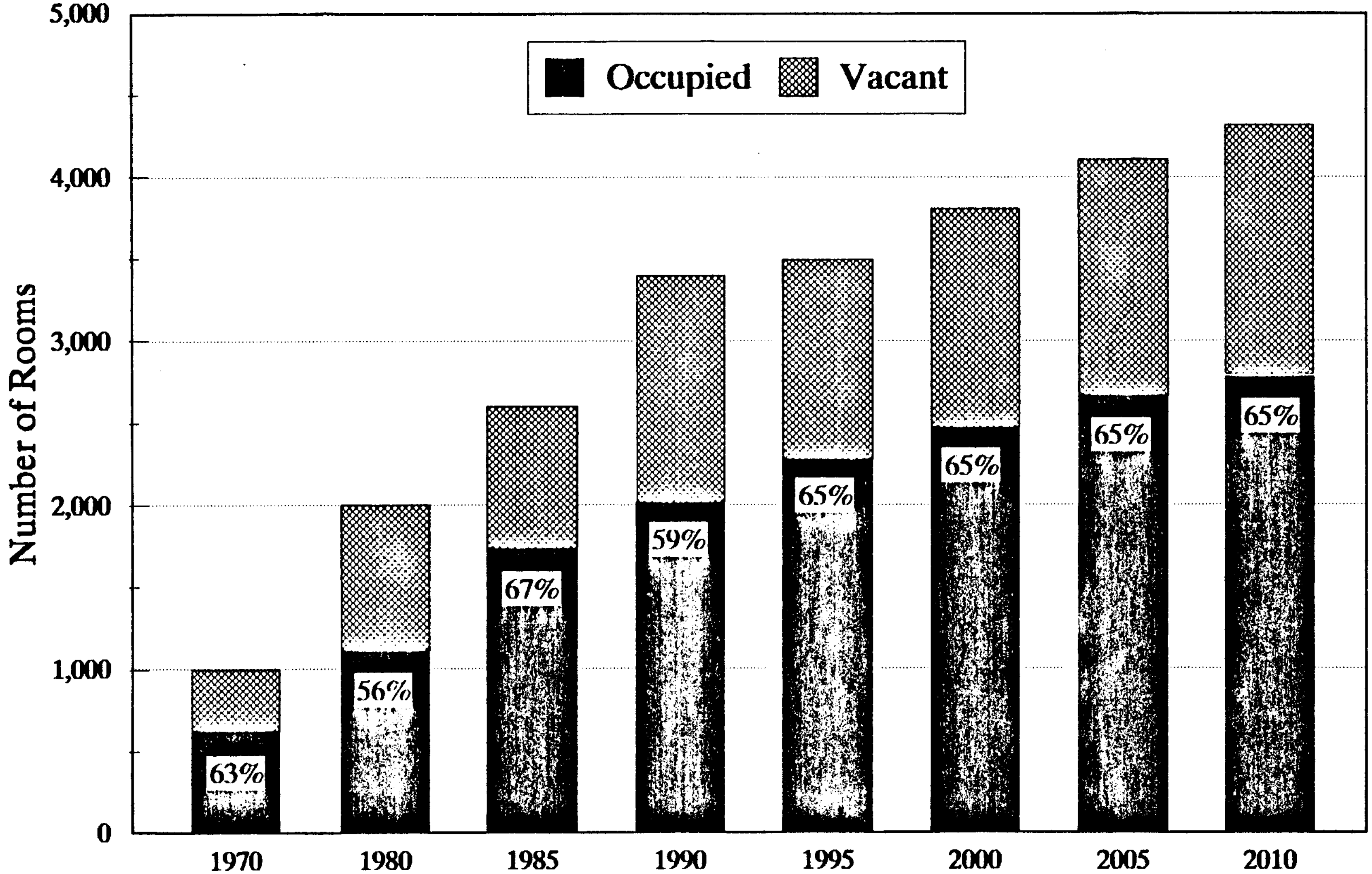
Hotel occupancies have ranged in the mid sixties during most of the 1980s. Our research indicates a Regional Center hotel occupancy rate of just over 60 percent in 1989. Completion of the Omni Severin in the first quarter of 1990 is adding 400 rooms to the downtown hotel stock. This is expected to cause the overall occupancy level to decline in 1990.

The immediate outlook for downtown hotel occupancy is good. Demand continues to expand and no new hotels are actually under construction at this time. Demand should gradually catch up with supply in the 1990s,

Indianapolis Regional Center
Hotel Room Demand



Indianapolis Regional Center
Hotel Room Supply and Demand



and the market should support some new construction in the last half of the decade. Certain types of new facilities could improve market prospects. A new budget facility could help attract certain types of group business and attract an increase in the number of tourists and visitors that stay in a downtown facility.

Table 37. ANNUAL DEMAND, OCCUPANCY RATE AND SUPPLY OF HOTEL ROOMS, REGIONAL CENTER, 1970-2010

	Annual Demand				Hotel	
	Commercial	Group	Visitor	Total	Occupancy	Rooms
Trends						
1970	108,000	97,600	22,600	228,200	62.5%	1,000
1980	198,000	176,600	30,200	404,800	55.5%	2,000
1985	235,200	351,500	48,200	634,900	66.9%	2,600
1989	284,600	366,700	50,500	701,800	60.1%	3,200
Forecasts						
1990	301,200	385,200	49,800	736,200	59.3%	3,400
1995	330,500	450,000	51,200	831,700	65.0%	3,500
2000	354,900	504,000	53,000	911,900	65.0%	3,800
2005	377,900	540,000	53,700	971,100	65.0%	4,100
2010	399,400	567,000	54,000	1,020,400	65.0%	4,300

	Percent Distribution			
	Commercial	Group	Visitor	Total
Trends				
1970	47.3%	42.7%	9.9%	100.0%
1980	48.9%	43.6%	7.5%	100.0%
1985	37.1%	55.3%	7.6%	100.0%
1989	40.6%	52.2%	7.2%	100.0%
Forecasts				
1990	40.9%	52.3%	6.8%	100.0%
1995	39.7%	54.1%	6.2%	100.0%
2000	38.9%	55.3%	5.8%	100.0%
2005	38.9%	55.6%	5.5%	100.0%
2010	38.1%	55.6%	5.3%	100.0%

Source: Hammer, Siler, George Associates.

Allowing for an increase in downtown occupancy rates to 65 percent, the Regional Center could support a net addition of 300 rooms by 2000. From 2000 to 2010, the market could support the addition of 500 net new hotel rooms.

Strategy Implications

The supply of competitive hotel rooms expanded greatly during the 1980s in both the Regional Center and in the metropolitan area as a whole. Our supply/demand analysis suggests that new hotel rooms could be supported later in the 1990s, following expansion of the Convention Center. Significant expansion of the demand for downtown hotels will depend on: 1) expansion of the Convention Center; 2) continued expansion of the downtown business base, both in new and currently vacant office space; and 3) development of additional attractions to increase the number of visitors drawn to the Regional Center.

Once the Convention Center has been expanded and demand has caught up with supply, the greatest benefit to the overall hotel market would be attraction of a convention hotel or expansion of an existing hotel with a full complement of new rooms and meeting facilities. Attraction of the Westin convention hotel expanded significantly the region's overall convention/meeting business, generating net new demand for itself and other Regional Center hotels. A second convention hotel would allow the Regional Center to host more than one major convention at once.

Section V. REGIONAL CENTER RETAIL MARKET ANALYSIS

Section V. REGIONAL CENTER RETAIL MARKET ANALYSIS

Downtown Indianapolis, or the Regional Center, serves several important retail functions. Originally, it was the dominant retail focal point for department store and other retail activity for the entire metropolitan area. This position of dominance gradually weakened as major suburban shopping malls, with department store anchors, were built during the past 30 years and downtown department stores and other retailers closed their doors. In 1958, approximately 85 cents of every retail dollar in Marion County was spent in the Regional Center. In 1979, it was 15 cents, and in 1986 it was less than 8 cents.

Today, there are few shoppers goods stores in the Regional Center other than the two remaining department stores, L. S. Ayres and Lazarus. Both organizations have cut the amount of selling space within their buildings in the past years. Some national and "mom and pop" shoppers goods stores are located in Merchant's Plaza and Claypool Court. Others are scattered at streetfront locations throughout downtown. Gone from downtown are JCPenney, Kresge, Lerner, Wasson's, Sears and most national organizations previously stored there.

Based on interviews with knowledgeable resource people, we estimate that downtown shoppers goods stores currently obtain between $45-$48 million in sales. Most of this is captured by the two department stores which, in time, will become part of Circle Centre.

For some years now, the City and a retail developer have been planning to reverse the downtown retail decline. Circle Centre, to be developed by Melvin Simon & Associates, will be a mixed-use complex made up of retail, office, hotel and residential components. The retail area will provide 860,000 square feet of gross leaseable area. It will add two new department stores - including Nordstrom's - to join L.S. Ayres and Lazarus as anchors. When completed in late 1992 or early 1993, Circle Centre will reestablish the Regional Center as a major shoppers goods destination center within the Indianapolis region.

When Circle Centre is completed, it will contain most of the shoppers goods space in the Regional Center. Satellite shoppers goods space will be housed at Merchant's Plaza, Claypool Court, and elsewhere. Most of the other retail space in the core will be in the form of eating/drinking and business and personal service facilities. That condition can be expected to continue into the foreseeable future.

Union Station, with 160,000 square feet of gross leaseable area, provides the Regional Center with a specialty/entertainment retail component. It combines restaurants, nightclubs, and boutiques. Several tenant changes have occurred recently which were designed to strengthen the entertainment appeal of Union Station.

Other retail possibilities may exist for locations within the Regional Center in the future and such opportunities will be examined later in this section. They include a "power center", a "value retail complex", an expanded "public market", a "car care" center, and neighborhood/community level retail.

Much of the sales support for Circle Centre and any additional retail development in the Regional Center will come from downtown employees and tourists. Prior to determining other retail development opportunities, it is first necessary to understand the impact Circle Centre will have on the expenditures made by these consumer sources. Those expenditures not captured by Circle Centre will be available to other appropriate retail. To this would be added any residential trade area expenditure component.

The next step in this analysis is to project the sales for Circle Centre by consumer sources.

Regional Center Market Opportunities

A. Circle Centre

Circle Centre is planned to contain 860,000 square feet of space. The breakdown is approximately as follows:

600,000	square feet of department store space
200,000	square feet satellite shoppers good space
60,000	square feet eating/drinking and service space
860,000	square feet

Based on past studies and an interview with the developer, it is estimated that the following sales will be obtained in 1993. Shoppers goods stores, including department stores, will obtain $138.0 million. Eating/drinking facilities will obtain $15.0 million. This total of $153.0 million (excluding services) is expressed in constant 1990 dollars.

The sales derivation by sources is discussed next.

Consumer Sources Expenditure Potential

The Circle Centre mall will draw support from a multi-dimensional market consisting of regional residents, downtown employees and visitors to the area, such as convention delegates, business visitors and others. Each of these market segments is discussed and their expenditure potentials are derived in this sub-section.

The Regional Resident Market

Based upon current estimates developed by HSGA, the eight-county Metropolitan Indianapolis market contains a population base of nearly 1,250,000 persons with nearly 65 percent of the population residing in Marion County. As discussed in Section I, relatively modest growth is projected for the years ahead with estimates showing a population of nearly 1,325,000 persons in the year 2000 and 1,385,000 persons in 2010. Table 38 summarizes the population, households and average household income trends and projections for the Indianapolis region.

Table 38. POPULATION, HOUSEHOLDS AND AVERAGE HOUSEHOLD INCOME TRENDS, INDIANAPOLIS MSA, 1980-2010

	1980	1990	1993	1995	2000	2005	2010
Population	1,166,575	1,250,000	1,275,000	1,290,000	1,325,000	1,355,000	1,385,000
Households	418,485	472,100	488,000	498,700	524,700	547,600	566,700
Average Household Income	$28,140	$49,700	$51,100	$52,100	$54,600	$56,500	$58,800

Note: Incomes expressed in constant 1990 dollar values.

Source: Hammer, Siler, George Associates.

Metropolitan Shoppers Goods Sales Trends. Shoppers goods merchandise comprises the overwhelming bulk of goods and products carried in downtown retail districts, regional shopping centers, department stores and a wide range of other stores. Specifically, shoppers goods expenditure potentials represent the dollar amounts available for the bulk of the merchandise selections of the following store types.

A. Department and other general merchandise stores;
B. Apparel and accessory stores;
C. Furniture and home furnishings stores; and
D. Miscellaneous shoppers goods stores.

The latter group (D) comprises a broad mix of stores including the following specific store types: book, stationery, jewelry, sporting goods, hobby, toy and game, camera and photographic supply, gift, novelty and souvenir, luggage and leather goods, sewing, needlework and piece goods and other specialty stores.

The latest U.S. Census of Retail Trade (1987) data for the Indianapolis region showed that slightly more than $2.2 billion was expended in the area's shoppers goods stores. Approximately 92 percent was generated by metro residents. Correlated with appropriate household and income demographics, metro residents spent 10.8 percent of their total personal income in shoppers goods stores in 1987.

The 10.8-percent share of the metro area's total personal income captured by regional shoppers goods stores in 1987 is low compared to the national average (13.1%), Indiana (12.4%) and surrounding states (Kentucky, 13.0%; Illinois, 12.3%; Michigan, 14.2% and Ohio, 12.7%).

Contributing to the low share characterizing the Indianapolis is that a certain portion of the resident expenditure base flows out of the area in the form of sales in other states. Offsetting this somewhat is a sales inflow. On the other hand, the "sameness" of the retailing contributes to an underspending. In other words, there is an unrealized potential that has never been fully tapped.

Metropolitan Shoppers Goods Expenditure Potential. For the metro Indianapolis market, this unrealized potential could be exploited to at least some degree with the development of the centrally-located and uniquely merchandised Circle Centre retail complex with its high standards of design. For the metro area it is estimated that the expenditure potential factor (relative to income) could modestly increase from the current level to 11.0 percent in 1993 (the first full year of business for Circle Centre) and thereafter.

The metro area's shoppers goods expenditure potential in the 1993-2010 period is shown in the following Table.

Table 39. METROPOLITAN SHOPPERS GOODS EXPENDITURE POTENTIAL, 1993-2010
($000 of constant 1990 dollars)

Year	Shoppers Goods Expenditure Potential 1/
1993	$2,743,000
1995	$2,858,000
2000	$3,151,400
2005	$3,403,300
2010	$3,665,400

1/ Based on 11.0 percent of total personal income.

Source: Hammer, Siler, George Associates.

The metro area population will generate $2.8 billion in shoppers goods expenditure potential by 1993 (opening of Circle Centre) and $3.7 billion by 2010. The portion to be captured by Circle Centre is discussed later.

Employees

While at their place of work, employees spend a considerable amount of money on eating/drinking and in making retail purchases. Per capita employee expenditures at the work place are largely tied to the extent of available restaurants, shops and services located conveniently nearby.

An earlier detailed survey (1986) of the Mile Square -- the principal geographic downtown employee base of support for Circle Centre -- estimated that 59,000 employees worked in this area. Based on new development since 1986, it is estimated that 83,000 employees are in the area today.

The projection of occupied office space for the Regional Center, outlined in Section II of this report, projects the net increase of office space for five-year intervals to 2010. Converting the net increase in occupied office space to employees yields a projection of future office employment as shown below.

Table 40. PROJECTION OF REGIONAL CENTER OFFICE EMPLOYMENT, 1990-2010

Year	Employees
1993	92,400
1995	98,600
2000	112,400
2005	125,500
2010	137,900

Source: Hammer, Siler, George Associates.

Annual Per Capita Employee Expenditures. In 1987 the International Council of Shopping Centers (ICSC) undertook an extensive survey of annual employee retail expenditures in downtown and suburban office locations across the country. Assuming that spending behavior is influenced by the availability of retail facilities, both downtown and suburban markets were classified by retail service level: those with ample retail facilities and those with limited retail facilities. After the completion of Circle Centre, Indianapolis will be classified in the "ample" category.

Allowing for difference by gender and occupational levels, the study concluded that the average office worker in downtowns with ample retailing spent $1,945 in 1987 on lunches, dinner/drinks and daytime shopping. Viewed against the results of the downtown retail survey conducted as part of this study, especially in terms of annual household incomes, we believe that the potential by Regional Center employees is lower than the average calculated in the ICSC survey. Therefore, we have reduced the ICSC "ample" retail annual expenditures by 12 percent to better reflect the Indianapolis situation.

Hammer, Siler, George Associates has projected the results for future years by first updating the 1987 data to 1990 dollars and then projecting constant 1990 dollars to 2010.

Table 41 uses the ICSC data, modified by the study survey results, to project per capita office worker expenditures for 1993, 1995, 2000 and beyond. The 1993 projection represents Circle Centre's first full year of operation, 1995 represents its third full year of operation, and 2000 represents a stabilized market position.

Table 41. ANNUAL PER CAPITA OFFICE WORKER EXPENDITURE POTENTIAL FOR SELECTED RETAIL, REGIONAL CENTER, 1993-2000
(constant 1990 dollars)

Category	1993	1995	2000	2005	2010
Shoppers Goods	$ 810	$ 834	$ 894	$ 964	$1,035
Eating/Drinking	1,175	1,209	1,300	1,397	1,502
Incidentals	52	54	59	3	68
Total	$2,037	$2,097	$2,253	$2,424	$2,605

Source: ICSC Office Worker Retail Spending Survey, 1987 and Hammer, Siler, George Associates.

Employees will spend $810 per capita on shoppers goods annually in 1993, increasing to $1,035 by 2010. Per capita eating/drinking expenditures will increase from $1,175 annually in 1993 to $1,502 annually in 2010. Incidental expenditures will also increase. These are expressed in constant 1990 dollars.

Annual Employee Expenditures. Assuming that Circle Centre will generate increased expenditures among downtown employees, the future expenditure potential is shown below.

Table 42. OFFICE WORKER EXPENDITURE POTENTIAL FOR SELECTED RETAIL, REGIONAL CENTER, 1993-2000
($000 of constant 1990 dollars)

Category	1993	1995	2000	2005	2010
Shoppers Goods	$ 74,800	$ 82,200	$100,500	$121,000	$142,700
Eating/Drinking	108,600	119,200	146,100	175,300	207,100
Incidental	4,800	5,300	6,600	7,900	9,400
Total	$188,200	$206,700	$253,200	$304,200	$359,200

Source: Hammer, Siler, George Associates.

Downtown employees can be expected to spend $74.8 million in shoppers goods stores in the downtown in 1993, increasing to $142.7 million by 2010. Eating/drinking expenditure potential will increase from $108.6 million in 1993 to $207.1 million by 2010. The share captured by Circle Centre will be discussed later.

The Visitors Market

Convention Group. A major portion of downtown retail expenditure potential from the visitors consumer sources comes from convention delegates. Delegates are those attending meetings or shows held at the convention center or in downtown hotels. Only those attending events primarily drawing out-of-town business are included. Consumer shows, entertainment and local events draw mostly local residents. Local residents are included in the trade area demographics.

In 1989 a total of 414,600 qualifying convention delegates were registered. In addition, convention delegates generate visitors (spouses, associates, others) who are not registered delegates. The projection of these type convention delegates is discussed in the hotel potentials section. The appropriate retail visitor factor is reflected in the table below.

Table 43. PROJECTED REGIONAL CENTER CONVENTION DELEGATES, 1993-2010

	1993	1995	2000	2005	2010
Delegates	471,000	500,000	560,000	600,000	630,000
Total Conv. Group 1/	847,800	900,000	1,010,000	1,080,000	1,134,000

1/ 1.8 times delegates.

Source: Hammer, Siler, George Associates.

Other Visitors. Besides convention delegates, downtown attracts both destination and transient tourists. These include business people, attendees at sporting and cultural events, and others. The extent of this visitation (much of which is composed of the region's permanent population) and the expenditures generated are not well documented and, therefore, cannot be dimensioned in terms of retail store potentials in a valid manner. Estimates of "other" visitors expenditures as an inflow factor are made later.

Convention Group Expenditures. Estimates and projection have been made for delegate group expenditures for shoppers goods and eating/drinking (outside hotels) based on an economic impact study of conventions on Indianapolis (1985), International Association of Convention and Visitors Bureaus' survey of 1988, other information and judgments by HSGA. Based on the assessment, total delegate group expenditure potentials are shown below.

Table 44. DELEGATE EXPENDITURE POTENTIAL FOR SELECTED RETAIL, REGIONAL CENTER, 1993-2010
(millions of constant 1990 dollars)

	Shoppers Goods		Eating/Drinking	
Year	Per Delegate	Total	Per Delegate	Total
1993	$42	$35.6	$60	$50.9
1995	$43	$38.7	$62	$55.8
2000	$47	$47.5	$66	$66.7
2000	$55	$55.1	$71	$76.7
2010	$54	$61.2	$76	$86.2

Note: Data in constant 1990 dollars.

Source: Hammer, Siler, George Associates.

Convention group visitors will generate $35.6 million in shoppers goods expenditure potential in 1993, increasing to $61.2 million in 2010 (constant 1990 dollars). And, they will generate $50.9 million in eating/drinking expenditure potential in 1993 and $86.2 million in 2010.

Circle Centre Shoppers Goods Sales

In 1993, the assumed first full year of operation, shoppers goods sales at Circle Centre are estimated at $138.0 million in terms of constant 1990 dollar values. The derivation of sales by consumer sources is in line with market shares indicated in the developer's market report. This is shown in Table 39.

Table 45. SHOPPERS GOODS SALES AT CIRCLE CENTRE, 1993-2010
(constant 1990 dollars)

Source/Potential	$000	CC Share	Circle Centre Sales ($000
1993			
Employees	$ 74,800	67.0%	$ 50,150
Conv. Groups	$ 35,600	15.0%	5,340
Metro Res.	$2,743,000	2.6%	71,495
Inflow @ 8 percent of total			11,015
			$138,000
1995			
Employees	$ 82,200	70.0%	$ 57,540
Conv. Groups	$ 38,700	18.0%	6,970
Metro Res.	$2,858,000	2.5%	73,050
Inflow @ 7 percent of total			10,340
			$147,900
2000			
Employees	$ 100,500	70.0%	$ 70,350
Conv. Groups	$ 47,500	18.0%	8,550
Metro Res.	$3,151,400	2.3%	72,990
Inflow @ 6 percent of total			9,610
			$161,500
2005			
Employees	$ 121,000	70.0%	$ 84,700
Conv. Groups	$ 55,100	18.0%	9,920
Metro Res.	$3,403,300	2.1%	72,705
Inflow @ 5 percent of total			8,775
			$176,100
2010			
Employees	$ 142,700	70.0%	$ 99,890
Conv. Groups	$ 61,200	18.0%	11,015
Metro Res.	$3,665,400	2.0%	72,360
Inflow @ 4.5 percent of total			8,635
			$191,900

Source: Hammer, Siler, George Associates.

Circle Centre will capture 65 percent of employees' shopper goods expenditure potential initially and increase to 70 percent by the third year. It will capture 15 percent of convention group shoppers goods expenditure potentialin 1993 and increase its share to 18 percent by 1995. Initially, Circle Centre will capture 2.6 percent of metro residential shoppers goods expenditure potential and then gradually decrease in share to 2.0 percent by 2010. Sales inflow represents that from other downtown visitors (excluding convention groups) and residents from beyond the metro area.

Shoppers Goods Residual Sales Potential

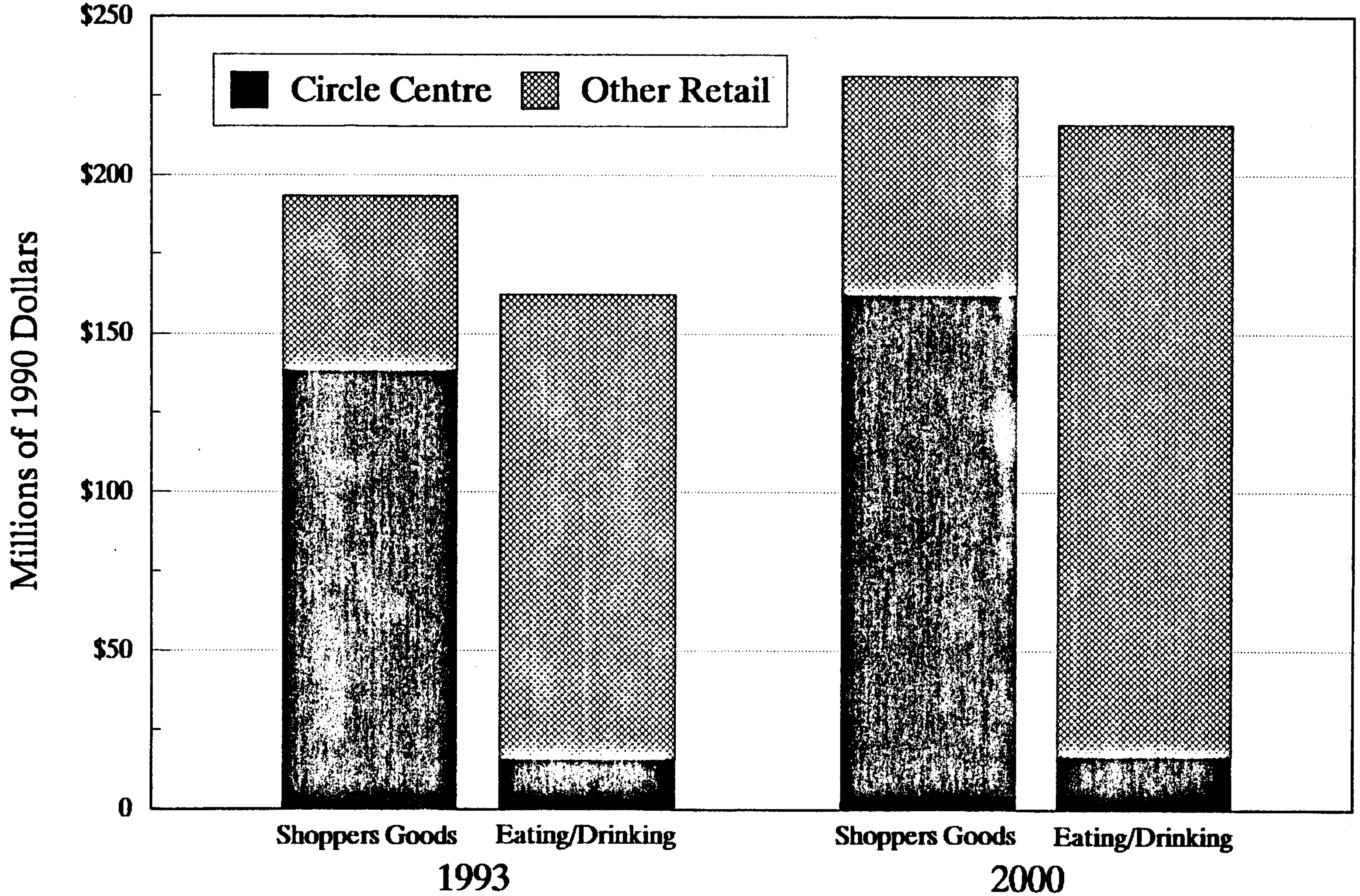
The shoppers goods sales generated by employees and convention groups which are not captured by Circle Centre will be available to existing and other new shoppers goods facilities in the Regional Center (or elsewhere). These residual potentials are shown below.

Table 46. REGIONAL CENTER SHOPPERS GOODS SALES POTENTIAL, EXCLUDING CIRCLE CENTRE, 1993-2010
($000 constant 1990 dollars)

	1993	1995	2000	2005	2010
Employees	$24,650	$24,660	$30,150	$36,300	$42,810
Conv. Groups	30,260	31,730	38,950	45,180	50,185
Total	$54,910	$56,390	$69,100	$81,480	$92,995

Source: Hammer, Siler, George Associates.

Indianapolis Regional Center
Retail Sales Potentials



Circle Centre Eating/Drinking Sales

Besides providing 800,000 square feet of shoppers goods space, Circle Centre will have approximately 50,000 square feet of eating/drinking space, including Claypool Court which already exists.[1/] Most of this support will come from downtown employees and metro residents while downtown on a shopping trip. Some support will come from group visitors; however, much of their eating/drinking expenditures are made for dinner/drinks at the end of the convention day.

Table 47 presents our projection of the eating/drinking sales for Circle Centre by sources. These sales are estimated at $15.0 million in 1993, increasing to $18.8 million by 2010 (in constant 1990 dollars).

Table 47. EATING/DRINKING SALES AT CIRCLE CENTRE, 1993-2010
($000 constant 1990 dollars)

	1993	1995	2000	2005	2010
Employees	$11,200	$11,500	$12,000	$12,500	$13,400
Group Visitors	1,600	1,700	1,900	2,100	2,300
Others	2,200	2,300	2,600	2,900	3,100
Total	$15,000	$15,500	$16,500	$17,500	$18,800

Source: Hammer, Siler, George Associates.

1/ An additional approximate 10,000 square feet will be services retail.

Eating/Drinking Residual Sales Potential

The eating/drinking sales potential generated by employees and group visitors not captured by Circle Centre is available to existing and other new eating/drinking facilities in the Regional Center (and elsewhere). These residual sales are shown below.

Table 48. REGIONAL CENTER EATING/DRINKING SALES POTENTIAL, EXCLUDING CIRCLE CENTRE, 1993-2010
(millions of constant 1990 dollars)

	1993	1995	2000	2005	2010
Employees	$ 97.4	$107.7	$134.1	$175.3	$207.1
Conv. Groups	49.3	54.1	64.8	74.6	83.9
Total	$146.7	$161.8	$198.9	$249.9	$291.0

Source: Hammer, Siler, George Associates.

B. Existing Retail

Street Level

An inventory of current street level retail space in the Regional Center does not exist. And, the amount of existing space to be demolished for Circle Centre's construction is not known. However, a visual inspection of the downtown confirms that the existing street level retail space is largely in the form of restaurants, taverns, convenience stores, business services (e.g., office supplies) and personal services. These retail businesses exist on major downtown streets such as Washington, Illinois, Meridian, Pennsylvania and others.

Circle Centre should have little direct impact on this type of retail which largely serves a convenience market for downtown workers. Since the space is scattered, it can be expected that it will continue to primarily serve daytime employees within two to three blocks of a particular business. Some sales support will come from visitors to downtown offices. For businesses located near hotels and tourist-oriented facilities, there will be a small degree of tourist sales support. However, even without a negative sales impact from Circle Centre, many street level businesses are and will continue to be threatened by a decline in their immediate area environment.

From a merchant viewpoint, in order to remain competitive, enhance consumer appeal, and, possibly expand somewhat the consumer base, street level retailing in the Regional Center needs to be upgraded so as to provide a warmer, more exciting shopping atmosphere. From the City's viewpoint, preserving the existing street level retailing is important in terms of municipal tax return, investment values and employment.

The following basic objectives should form the guidelines for planning for the conservation and rehabilitation of major shopping streets in the Regional Center.

1. Elimination of blight in the form of deterioration of buildings and storefronts and removal of non-conforming uses.

2. Organization among retailers along individual streets with the ability to continue to rebuild or self-develop under a unified marketing theme.

3. Redesign or re-plan the merchandise offering to provide the types of retail establishments best able to penetrate the market potential available.

The above objectives translate into the need to establish a format (or formats) for improving the appearance and quality of street level retail. Appearance is critical for attracting customers. The physical appearance of individual buildings, storefronts, signs, and window displays all contribute to the visual character of the Regional Center. Presenting an attractive appearance is good business. Hence, improvements and upkeep are not only essential to maintaining individual properties, but they are necessary to present a positive image for the entire business district.

Throughout downtown individual streets need to be upgraded to create a "street personality." Some individual store interiors will need to be improved to present a clean, well-stocked, and unique image. Outside, urban design treatments can unify the street. Improvements will include storefront, streetscape and other. Banners or a logo used repeatedly on a street will send out a friendly message and help create strong identity. Pennsylvania Street may have one logo; another street, a different logo; and so forth.

The upgrading or improvement of street retailing in the Regional Center will require the cooperation of the City, property owners, and shopkeepers. A business improvement district could be a mechanism for providing funding for supplemental services and capital improvements needed to implement an upgrading commercial venture. This type program is useful for undertaking exterior improvements in a designated district, providing participants accept self-help through self-taxation. It works well in areas where there is a high incidence of merchant ownership of affected properties, where the tax base is sufficient to generate the revenue needed, and where the area can benefit by offering additional services and/or improvements to attract an increased shopping public.

Some cities have established storefront assistance programs to assist property owners/merchants in upgrading. Such a program could help promote the maintenance and rehabilitation of commercial storefronts within the Regional Center. This type program usually provides assistance in three key areas. It prepares the "storefront guidelines" to be used as a reference for participants. It provides a design assistance team to assist individuals entering the program, as well as to review the proposed facade modifications. And, it provides for funding for participants to help offset the cost of preparing architectural plans and the modification of the facade itself.

Some communities also provide low cost loans and technical assistance for interior store improvements.

Obviously, the creation of the type partnership that would work best in Indianapolis depends on a number of factors to be assessed and worked-out. However, it is in the City's interest to assist property owners and merchants to create a competitive environment for the existing street level retailing downtown. Public/private cooperation will stimulate business growth and preserve and enhance the area's tax base.

<u>Merchant's Plaza and Claypool Court</u>

Most of the businesses in these two complexes are eating/drinking. Claypool Court will become part of Circle Centre through its linkage to the Embassy Suites hotel. The impact of Circle Centre on Merchant's

Plaza should be minimal; there will be no adverse impact on Claypool Court for the obvious reason.

Union Station

Union Station, with a mixture of eating/drinking, shoppers goods stores and services, derives much of its support from tourists. It receives a small amount of support from downtown employees. By contrast, Circle Centre will receive major sales support from downtown employees and area residents and only very secondary support from tourists.

Circle Centre will offer a full array of shoppers goods merchandise, especially apparel. Union Station's shoppers goods merchants sell mainly "impulse" gift, souvenir, and casual wear items. Both in merchandise offering and primary consumer base, the two complexes will not seriously compete.

It is planned to link Union Station to Circle Centre via a skywalk. If this is done, the effect would be to improve Union Station's market position by providing easy and direct accessibility to downtown employees who shop at Circle Centre.

C. Other Retail

As indicated, Circle Centre will reestablish a regional shoppers goods focus to the downtown or regional center. Sufficient expenditure potential exists from the two primary retail consumer segments for downtown (employees and group visitors), combined with inflow from other sources, to support existing and other retail complexes downtown. This sub-section discusses other possible market opportunities.

Office Building Retail

A survey of downtown office workers indicated some retail opportunities might be accommodated within new office structures offering shopping convenience for employees. A survey of 400 office workers produced some interesting results. Sixty-six percent of those responding represent households with less than $40,000 annual income (37 percent under $25,000). This may partially explain why many perceive downtown shopping as expensive.

Thirty-seven percent have not shopped for shoppers goods items downtown during the last year; another 37 percent have shopped only one to five times during the past year. This low level of store patronage partly reflects "lack of convenience." When asked why they didn't shop downtown more frequently, 172 of 291 respondents said it was "not convenient"; 89 of the 291 said it "was too far from here."

Items usually purchased downtown are women's apparel, books/magazines, cards/stationery, food/groceries, drugstore items, men's apparel and office supplies. To some extent this listing, considerably different than a similar survey we undertook in Boston recently, may reflect the lack of small specialty shoppers goods stores.2/ Certainly, a number of items above should be offered in locations convenient to the worker.

A large number of downtown employees eat out once or more a week. They spend a median $19.55 per week on lunch.

2/ The Boston survey listed the most purchased items as cards/stationery, gifts, womens' apparel, books, men's apparel, perfume/cosmetics, and jewelry in that order.

When asked what types of new businesses they would like to see downtown, the most frequent responses were for a better variety of specialty stores, more/different types of restaurants, discount stores, and department stores. Circle Centre will provide a better variety of specialty stores and department stores.

New office buildings can provide a mix of restaurants and convenience shopping which would be attractive to employees. The Boston Redevelopment Authority, as an example, requires major office building developments to include significant ground (and often second level) retail as a convenience for employees. Tenants appropriate for office buildings include, but are not limited to:

<u>Shoppers Goods</u>
Custom Apparel
Gifts
Books
Card/Stationery
Video Rental

<u>Convenience Goods</u>
Pharmacy
Newsstand
Confectioners
Florist
Gourmet Foods/Wine

<u>Personal Services</u>
Sports Medicine
Health Club
Hair Stylist
Dry Cleaner/Shoe Repair
Travel Service
Car Service
Tailor
Film Processing

Business Services
Bank
Federal Express
U.S. Post Office
Telecommunications
Computer Goods
Car Rental

The above type of retail should be considered for future office building developments throughout the Regional Center. Obviously, not all uses need to be in each new building, but a balance within several buildings within walking distance of one another would provide an array of retail outlets desired by downtown workers.

Specialty/Entertainment

A major specialty/entertainment focus is provided by Union Station. Located south of the retail core, it is expected to be linked to Circle Centre via a skywalk. Union Station is across from the Convention Center/Hoosier Dome and, as a result, derives considerable business from convention and stadium events.

Approximately 70 percent of the space is eating/drinking (110,000 square feet) and 30 percent is shoppers goods (50,000 square feet). The eating/drinking component contains a mix of fast food outlets, sit-down tablecloth restaurants and nightclubs. Recently, the Union Station Original Sports Bar, a chain, opened. It is expected to draw more local residents.

It is estimated that 70 percent of business comes from convention and other visitors, 20 percent comes from metro residents (often when attending a stadium event) and 10 percent comes from downtown employees.

That mix will change somewhat when Union Station is linked to Circle Centre.

Against present sales levels, HSGA has estimated Union Station's future sales by consumer sources.

Table 49. UNION STATION SALES PROJECTIONS, 1993-2010
($000 constant 1990 dollars)

	1993	1995	2000	2005	2010
Shoppers Goods					
Group	$ 4,200	$ 4,300	$ 4,600	$ 4,900	$ 5,400
Employees	1,500	1,600	1,700	1,800	1,900
Residents	1,800	1,900	2,000	2,300	2,500
Total	$ 7,500	$ 7,800	$ 8,300	$ 9,000	$ 9,800
Eating/Drinking					
Group	$19,100	$19,800	$21,100	$22,800	$24,400
Employees	4,800	5,000	5,300	5,700	6,100
Residents	8,000	8,200	8,800	9,500	10,200
Total	$31,900	$33,000	$35,200	$38,000	$40,700
Total	$39,400	$40,800	$43,500	$47,000	$50,500

Source: Hammer, Siler, George Associates.

The current sales volumes, as well as projections for Union Station, do not indicate as favorable a market acceptance here as has been the experience of the more successful specialty/entertainment complexes in Baltimore and Boston where sales average between $450-$500 per square foot. In contrast to the Indianapolis setting, Baltimore and Boston have a larger downtown employment base, stronger convention/visitor business and, most important, a sizable and affluent close-in residential population. They represent the exception, rather than the rule, for entertainment (festival) retail.

Nevertheless, Union Station is established and it should improve its market position as the downtown consumer base grows. However, it is large enough to effectively serve the specialty/entertainment component of the regional center's retail base for the foreseeable future. Although a new project should not be planned at this time, the entertainment appeal of downtown Indianapolis could be broadened.

There are some restaurants, lounge/nightclub facilities and a comedy club located on Meridian Street near Union Station. Combined with the station complex, this area offers a variety of evening entertainment activities. Efforts to increase entertainment activities along Meridian between Louisiana Street and Maryland Street should be encouraged.

In fact, over time, this area of the Regional Center should become an identifiable "entertainment district," offering an assortment of restaurants, lounges, nightclubs, and other evening entertainment activities. There is a great deal of popular support for such uses. The focus group discussion participants rated downtown's entertainment facilities very highly and many reported patronizing them frequently.

Value Retail

Opportunities may exist for developing a value retail center in downtown Indianapolis. Respondents to the employee survey indicated that there is a market for discount retail among the downtown employee base. Value retailing covers merchandise lines and price points ranging from designer labels sold in outlet stores to off-price and discount. Therefore, value retailing could take several forms.

Power Center. In recent years the "power center" has evolved into a major component of the retail industry. While definition is not uniform, a power center collects hard and soft goods anchors and creates a critical mass by combining them. Anchors may take as much as 80 percent of the space. A power center may range in size from 225,000 square feet to 750,000 square feet or more. Anchors may include the likes of Circuit City, Toys 'R' Us, Home Depot, Service Merchandise, Price Club, Costco, Marshalls, TJ Maxx, Phar-More, Lechmere's, etc. Some include discount department stores.

Power centers like to be near regional malls. They need to be on major highways or arteries within a 20-minute drive of their trade area. They look to average $250 plus per square foot in sales.

Although most power centers have been developed at suburban sites, some developers are exploring redevelopment sites.

A power center could require 30-40 acres or more. If such a site could be provided in the Regional Center, with access to an interstate interchange, a power center could be feasible. Most of the sales support would come from residents of Marion County within 20 minutes driving time. Many of the individuals within the focus group discussions expressed interest in seeing a discount store and a children's toy store developed downtown.

This type complex would present an opportunity to redevelop a peripheral Regional Center site if City and developer cooperation and agreement can be obtained.

Outlet/Off-Price. Traditionally, outlet chains have shied away from locations near department stores, a strategy ensuring that outlet tenants don't encroach on their parent manufacturing companies' wholesale accounts. Consequently, they opened stores far removed from urban areas. Off-price tenants, on the other hand, have shown a strong tendency to locate close to regional centers.

Changes are occurring. Off-price retailers such as Hit or Miss and TJ Maxx have located in downtowns. And, Warehouse Row in Chattanooga has shown that downtown outlet projects can be viable if the site allows for attracting transient and tourist traffic from the adjacent interstate system. Warehouse Row, 100,000 square feet, includes Polo-Ralph Lauren, I.B. Diffusion, J.Crew, Adrienne, Argenti, Bass, and other notable national outlet retail chains.

B & C Crossing is an adaptive re-use outlet project (110,000 square feet) being leased near the Baltimore Inner Harbor and adjacent to the new stadium complex now under construction. It is reported to be 61-percent leased.

If carefully conceived, an outlet center could be feasible at a Regional Center location near the interstate system. It probably would be 90,000-120,000 square feet in size and attract sales averaging between $250 and $275 per square foot. Much of its customer support would come off the interstate system.

This type center may offer another redevelopment opportunity in a fringe Regional Center location.

Public Market. Presently, there is a small "public" market facility in downtown Indianapolis at Market Square. City Market contains a mixture of food stalls and fast-food outlets combined with a few service retailers within a rehabilitated building. Several of the individuals in the focus group discussions expressed their enthusiasm at being able to shop for fresh foods there. However, both in tenancy (heavy on food service and nonfood items) and size (26,500 square feet of net stand area), it is not truly a public or farmers' market.

Spurred by increased consumer demand for a variety of fresh produce, seafood, meat and other food products, the number of public markets is increasing. In some cases, developers are using public markets as anchors in conventional shopping malls.

Baltimore has long been a leader in fostering awareness and support for public markets. The City operates six public markets, the largest being the two-block long Lexington Market in downtown. Pike Place Market in downtown Seattle is probably the most visited American public market with 7 million visitors annually. This market features 350 businesses, 100 farmers' stalls and 200 arts and crafts booths. It produces more than $35 million in annual sales with the top tenant averaging over $2,200 per square foot.

In recent years, public markets of 60,000 square feet and more have been developed as part of mixed retail complexes, particularly in the West.

People today are more health-oriented than previously. They want more fresh, less-processed food. There's a new awareness on the importance of freshness and flavor and consumers are supporting projects like Lonsdale Quay Market (Vancouver), Old Mill and Emery Bay (both California) with sales averaging over $500 per square foot.

The City Market in Indianapolis may present an opportunity to develop a true public market by expanding that facility to 60,000 square feet or more at the present site in order to provide a variety and quality of goods that are unavailable elsewhere in the region. If expansion at the present site is not feasible, it might be possible to relocate the existing City Market to another Regional Center location. The current site would then be available for development to a higher use.

Obviously, the expansion of the public market will mean adding "mom and pop" retail operations which will require exceptional management skills and supervision on the part of the management agent. But, a larger public market would be an ideal retail amenity for the regional center, as well as an opportunity to make money in real estate.

Car-Care Center. Over the past 15 years the full-service gasoline station has declined -- over 100,000 neighborhood gasoline stations closed between 1972-1989. This pull-out by major oil companies of service-end gas stations has altered the car-repair industry.

With the decline of the full-service gas station there has been an acceleration of the car-care center or auto mall. By 1989 about 650 car-care centers were in operation across the country. A typical car-care center ranges from 20,000 to 40,000 square feet and caters to customers needing a variety of car services. Local firms make up about 40 percent of the average tenant mix; regional companies, 30 percent; and national chains, 30 percent.

Car-care centers offer convenience and their locational preference reflects that. In suburban situations they seek sites near retail concentrations. In an urban environment, they seek a similar location which generates traffic and business.

A Regional Center location offers good business projects from a large daytime employment force with periodic car service needs. A car-care center of 20,000-25,000 square feet located in a peripheral but highly accessible setting to a large portion of the daytime work force would appear to have merit. The focus groups discussions with downtown employees and residents indicated strong interest in having additional car repair facilities and a gas station developed downtown.

Strategy Implications

Circle Centre is critical to the future of downtown retailing. Circle Centre will reassert the Regional Center's role as a major shopping destination for the region's residents and visitors. It will be the centerpiece of downtown retailing, offering stores and an entertainment experience not available elswewhere in the region. Without the center's ability to draw shoppers, reinforcing and retaining the existing department stores will be difficult.

Overall Regional Center improvements will also help to strengthen downtown retailing. Expansion of the Convention Center and the region's marketing efforts to draw more conventions and tourists will bring more potential shoppers to downtown shops and restaurants. Further residential development in and near the Regional Center will also expand retailers' potential base of customers.

Storefront Retailing

Along with the opportunity offered by Circle Centre will come challenges. The primary challenge will relate to supporting storefront retailing outside of the mall. Generally, we would expect those retail spaces to be filled by service operations and convenience stores oriented to the downtown employees. Other small retailers may find storefronts more affordable than a location within Circle Centre.

Reinforcing retailing along the street will require a series of physical and marketing improvements. Retailing areas need streetscape improvements to make a more inviting and pleasant environment for shoppers. Many of the existing storefronts need renovation and upgrading to better appeal to their customers. Some retailers will need to explore opportunities for remerchandising to better meet the needs of their market and to distinguish themselves from other stores operating within Circle Centre.

Individual clusters of storefront retailers could benefit from focusing around a particular retail and/or marketing theme. Individualized banners and logos to distinguish and highlight each district's retailing could help them to compete for shoppers.

Public/private cooperation could take the form of a Business Improvement District whereby a specialized property tax would be earmarked for physical improvements and coordinated marketing.

In planning skyway connections within the downtown, serious consideration should be given to the impacts on street activity. The popularity of climate-controlled skyways often shifts large portions of the normal pedestrian traffic from the street to the second level. The result is that street-level retailers which depend upon passing traffic lose an important source of business. That loss of pedestrian traffic can rob a downtown area of much of the activity and vitality which distinguish downtowns from other business areas.

Entertainment District

The emerging entertainment district in and around Union Station should be reinforced and strengthened. The restaurants, bars and other enetertainment facilities in Union Station and along Meridian Street have already developed a loyal following among many area residents. The appeal of such entertainment districts has been demonstrated in several cities. As part of the overall regional marketing package, these districts can be an important factor in attracting conventions. Convention and meeting planners consider the availability of entertainment opportunities for their delegates in choosing a meeting location. They also represent another amenity for attracting downtown residents.

Peripheral Sites

Sites with highway access and visibility along the periphery of the Regional Center may have potential for development of a power center, an outlet center or a car care center. These types of uses could benefit from Circle Centre traffic without unduly competing with the traditional department stores and specialty stores within the mall. These peripheral sites are more suitable for retail than for office development which is more appropriately concentrated in the core near Monument Circle. They require large acreage to accommodate the customers' parking needs.

With public cooperation to assemble suitable sites, such retailing centers would help to round out the downtown's retail offering. Downtown residents would benefit from more convenient retail facilities. Downtown employees could also benefit from the opportunity to leave their cars for repair during the work day or to shop on the way home. Strong design standards and guidelines should be imposed on such developments to insure consistency with the Regional Center's high level of design quality and efforts to improve the visitor's experience at the gateways to downtown.

Neighborhood Retailing

The Regional Center is currently well served by the convenience retailing of Lockerbie Marketplace. It is important to retain and reinforce this center. Additional opportunities exist for limited neighborhood retail development to meet the day-to-day needs of downtown residents. We would expect that in the near term most of those oppportunities will be met by individual retailers rather than by the addition of another neighborhood shopping center.

The potentials for different types of neighborhood retail establishments can be guided generally by the following estimates of sales and supportable square feet of space per trade area household:

	Estimated Sales Per Household	Supportable Floor Area Per Household
Food Store	$3,060	10.2
Drugstore	$760	4.0
Hardware	$200	2.1
Record/Video	$40	0.3

However, the potential for an additional neighborhood shopping center depends on the very specific location and access attributes of the identified site. A site at the periphery of the Regional Center could draw market support from other adjoining neighborhoods depending on access patterns. Protection of future retail sites in the Regional Center plan must be guided by the pattern of future housing development.

Section VI. REGIONAL CENTER RECREATION AND ENTERTAINMENT ANALYSIS

Section VI. REGIONAL CENTER RECREATIONAL AND ENTERTAINMENT ANALYSIS

In assessing additional recreational and entertainment opportunities for the Regional Center it needs to be recognized that the Indianapolis area now has a wide variety of recreational and entertainment attractions. Many of these facilities are located within the Regional Center. The major activities located there are discussed at this point in order to understand the magnitude of support for these type events in the downtown, their synergistic effect, and for identifying complimentary uses which can draw strength and support from a broad user base including residents, workers, students and tourists.

A. Existing Attractions

Existing recreational opportunities in the downtown area include spectator sports, participation sports (runs/walks, tennis, swimming, ice skating, fitness/aerobics, etc.), arts and cultural activities, commercial entertainment and more.

More specifically, in or adjacent to the Regional Center there are numerous existing and developing commercial entertainment attractions, sporting events, cultural and arts activities, and other events which draw millions of people to the area each year in search of recreational and entertainment experiences. Some of the major activities are discussed below.

Union Station

Union Station is addressed in some detail as part of the retail section of this report. Here it is addressed in the context of an entertainment attraction which brings many people into the Regional Center. Current visitation is not available. In 1995, it is projected that Union Station will achieve $40.8 million in sales; increasing to $43.5 million in 2000 (constant 1990 dollars). Based on Rouse Company experience, the average per capita transaction should approximate $8 and that places the total number of transactions in the $5.0-$5.5 million range during the 1995-2000 period. Adjusting for an annual average repeat rate of 3.3, based on equivalent Rouse experience, total attendance net of repeats is projected at between 1.5-1.7 million.

Whether considered as gross attendance or net of repeats, Union Station is a major downtown visitor attraction which is synergistic to the thrust of existing and future entertainment. Many of the visitors to Union Station seek additional recreational experiences while downtown, frequently at the adjacent Hoosier Dome.

White River State Park

White River State Park is in the process of development. It is an urban park on the western edge of the Regional Center which offers a one-of-a-kind experience to its visitors. The major attractions in place at this time are the following.

Indianapolis Zoo

This is the largest attraction, covering 65 acres and housing over 150 species of animals. In 1988/89 it attracted 976,000 visitors. A breakdown of the visitor residential distribution is not available. But, the 1988/89 attendance represents an 80-percent penetration of the Indianapolis regional population. This compares very favorably to other cities with major zoos, which are not located downtown, where penetrations are considerably lower - Baltimore, 15 percent; Boston, 5 percent; and Detroit, 19 percent.

Eiteljorg Museum

The Eiteljorg Museum of American Indian and Western Art opened in June, 1989. The 73,000 square-foot facility's collection consists of Native American art and artifacts and American Western art. Over the first eight months of operation, the museum drew 150,000 people.

National Institute for Fitness and Sport

One of the goals for White River State Park is to promote health and athletics. In response to that objective, the National Institute for Fitness and Sport serves both the serious and week-end athlete. It features a 200-meter Mondo rubberized track, a regulation basketball court, sauna, steam room and whirlpool, weight training equipment, exercise programs for all ages and more.

Military Park

Military Park offers an urban green space for picnics and other park activities.

Planned

There are still 35 acres available for development in White River State Park. Numerous proposals have been advanced for completing the park. Some are being considered at this time.

Indiana Landing. This is a proposed "family entertainment" center with several components totaling 350,000 square feet. Features include an IMAX theatre, a dinner theatre, a retail complex with Indian merchandise and crafts, a dance hall, theme restaurants, children's activities, an arcade, a summer bandshell, picnic area, and other attractions. Attendance has been projected for 1992 as follows:

	Indiana Landing		
	1992 Base	Penetration	Attendance
Primary Residential (Within 50 Miles)	1,862,000	18%	335,000
Secondary Residential (51-100 Miles)	2,799,000	11%	308,000
Visitors	4,782,000	5%	240,000
Total	9,443,000		883,000

Source: Harrison Price Company.

As it can be seen, Indiana Landing is projected to become a major destination center for residents and tourists alike. Its attendance potential compares favorably with similar attractions in major markets elsewhere.

Park officials are seeking a developer for Indiana Landing.

Other. Other proposals for White River State Park have included a four-acre village depicting life for African Americans in Indianapolis in 1870, a concert hall/dinner theatre/performing arts center, a revolving underground restaurant with windows offering a view of a model panorama of Indiana scenery, an educational theme park, and an open space/passive park, among others.

It is clear from the preceding that White River State Park has established itself as a major recreational and entertainment focal point for the region.

Sports

Indianapolis is in the forefront in the field of sports events and the city has developed a variety of facilities and programs which stress sports development as a major catalyst for community economic growth. World-class sports facilities are located in the city, many within the Regional Center. They include:

- A natatorium swimming complex adjacent to White River State Park. It has two Olympic size pools and 4,700 seats;
- A track and field stadium (also adjacent to the park) seating 12,100;
- A sports complex for tennis tournaments containing 24 courts and a 10,000-seat capacity (adjacent to the park);

- The Institute for Fitness and Sport (already discussed....in White River State Park);
- Market Square Arena with 16,912 seats, home of the NBA Indiana Pacers;
- The Hoosier Dome with 60,500 seats, home of the NFL Indianapolis Colts;
- Major Taylor Velodrome with audience capacity to 5,000;
- The Indiana World Skating Academy, a two-rink facility in the Pan American Plaza complex;
- William Kuntz Soccer Center with two fields and 6,500 seats;
- A sanctioned rowing course at Eagle Creek Park;
- Bush Stadium, a 9,500-seat facility housing the Indianapolis Indians Class AAA baseball team; and
- Indianapolis Motor Speedway and Speedway Hall of Fame Museum.

During the year major sports activities place millions of people into the downtown and adjacent areas. The major professional activities include:

Activity	1989/90 Attendance
Indianapolis Colts	464,000
Indiana Pacers	502,000
Indianapolis Ice	250,000
Indianapolis 500 Race and Trials	400,000
Indianapolis Indians	303,000
Total	1,919,000

Source: Individual organizations.

Cultural Activities

There are a number of museum and performing arts facilities in and around downtown Indianapolis. These include the following.

Museums

The Children's Museum is a unique and very strong cultural attraction. It drew 1.6 million in 1989, for a market penetration of 130 percent of the region's population. The museum has started to charge an admission fee and, as a result, expects some decline in attendance in the future. Other major museum facilities are the Indianapolis Museum of Art and the Indiana State Museum. Total attendance for these facilities is shown below.

	1989/90 Attendance
Children's Museum	1,600,000
Indianapolis Museum of Art	447,000
Indiana State Museum	252,000
Harrison Home	32,720
Eiteljorg Museum *	150,000
Total	2,481,720

* June, 1989 - February, 1990.

Source: Individual organizations.

Attendance at the Indianapolis Museum of Art represents a 36-percent penetration of the regional population. This compares to major arts museums in Baltimore, 14 percent; Boston, 24 percent; and Seattle, 6 percent.

Performing Arts

Performing arts also have a strong attendance base in Indianapolis. Two major facilities, the Indiana Repertory Theater and Circle Theater, are in the Regional Center.

Attendance at major arts programs is as follows:

Indianapolis Symphony	173,600
Dance Kaleidoscope	4,500
Indianapolis Ballet	55,000
Indianapolis Shakespeare Festival	20,000
Indiana Repertory Theater	100,000
Repertory Theater *	34,000
Indianapolis Civic Theater	28,900
Total	416,000

* 1987/88

Source: Individual organizations.

The preceding analysis indicates strong support for the entertainment, sporting and cultural events which are now held in Indianapolis, including the Regional Center. Because many of these activities are held within the Regional Center boundaries, it also indicates that downtown has a high visibility and acceptance level among people as the Indianapolis region's primary recreational and entertainment destination focal point.

The previous attendance data are summarized by category as follows:

o	Commercial Entertainment (Union Station)	1,500,000 *
o	Major Professional Sports	1,919,000
o	Museums	2,711,720
o	Arts	416,000
	Total	6,546,720

* Low end of 1995 projection.

Source: Hammer, Siler, George Associates based on individual organizations.

The total attendance of 6,546,720 indicates a responsive downtown/near downtown market. The attendance does not include other sports and concert activities at the Hoosier Dome and Market Square Arena, festivals, and unrecorded entertainment activities which attract additional hundreds of thousands of people.

Of the four major groups, the commercial entertainment category appears to be under-developed.

The remaining portion of this analysis presents a discussion of possible new attractions which could be developed in the Regional Center which would complement existing facilities and, at the same time, continue to broaden its recreational and entertainment offerings.

B. Attraction Possibilities

As previously mentioned, Indianapolis has long been a national leader in sports development. Within that context, Indianapolis is usually considered among the leading cities competing for the planned major league baseball expansion franchises. The National League has announced that two franchises will be awarded during 1991. Both major leagues may expand again after 1991. In expectation of these expansions, a baseball stadium capable of housing a major league team is an attraction possibility.

New Baseball Stadium

Recently, the Mayor expressed his support for a new baseball stadium in downtown Indianapolis. The facility, as now conceived, would be a "designed-for-baseball" stadium that could house the AAA Indianapolis Indians and be expandable to 40,000 plus seats if the city attracts a major league team. This is what Buffalo has done. A new stadium could help the Indians to increase substantially its attendance above the current level of approximately 300,000, bringing these fans downtown. With superior promotions and advertising, the team could possibly approach the Buffalo experience of more than one million fans.

The city-owned Bush Stadium, where the Indians now play, could become a facility for amateur baseball if a major league type stadium is built downtown.

No specific site has been pin-pointed for a baseball stadium. Obviously, a location near the existing Hoosier Dome and the Union Station entertainment complex would be an attractive one similar to locations elsewhere. Baltimore, for example, is developing two new stadiums (baseball and football) close to Harborplace and other downtown recreational and entertainment facilities.

The attendance that a major league baseball team would attract depends partly on the play of the team. Nevertheless, first year attendance would likely be from 1.5 to 2.0 million, with perhaps 20-30 percent coming from outside the Indianapolis region.

An Aquarium

Recently, Hammer, Siler, George Associates, has conducted several feasibility studies for planned major aquarium facilities. As part of the research, we closely examined the market and operating characteristics of five major existing aquariums: National Aquarium, Baltimore; New England Aquarium, Boston; Monterey Bay Aquarium; The Shedd Aquarium, Chicago; and The Seattle Aquarium.

Attendance is key to both the operating success and sizing of an aquarium. Support comes from the regional population, the population within a two-hour drive beyond the metro area and tourists. A preliminary evaluation of the support groups for a possible aquarium in Indianapolis indicates that a stabilized attendance could be on the order of 700,000-800,000 people annually (unadjusted for local conditions).

The attendance analysis is based on the penetration rates that major aquaria across North America have achieved among the major support groups in their respective cities. These penetration rates have been determined through exit interviews conducted at the aquaria.

The attendance potential would allow for development of an aquarium of 100,000-130,000 square feet. This is in the moderately large size range characteristic of existing aquariums in Baltimore and Seattle and developing aquariums in Chattanooga and New Orleans.

The Indianapolis zoo has a Water's Building, Aquarium and a Whale Performance Building. These facilities are modest in scale and, also, are more entertainment-oriented than educational in nature. They might, however, be an auxiliary unit of a major aquarium development.

A more detailed analysis would be necessary to refine the potential support for an aquarium in Indianapolis and to more accurately scope and size the facility. This analysis would include adjustments based on the existing support for entertainment/educational facilities already operating in the Indianapolis region. Other components of the analysis would include detailed revenue and expense projections, as well as an analysis of potential aquarium sites.

An Amphitheater

Amphitheaters are increasingly popular within the entertainment industry. Usually, they provide a large stage with some covered, protected seating and some open or "lawn" seating. The venue varies with top recording artists representing all types of music and some comedy and children's entertainment. Many existing amphitheaters operate on a seasonal basis. Some newer facilities are being built to operate year-round. Some older ones are planned for conversion to year-round operation. An amphitheater is an attraction which could be considered for the Regional Center, possibly within White River State Park. In fact, an amphitheater was originally considered for a "park" site.

To provide some perspective on how an amphitheater operates, several facilities are examined below.

Mud Island Amphitheater, Memphis

This 55,000 square-foot (5,000-seat) open-air amphitheater is located on the Mississippi River and represents one component of a grouping of attractions on Mud Island, located off-shore from downtown Memphis. The other attractions are largely passive and, after the 1990 season, will be reconstructed to a totally music-theme attraction.

The amphitheater was built in 1982 at an approximate cost of $9 million (or $1,800 per seat). It is owned by the City which, in turn, has a separate management contract with a private company to manage and promote the facility.

Currently, the amphitheater operates about six months a year and attracts top entertainment at an average ticket price of $15-$16. Of the 35 concerts in 1988, nine were sellouts: two Beach Boys shows, Richard Marx, Jimmy Buffett, Debbie Gibson, the Dirty Dancing Tour, Bob Dylan, Chicago and James Brown.

As presently planned, the reworking of Mud Island will make it into a year-round attraction. There will be 10 concert stages, ranging from the existing 5,000-seat amphitheater to mini-amphitheaters seating around 700 people. Each theater would be surrounded by a grassy area to accommodate larger crowds when necessary.

The island's existing Mississippi River museum will be reworked so that it is less passive and more interactive. A Great American Pyramid will feature Egyptian- and music-themed attractions.

Harborlights, Baltimore

This amphitheater is located in Baltimore's Inner Harbor and is surrounded by other attractions. The Harborlights Pavilion is an inexpensive tent-roofed facility with about 3,000 under-cover seats. It presents the Harborlights Music Festival which features a variety of top nationally known entertainers from May until September. Sara Vaughn, Ella Fitzgerald, Jerry Vale, and others have performed; bluegrass, classical, and other concerts are also held. Tickets cost from $8.00 for lawn seating to $18.00 for reserved seats.

The facility was built through grants by a large corporation and a media outlet. The Baltimore Center for the Performing Arts produces the program, and it is sponsored jointly the City and a television station. It is a very successful seasonal operation with many capacity audiences.

Because this amphitheater is located among other attractions drawing crowds at night, there is a spin-off for eating/drinking facilities at Harborplace and other nearby restaurants and clubs.

The two examples cited above are different in that Mud Island seeks to be a destination center whereas Harborlights is an attraction within a larger destination center - the Inner Harbor. A number of amphitheaters are being developed within the second-type setting, principally within theme parks. This could make a site in or near White River State Park a good location for an amphitheater.

Some characteristic amphitheaters in amusement and theme parks include:

Table 50. 1988 BUSINESS AT SELECTED AMPHITHEATERS IN AMUSEMENT PARKS

Name/Location/Seats	1988 Attendance	1988 Number Of Shows
1. Darien Lake Amphitheater Darien Lake Darien Center, N.Y. 7,500 plus lawn	70,000	15
2. The Forum Ontario Place Toronto 10,000	713,945	110
3. The Forum Amphitheater Worlds of Fun Kansas City 7,500	76,162	30
4. Great Arena Six Flags Great Adv. Jackson, N.J. 11,000 plus open	100,000	28
5. Redwood Amphitheater Great America Santa Clara, Calif. 10,000	77,000	14
6. Showplace Amphitheater Kings Dominion Doswell, Va. 7,500	100,000	16
7. Southern Star Amphitheater Six Flags Over Georgia Atlanta, Ga. 14,500	68,755	13

Source: Amusement Business.

It is recognized that there is a Deer Creek Music Center in Hamilton County, considerably north of downtown Indianapolis. The Indianapolis Symphony conducts some summer performances and popular and rock music concerts are held. Because the distance from downtown is great and because downtown provides centrality to the region, a second amphitheater type facility may present a reasonable entertainment development opportunity for the Regional Center. A facility with 8,000 fixed and lawn seats and providing 30-40 performances should be able to attract 100,000-150,000 people annually.

Movie Theater Complex

There are no movie houses in downtown Indianapolis at the present time. As downtowns rejuvenate and evening crowds linger, motion picture houses become a viable activity. Upon the completion of Circle Centre and with increased housing development in the Regional Center, a multi-screen cinema complex should become feasible. The focus group discussion with downtown residents underscored a strong desire for a downtown movie theater.

Seven to nine screen cinema complexes have been developed in downtown Baltimore, Buffalo and San Diego in recent years. The Baltimore project is on the ground level of a public parking garage and is within walking distance of most Inner Harbor activities. The Buffalo project is within the city's "theater district." The San Diego project is part of the Horton Plaza regional retail complex.

A cinema complex in the Indianapolis Regional Center may be developed as part of the Circle Centre retail complex and, if so, this would be a strong location for one. Should it not be included in the retail center, it might be considered as part of a parking garage or another structure in a location with high evening traffic potential.

Theme Museum

There are many different types of museums across the country. Art, science and history museums are perhaps best known and draw the largest attendance. Smaller theme museums attract people with an interest and curiosity on certain subject matters. Sports, industry, transportation, and music are among the subject matters of theme museums.

The majority of art, science and history museums are public facilities. Theme museums may be publicly financed or privately developed (sometimes with public assistance). The majority of financial support for museums comes from earned income, local government, federal government and state government sources in that order.

Museums have a history of being a "deficit" type facility. Frequently, the staffing and upkeep for a museum outstrips the income received.

Theme museums generally have limited attendance potential (even recognizing that many are in smaller communities). Annual attendance for some of the more notable sports museums/halls of fame, for example, ranges from only several thousand to over 200,000 annually. However, only the Pro Football Hall of Fame and the Baseball Hall of Fame attract over 200,000 people. Much the same can be said for other type theme museums.

Still, a theme museum, possibly a sports hall of fame considering Indianapolis' sports thrust, could appeal to a specific market segment. Such a facility, sports or other theme, would likely include memorabilia, art and plaques commemorating achievements or events, a small theater facility and other components. It would probably be on the order of 20,000-50,000 square feet in size and attract 50,000-75,000 people annually.

It should be located in an area of high visibility and pedestrian traffic, perhaps in a renovated building.

Other Attractions

Other attractions such as an IMAX theater or dinner theater could be considered if they are not developed as part of the proposed Indiana Landing complex in White River State Park. Boating facilities/rides and other water based recreation activities on the White River would be desirable people-user activities. The provision of active sports fields for downtown recreational use would be similar to those on the Boston Common or in Chicago's Grant Park, among others. New downtown office developments might be encouraged to provide health clubs and saunas. Many other people-user activities could be developed which, combined with the more active entertainment, sports, cultural and arts facilities and programs, would continue to make the Regional Center a "user-friendly" place to be.

Summary of Development and Attendance Potentials

The following table summarizes a preliminary development program for enhancing the Regional Center's recreational and entertainment appeal. The sizing of facilities and attendance potentials are based upon the evaluation of comparable attractions in other parts of the country and how the Regional Center location and indicated facility compare in terms of size, local population base, the probability of tapping tourists, and the synergism likely to be created by the clustering of attractions in one district. Actual project market and operational feasibility is subject to future testing.

Table 51. REGIONAL CENTER RECREATIONAL/ENTERTAINMENT DEVELOPMENT AND ATTENDANCE POTENTIALS

Attraction/Use	Size	Annual Attendance
o Indiana Landing (Proposed)	350,000 sq.ft.	883,000- 883,000
o Major League Baseball Stadium	40,000 + seats	1,500,000-2,000,000
o Major Aquarium	100,000-130,000 sq.ft.	700,000- 800,000
o Amphitheater	8,000 plus seats	100,000- 150,000
o Seven Screen Movie Complex	15,000-20,000 sq.ft.	450,000- 650,000
o Theme Museum	20,000-50,000 sq.ft.	50,000- 75,000
Total Visitation		3,683,000-4,558,000

Source: Hammer, Siler, George Associates.

The various activities indicated here could attract 3.7 to 4.6 million additional visitations over existing levels to the Regional Center.

Strategy Implications

Recreation and entertainment facilities and activities have played an important role in the Regional Center's revitalization over the last decade. They can continue to play an important role in attracting residents and visitors to the Regional Center. Some of these visits will result directly in hotel stays and meals in downtown restaurants. For those residents who do not combine the trip to a Regional Center attraction with another stop, an enjoyable visit to the Regional Center increases their familiarity with downtown and leaves a good impression which may lead them back downtown on another day.

Completion of White River Park to include a family entertainment center would help to reinforce the Regional Center's appeal to the full range of the region's residents and visitors. White River Park has not nearly reached its maximum attendance potential.

An additional opportunity exists to expand the complement of sports facilities which have sparked so much of the Regional Center's revitalization. A baseball stadium could be constructed to serve the AAA Indianapolis Indians and eventually expand to support a major league team. This facility could draw many additional visitors to the Regional Center, and with proper siting, could provide additional market support for downtown entertainment facilities.

Other opportunities for new attractions include a major aquarium, an amphitheater, a movie theater complex and theme museums. The movie theaters would meet a particular interest and need among downtown residents for convenient access to the movies.

Clearly, these are all major public/private endeavors, each requiring a major commitment of public and/or philanthropic funds.

Section VII. LABOR FORCE ISSUES

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The Regional Center land use potentials outlined in the preceding sections have direct implications for the Regional Center's future labor force needs. Conversely, the labor force supply will have implications for Regional Center development, acting as both a constraint and as an asset for future growth. While this study did not include an evaluation of the regional labor force, some observations can be made about long-term requirements if the Regional Center is to achieve its full potential.

Employment Prospects

The program of potential private land uses detailed in Sections II-V are as follows:

	1991-1995	1996-2000	2001-2005	2006-2010
Office (occupied square feet)	2,266,000	2,000,000	1,900,000	1,800,000
Retail (occupied square feet) 1/	900,000	350,000	60,000	57,000
Hotel (rooms)	--	200	300	200
Housing (units) 2/	2,725	3,050	3,225	3,500

1/ Estimated at three percent of new office construction plus Circle Centre and one satellite center.
2/ Low-end projection.

To translate these land use projections into number of employees, we have used typical employee densities:

Office	1 employee per 200 square feet
Retail	1 employee per 500 square feet
Hotel	1 employee per 1.7 rooms
Housing	1 employee per 20 units

The combination of these development projections and employee density factors imply the following rates of net new job creation:

	Net New Jobs	
	Annual	Total
1991-1995	2,640	13,200
1996-2000	2,200	11,000
2001-2005	2,000	10,000
2006-2010	1,880	9,400

Labor Force Concerns

Three major labor force concerns will influence future development: 1) the overall supply of labor; 2) the labor force skills; and 3) the Regional Center's ability to attract workers.

Labor Force Supply

Over the last 15 years, the introduction of the "Baby Boom" generation into the labor force has greatly increased the size of the labor force. Following the Baby Boom generation is the "Baby Bust" generation born in the mid- to late-1960s and 1970s when birth rates were much below those of previous generations. That generation is much smaller in size than the Baby Boom generation. As a result, labor force growth due to new entry by young workers will be much slower.

Given the age mix of the population, the 1990 estimated population includes roughly 14.6 percent or 182,500 residents aged 15 to 24. This compares with 18.6 percent or 217,000 residents aged 15 to 24 in 1980. Thus, the number of new entrants to the labor force during the 1990s may be as much as 16 percent smaller than that of the 1980s.

The David Birch analysis which called attention to the linkage between the labor force supply and office development prospects indicated that the small size of the Baby Bust generation could constrain significantly the demand for office space in the 1990s. The results of his overall analysis suggested that office construction for 1985-1995 should proceed at no more than one-half the rate of construction for 1975-1985. As his analysis was later quoted, it implied that the slowdown in construction was related primarily to the slowing labor force growth. In fact, most of the recommended slowing in construction was due to the overbuilding of office space throughout the country. Based on the labor force impact alone, Birch's analysis would indicate that the office square footage required to house the 1985-1995 job growth nationally should be roughly equal to that required to house the 1975-1985 job growth. Though equivalent in absolute numbers, that projection shows a slower rate of growth (33 percent from 1985 to 1995 versus 46 percent from 1975 to 1985). However, the impact of labor force constraints on job growth is not nearly as great as the 50-percent decline in office construction required by the overbuilt office market.

The number of new young workers entering the labor force is not the only determinant of the future size of the labor force. Labor force growth is influenced by many factors. The labor force grows not only through the addition of new young workers, but also by attracting older persons into the labor force. During the 1970s and 1980s, the U.S. saw a sharp increase in labor force participation by women. Economic pressures and changing social values have led to many more women entering and staying in the work force even when they have small children. Those pressures are continuing though the rate of increase in women's labor force participation may slow. Greater availability of affordable day care could lead to higher participation rates among women.

The labor economics of the last two decades have encouraged early retirement of older employees to make way for younger employees. With the reduced availability of young workers, some employers are reexamining those policies, and others are actively recruiting older workers. These efforts may slow the loss of experienced workers due to retirement.

The third source of additional workers is the attraction of persons who have dropped out of the labor force due to poor employment prospects. These may include individuals who lack required technical skills and women receiving welfare assistance while raising their families. With sufficient training and support, many of these individuals can be brought into the labor force. Intensive skills and literacy training may be required as well as child care and transportation services which allow these individuals to work.

On balance, the growth in the labor force can be expected to slow during the next decade though perhaps not as sharply as the data for young workers would suggest. With a tightening labor supply, there will be upward pressure on wages as businesses compete for experienced workers. This increased cost may be tempered somewhat by the fact that more of the labor force will be productive experienced workers in their 30s and 40s rather than entry-level workers just starting their first jobs.

In this increased competition for workers, office-based service companies may have an advantage in recruitment. Many employees have shown a preference for office jobs rather than working with their hands. Office jobs often pay higher wages than do other industries which depend on a large supply of low-wage workers. Retailers will have more difficulty in competing for qualified staff given the lower wage rates prevailing in the retail industry. This is particularly true in the fast food industry which has traditionally depended on high school students as its primary work force.

Labor Force Skills

Beyond the number of workers required for newly created jobs, businesses have a growing concern about adequacy of skills within the available labor force. In an increasingly information-intensive and technology-based economy, businesses have a growing need for workers with good verbal skills, a high degree of literacy and experience with computers and other technologies. It is increasingly difficult for businesses to employ workers who have minimal education and no technical skills. The quality of education being provided to Indianapolis students from pre-school through high school will determine the quality of the future labor force available to businesses in the Regional Center and in the rest of the metropolitan area.

The future economic health of the Regional Center and the entire Indianapolis economy will depend on the quality of education throughout the region. Given their location and greater reliance on Center Township workers, the Regional Center businesses have a particular interest in working with the Indianapolis Public Schools to ensure that all of the students develop a basic level of proficiency in language, math and other technical skills.

Regional Center's Ability to Compete for Labor

The Regional Center has outstanding highway and transit access service which give it an important advantage in competing for workers in a tight labor market. Continued improvement to those facilities and services will allow the Regional Center to continue drawing employees from throughout the metropolitan area. Improvements to the parking system to make parking more convenient would also help the downtown to attract workers.

The Regional Center's key disadvantage lies in the limited supply of close-in housing and close-in workers. Several of the suburban business centers have an advantage of extensive housing nearby. It is easier to compete for a close-in work force than for workers who drive past another business center on their way downtown. Expansion of the housing stock in and near the Regional Center should help to reduce that imbalance.

If the Regional Center is to take better advantage of the underutilized labor force in the existing close-in neighborhoods, steps will need to be taken to help low-income residents become productive members of the labor force. These steps would include additional training programs both to upgrade skills and to achieve basic literacy. Close cooperation between the business community and educators is key to insuring that the workers are being taught the necessary skills for the available jobs. Financial assistance for day care and better transportation services could allow some low-income residents to leave welfare and join the work force.

One of the Regional Center's key advantages in competing for workers lies in its overall appeal as a place to work. Many workers will commute longer distances and pay more to park for a downtown job because they enjoy the downtown environment and the atmosphere. The mix of offices, retail shops, restaurants, services and attractions cannot be replicated outside of the Regional Center. Activities which enliven the downtown at lunchtime are not available in suburban business parks. The choice of restaurants available for lunch and the chance to run errands at lunch or after work play a role in some workers' decision as to where to work.

Thus, the overall program to improve the downtown through development of new retail, entertainment and recreation facilities, better urban design, improved parks and the full range of downtown activities and promotions will be invaluable to Regional Center businesses as they compete for workers in the coming years.

APPENDIX

Appendix Table A-1. OFFICE DEMAND AND TOTAL EMPLOYMENT TRENDS AND FORECASTS, METROPOLITAN INDIANAPOLIS, 1970-2010

	Wage and Salary Employment	Office Space Per Employee (sq. ft.)	Occupied Office Space (sq. ft.)
1970	418,800	17.40	7,287,200
1980	533,200	22.78	12,144,700
1985	554,700	31.11	17,254,300
1987	600,300	32.16	19,302,800
1989	646,100	34.33	22,178,500
1990	661,900	35.36	23,407,000
1995	715,000	39.35	28,132,000
2000	757,000	43.64	33,032,000
2005	796,000	47.43	37,757,000
2010	832,000	50.64	42,132,000

Source: U.S. Department of Commerce, Bureau of Labor Statistics; Indianapolis Business Journal; F.C. Tucker and Company Inc.; and Hammer, Siler, George Associates.

Section VIII. LEADERSHIP CONCERNS AND COMMITMENT

That Downtown Indianapolis was one of the urban success stories of the 1980s was very much due to the high quality of the business, governmental and institutional leadership and their commitment to the downtown cause. The progress to be made over the next decade will necessarily be equally dependent on the effectiveness of the leadership.

Leadership Issues and Concerns

As a part of the economic consultant input to the Regional Center II work program, a series of in-depth interviews were carried out with a sample of the top leadership group. The purpose of the interviews was to explore their perceptions of the progress of the 1980s and what was learned in the process, to discuss their perspective on the present and the critical decisions being made, and to ask them to share their vision for the downtown of the future.

Because these individuals have worked and are working so closely together, it was not surprising that there is substantial consensus in spite of some important differences. The most important results of these interviews are briefly presented below as they have important implications for the Regional Plan II development process.

Commitment To The Downtown Heart of the Region

Through the successes of the past decade, downtown Indianapolis has firmly reestablished its role as the heart of the region. The prestige and economic development success of the region have been much enhanced by the achievement. There is broad leadership awareness of these successes and unanimous commitment to preserving and enhancing this downtown role.

Circle Centre Mall Success

There was unanimous agreement in the leadership group of the essential importance of the successful completion and operation of the Circle Centre Mall. At this point, there is clear understanding that changes in the ownership patterns and debt load in the department store industry and the deteriorating money market trouble the project. There is realization that changes may need to be made. But there is a strong belief that the completion of this project is required to solidify the gains and continue the momentum of the 1980s into the 1990s.

Political Leadership Continuity

Downtown Indianapolis "has been blessed" with two of the most effective pro-downtown Mayors in our nation. Because this is a time of leadership change, there is uncertainty as to the priority which downtown will hold with new leadership. There is concern that the momentum not be lost even in the natural transition period.

The Regional Center Plan II process should provide private and governmental leadership dialogue.

Downtown and Neighborhood Partnership

The leadership feels that the strength of the downtown development momentum provides the foundation for a coordinated downtown and neighborhood development program in the 1990s. Improved housing for all parts of the population and a full role for the various parts of the Regional Center in this housing strategy is felt to be important to the cause of continued city-wide support for downtown development. Neighborhood participation in the Regional Center II process is an essential part of this partnership.

Continued White River Development

There is a strong feeling among the leadership that the development of the White River State Park has been very important to the strong image which has been projected for the community nationally. Continued development of the park is seen as very important to continuing the momentum.

Centralized Downtown Management

The public and private financial resources available to create the facility and program "infrastructure" required to encourage and support continued downtown development can be most efficiently utilized under a centralized downtown management organization. The functions of such organizations include transportation, parking, security, maintenance, promotion, advertising, consultation on leasing and merchandising and other functions. There is leadership feeling that better financing and greater coordination are essential to the continued development of downtown in the 1990s.

Better Leveraging of Regional Growth on Downtown

There was a feeling of concern that with all its downtown achievements and dramatically strengthened image that Indianapolis had not been more successful in attracting new corporate locations. Economic development professionals and the leadership need to raise this objective in their priorities and efforts and intensify the outreach and "closing" effort.

Clear Canal Development Policy

There is support among various members of the leadership for each of the uses under construction or under consideration for the total canal area. However, there is concern that the Regional Plan and immediate action program include a clear determination of the use pattern for this area so that public and private investments can be made with confidence.

Specific Tactics To Achieve The Plan

There was concern that while the Regional Center Plan for the future is prepared that the leadership place at least equal attention on establishing the specific project priorities for the immediate future and on setting forth the specific steps required of agencies, businesses and individuals to move immediately to carry out these projects.

Summary

An active leadership role in Regional Center II Plan preparation is essential to the commitment required for plan implementation. These first-priority concerns can play an important role in plan formulation.