



Franklin County

RETAIL REPORT 2018

AN ANALYSIS OF TRENDS IN:

- Sales tax revenues
 - Employment
 - Real estate
 - E-Commerce trends and impacts
- 





Commissioner President Kevin L. Boyce | **Commissioner** Marilyn Brown | **Commissioner** John O’Grady

To our partners in the retail sector and the residents of Franklin County:

Thank you for your interest in the 2018 Franklin County Retail Report. This report, and today’s Retail Summit, represent an ongoing partnership between the Franklin County Board of Commissioners and the Columbus Chamber of Commerce, and provide a unique insight into the state of our retail marketplace in Central Ohio.

Franklin County Supports Retail. Retailers are the backbone of our economy, and a healthy retail sector reflects a strong regional economy. Supporting innovation and expansion in retail will continue to be important to supporting the Central Ohio economy as we continue to work to make our community attractive to new and expanding businesses.

Retail Supports Franklin County. Sales tax receipts make up about half of the county’s General Fund, a percentage that is likely to increase as we continue to see cuts in state funding for local governments. The sales tax revenue you generate allows us to be successful in serving this community and meeting the growing needs of both our residents and businesses.

Franklin County is the largest county in Ohio, and our metro area is the fastest growing in the Midwest. The economic landscape also continues to change throughout the country, so our growth provides both challenges and opportunities, and it is important that we plan deliberately for the economy we want to see in our community.

We are proud to present to you a Retail Report which examines the factors and trends affecting the current state of the retail landscape in Franklin County, with data specific to Central Ohio and the changes predicted to impact the retail industry for the near future.

We hope today’s event and the 2018 Franklin County Retail Report will be useful in educating our region’s business leaders and our government partners about the potential for continued economic growth and success in Franklin County’s retail sector.

Sincerely,

Kevin L. Boyce, President

Marilyn Brown

John O’Grady

The Franklin County Board of Commissioners

INTRODUCTION

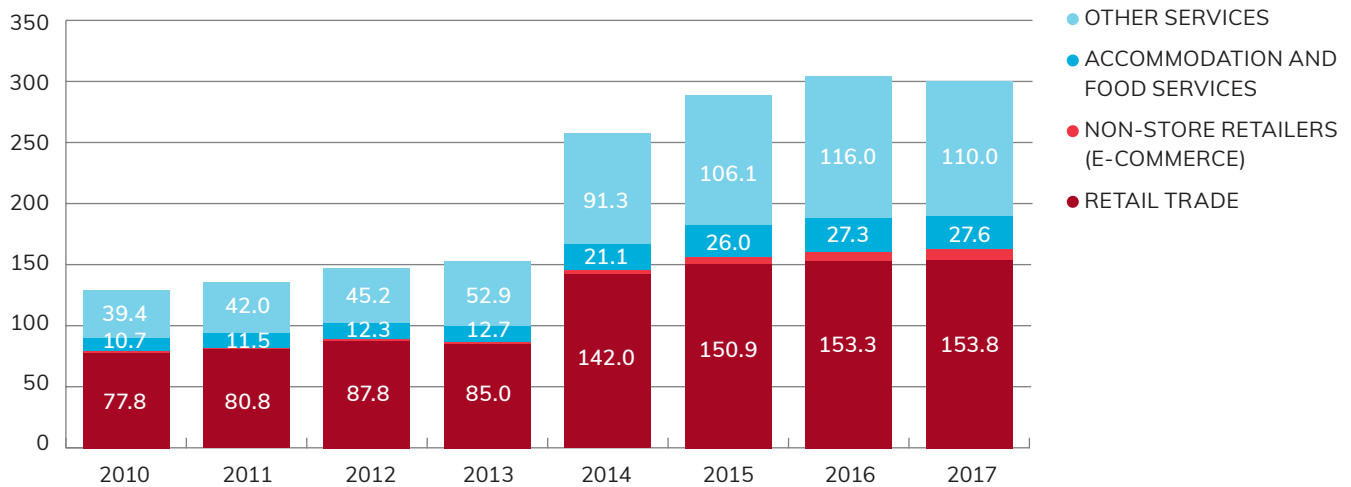
This report covers trends in retail sales tax, employment, and real estate. Key highlights include:

- Franklin County bricks-and-mortar retail sales tax revenue growth continued to decelerate, increasing just 0.3 percent from 2016 to 2017, compared to 1.6 percent from 2015 to 2016 and 6.3 percent the previous year.
- Franklin County's overall sales tax revenue was down 1.3 percent from 2016 to 2017. The decline was primarily due to changes in federal rules and state law changes as of July 2017 that sales tax could no longer be applied to Medicaid managed care transactions in Ohio. If this tax had not been eliminated mid-2017, the county's sales tax revenue would have increased about 3 percent between 2016 and 2017.
- Improved online sales tax collection in Ohio continues to fuel revenue growth, though slower than the previous year.
- For the first time, this report separates out employment data for non-store retail, as Amazon's central Ohio fulfillment centers have started to make their mark on the data. Retail employment, minus non-store retail, has remained stagnant since the recession.
- After hitting a low of 5.4 percent in Q3 2016, the retail vacancy rate in the Columbus market has since been impacted by the wave of store closures that started in early 2017. The vacancy rate spiked to 7.3 percent in Q2 2017 but has shown signs of leveling off as the pace of closures slowed.
- Store closures may continue as a long-term market correction to the over-retailing of the U.S., which has 24 square feet of retail per capita, compared to 16 in Canada and 5 in the United Kingdom.
- Despite challenges in bricks-and-mortar, Franklin County is a major beneficiary of e-commerce, ranking no. 14 among all U.S. counties in associated job growth.

SALES TAX REVENUES

Franklin County’s overall sales tax revenue, not including COTA’s share, totaled \$299.9 million in 2017, down 1.3 percent from 2016 revenue of \$303.9 million. Revenue from retail trade, excluding non-store retail such as e-commerce, grew just 0.3 percent from \$153.3 million to \$153.8 million, while revenue from accommodation and food services grew 0.8 percent from \$27.3 million to \$27.6 million. Revenue from non-retail services decreased 5.2 percent from \$116.0 million to \$110.0 million, dragging down overall revenue. This decrease was due to the loss of sales taxes from Medicaid managed care, which took effect July 1, 2017 following changes in federal rules and state law. The change in revenue from the “Finance and Insurance” industry category reflects the impact from just six months of the restriction, falling from \$25.6 million in 2016 to \$14.0 million in 2017, a decrease of \$11.6 million.

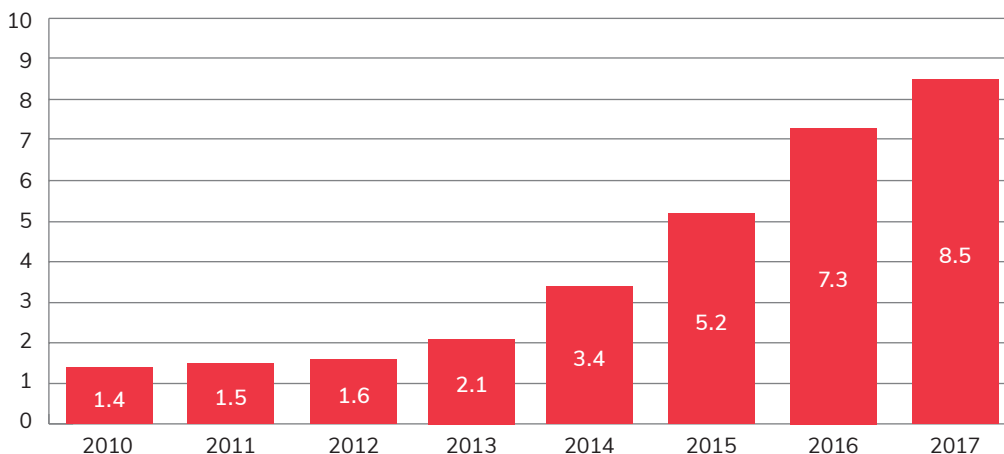
Figure 1: sales tax revenue (\$ Million), FRANKLIN COUNTY



Source: Ohio Department of Taxation

Revenue from non-store retail grew 17.4 percent between 2016 and 2017, impressive but lower than the 39.6 percent growth the previous year. While improvements in tax collection from online sales in Ohio will continue to drive up revenue from non-store retail in the near term, this growth rate will slow to move more in line with e-commerce sales growth.

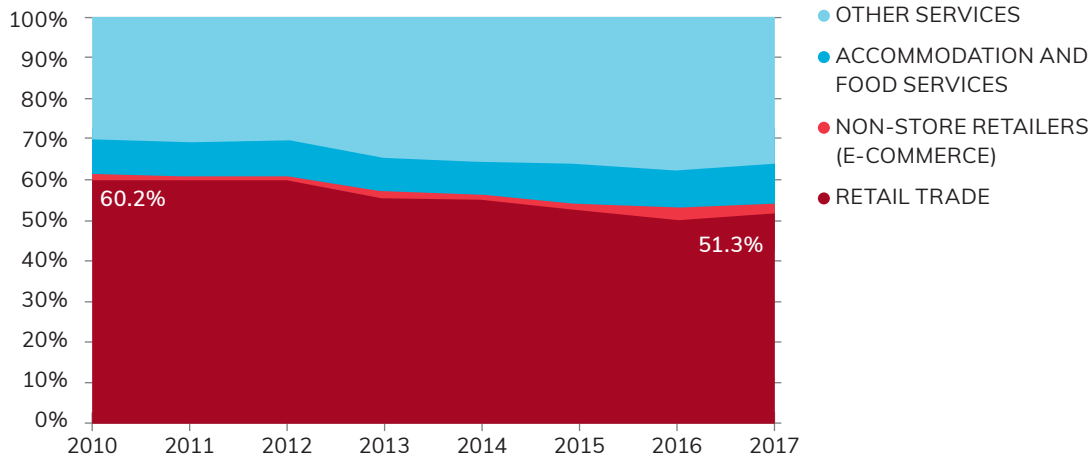
Figure 2: sales tax revenue From Non-Store Retail (\$ Million), FRANKLIN COUNTY



Source: Ohio Department of Taxation

The decline in retail's share of Franklin County sales tax revenue came to a halt in 2017 at 51.3 percent, up from 50.4 percent the previous year. However, this change was due to the significant drop in revenue from other services rather than strong retail growth.

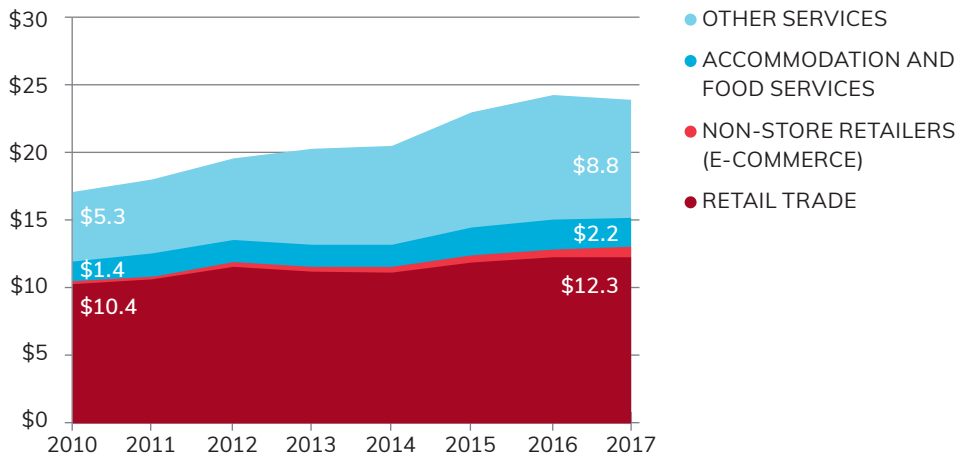
Figure 3: Retail and Accommodation & Food Share of Franklin County Sales Tax Revenue



Source: Ohio Department of Taxation

Franklin County's retail sales tax base remained level at \$12.30 billion in 2017, up \$38 million from 2016. Accommodation and food services, at \$2.20 billion, was up \$18 million. Other services decreased from \$9.28 billion to \$8.49 billion, or by \$79 million.

Figure 4: Sales Tax Base (\$ billion), Franklin County

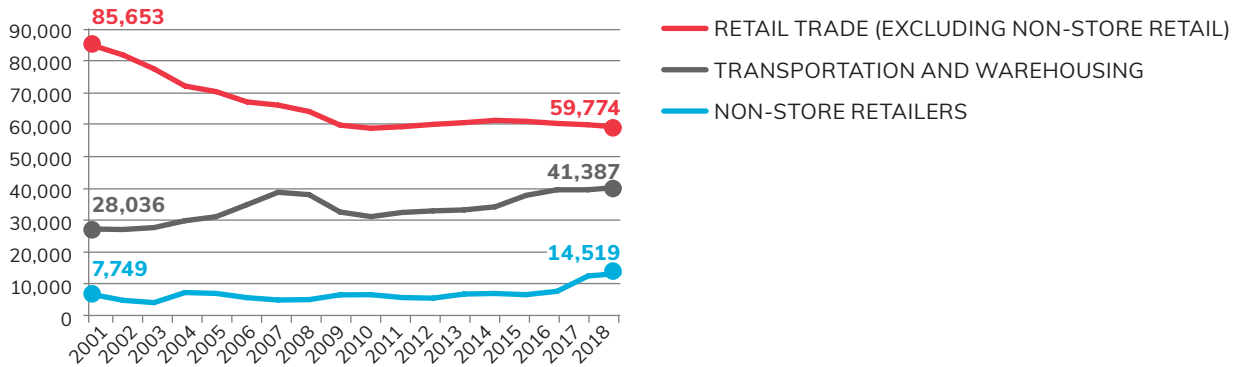


Source: Ohio Department of Taxation

EMPLOYMENT

Retail employment in Franklin County, excluding non-store retailers, is estimated currently at 59,774, relatively stagnant since the last recession. Employment for non-store retailers is shown separately for the first time in this report, due to the impact of Amazon’s fulfillment centers now making its mark on the data. Non-store retail employment has nearly doubled in the past three years, from 7,653 in 2015 to 14,519 in 2018. Also benefiting from e-commerce, employment in transportation and warehousing continues to grow, though at a more moderate pace.

Figure 5: Employment in Retail and Transportation & Warehousing, Franklin County



Source: EMSI

The impact of Amazon’s fulfillment centers is also visible in seasonal employment patterns. From 2000 to 2015, net seasonal employment in the Columbus metro’s retail industry fell from 9,300 to 4,800. In 2016 and 2017, however, this figure saw an uptick to 6,800 and 5,800, respectively. While monthly data for non-store retail employment is unavailable, the recent trend is almost surely attributable to Amazon. Net seasonal employment in transportation and warehousing is at 2,900 in 2017, compared to just 600 in 2000.

Figure 6: NET Seasonal Employment* in November and December, Columbus MSA



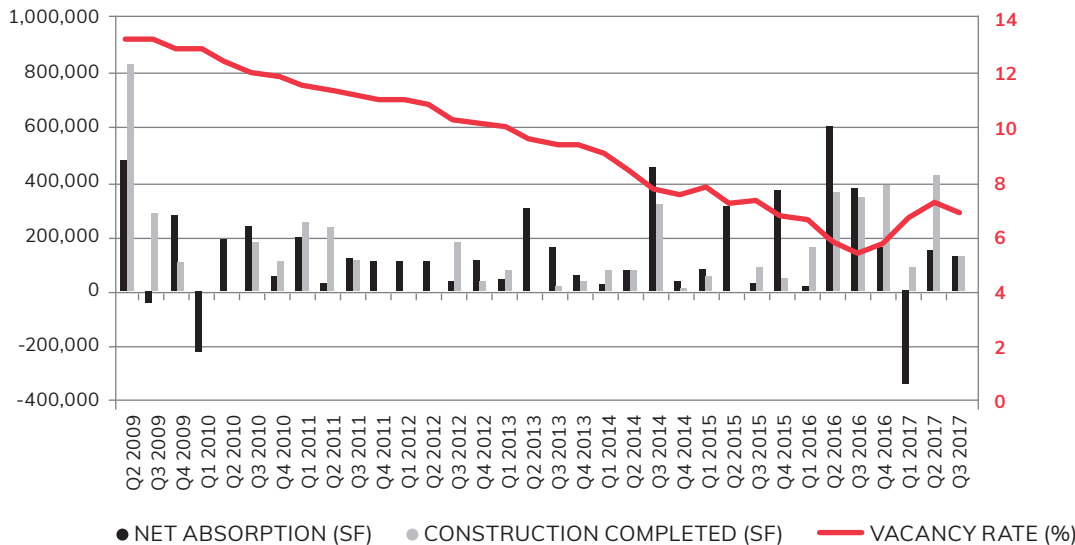
Source: U.S. Bureau of Labor Statistics, Columbus 2020

*Net seasonal employment is calculated as the difference between seasonally adjusted and unadjusted employment.

REAL ESTATE

After hitting a low of 5.4 percent in Q3 2016, the retail vacancy rate in the Columbus market (Franklin County and adjacent six counties) shot up to 7.3 percent in Q2 2017, following a wave of major store closures in early 2017 and net negative absorption of 335,464 square feet in Q1 2017. The vacancy rate fell back to 6.9 percent in Q3 2017.¹

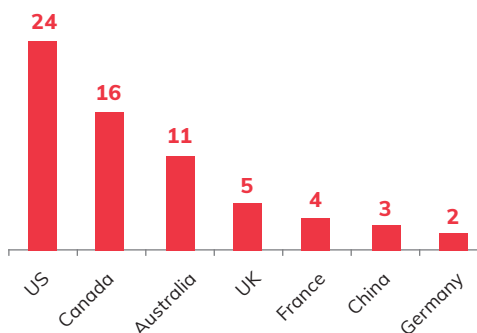
Figure 7: Retail Construction, absorption and vacancy, Columbus market, Q2 2009-Q3 2017



Source: Colliers International

The trend of store closures in recent years will likely continue, even as opportunities abound for successful brands and in markets with strong demographics. While an area like southern Delaware County continues to grow retail, it does not change the fact that central Ohio in general, like much of the U.S., remains significantly over-retailed. This becomes especially apparent when comparing retail square footage in the U.S. with other developed markets.

Figure 8: Retail Square Feet per Capita



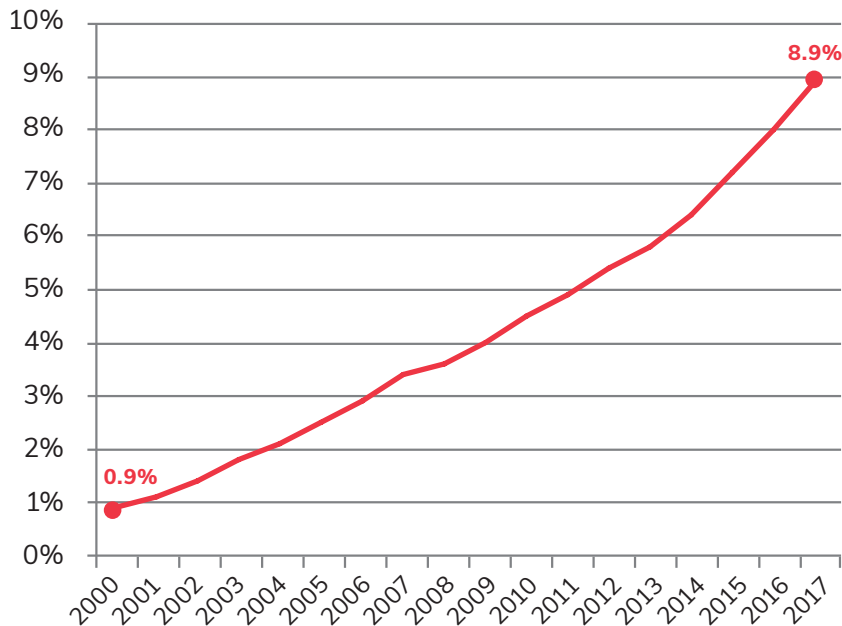
Source: International Council of Shopping Centers, Country Factsheets as of March 2017

¹ Availability of more recent local data has been affected by the closure of real estate data firm Xceligent. <https://therealdeal.com/2017/12/14/xceligent-shuts-down-files-for-chapter-7/>

E-COMMERCE TRENDS AND IMPACTS

According to the U.S. Census Bureau, e-commerce's share of national retail sales has risen from 0.9 percent in 2000 to 8.9 percent in 2017. In the fourth quarter of 2017, which includes holiday sales more oriented toward online retail, e-commerce accounted for 10.4 percent, up from 9.4 percent in fourth quarter of 2016.

Figure 9: E-commerce share of retail sales, U.S., 2000-2017

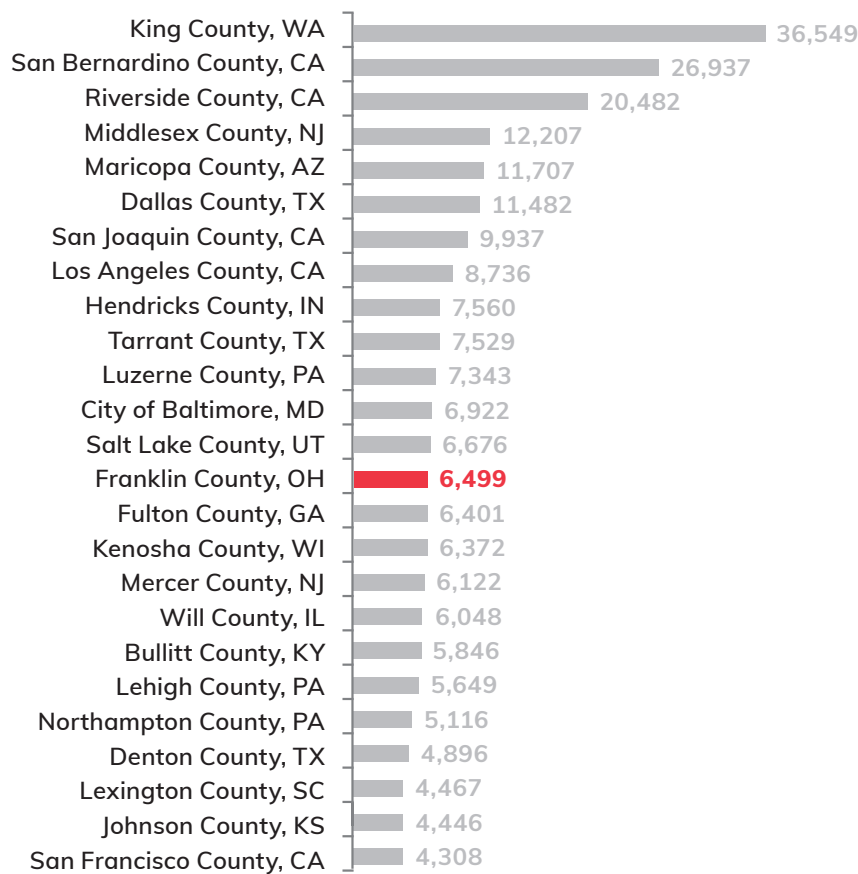


Source: U.S. Census Bureau

From a tax and fiscal perspective for Franklin County, the continuing shift to e-commerce neutralizes to some extent the losses in bricks-and-mortar retail. On June 21, 2018, the U.S. Supreme Court in *South Dakota V. Wayfair, Inc.* ruled 5-4 in favor of states' ability to collect sales taxes on online transactions. This overturned precedent from the Court's 1992 decision in *Quill Corp. v. North Dakota* that exempted companies selling across state lines from collecting sales tax. The new decision supports efforts by states, including Ohio, to collect online sales tax, as well as the states' Streamlined Sales Tax Project. Online retailers that currently do not collect sales tax may be hurt most, in favor of bricks-and-mortar as well as online retailers that do collect the tax, such as Amazon.

Looking beyond the sales tax, the Franklin County economy in general has been a major beneficiary of the rise of e-commerce, ranking no. 14 among more than 3,000 U.S. counties in job growth in nonstore retail and transportation and warehousing. The functions in these industries can range from headquarters – which is why Amazon’s home base of King County, Washington is no. 1 – to the company’s fulfillment and data centers here in Franklin County. Retail jobs that were once more evenly spread out across the country are now being concentrated by e-commerce in a much smaller set of localities. Franklin County, along with other parts of the Columbus metro area, are fortunate to be among the bright spots in the changing retail industry landscape.

Figure 10: Top U.S. counties by employment change in nonstore retail and transportation & warehousing, 2007-2017



Source: "The Growing Retail Divide", Governing, July 2018

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PREPARED BY

Jung Kim, Managing Director of Research and Business Intelligence, Columbus 2020

As Managing Director, Jung Kim leads the research team, which conduct economic and business research in support of Columbus 2020 economic development efforts and provides support to Columbus Chamber members.

Jung has a Master of Science in Regional and Urban Planning from the London School of Economics and a Bachelor of Arts in Sociology and Urban Studies from Northwestern University. His prior experience includes Community Research Partners, a nonprofit research center based in Columbus; the State of New Jersey's Office of Smart Growth; and Strategic Planning Advice, an economics and planning consulting firm in the UK. He is a member of the American Planning Association and the Urban Land Institute.

Jung Kim, AICP | 614.225.6913 | jk@columbusregion.com

PRESENTED BY



Franklin County Board of Commissioners

As the administrative head of Franklin County government, the Board of Commissioners sets the strategic direction and fiscal priorities for the 30th largest county in the nation. Kevin L. Boyce, Marilyn Brown and John O'Grady have established the Economic Development & Planning Department to promote organized growth supported by the principles of economic vitality, social equity, progressive land use, planning and environmental responsibility.

development.franklincountychio.gov



Columbus Chamber of Commerce

The Columbus Chamber of Commerce is a resources-based nonprofit organization serving more than 1,600 member organizations in the Columbus Region. Providing support in areas such as research, marketing, talent advisement, networking, and government affairs, the Chamber has been helping businesses thrive since its founding in 1884.

columbus.org

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