

## The Economic Impact of Building Improvements

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By Kathleen Frazier, Frazier Associates

The next time a business owner in downtown asks: “What good will a facade improvement do for my business anyway?” You can confidently reply: “Increased sales.”

That’s right, folks. Several studies have been conducted that give the economic facts to what we have all known intuitively for some time: an improved exterior appearance improves the image of a downtown business; attracts more shoppers and increases sales.

In 1986, the University of Wisconsin-Extension conducted a study titled the Economic Effects of Storefront Improvement, and in 1990 Main Street West Virginia conducted a similar survey titled The Economic Impact of Storefront Improvements. In each study, interviews were conducted from a sampling of over 100 merchants in a total of 30 different communities (20 in Wisconsin and 10 in West Virginia). The studies found that:

- Roughly 70% of the businesses reported an increase in sales after making facade improvements.
- Roughly 85% of the businesses also made interior improvements including new inventory and product lines, merchandising and window display.
- A majority of improved buildings were owner occupied or locally owned.

- Costs for facade improvements ranged from \$500 to \$60,000 and included everything from signs to total restoration.
- Well over 90% of all participants were very pleased with the renovations and had experienced favorable comments from customers.

In West Virginia, the results also indicated that the majority of renters had no resulting rent increase after the building improvements.

“Wow!” you say. “But how much do sales increase, and are they just a flash in the pan, or are those increases sustained over time?” A former Main Street coordinator in Kansas, Brenda Spencer devoted her Master of Architecture thesis (1995) titled *An Analysis of the Economic Impact of Physical Improvements on Retail Sales*. She studied six downtown businesses that had made physical improvements and could provide actual cost and sales data before and after the improvements. In the previous studies only the opinions of business owners were used and actual numbers were not available.

Here is a summary of Spencer’s study:

- The scope of physical improvements included three common elements: storefronts, signs and/or awnings, and interior improvements.
- Most businesses were retail, with one service and one restaurant
- Facade improvements ranged from \$10,000 to 60,000, with over half being in the \$10,000-20,000 range. Typically, the facade improvement was 20-30% of total rehabilitation costs.

- The most common concurrent business improvement was of a physical nature - merchandise layout and displays
- All businesses experienced an increase in the annual percentage increase in gross sales the year after improvements - an average of 272%
- The majority of businesses sustained an increase in sales - an average increase of 222% in the average annual percentage increase in gross sales - after improvements.
- A majority experienced an increase in sales after improvements above their own business’s average before improvements, and above the performance of other local businesses for the same period.
- Two- thirds of the business owners stated that the physical improvement significantly impacted the increase in sales.
- All of the businesses experienced favorable customer response and considered the improvements worth the investment.

Main Street is economic development within the context of historic preservation and now the numbers are here to clearly show the impact of physical improvements on the success of downtown business.