# UPDATE

# RESIDENTIAL MARKET POTENTIAL

# Downtown Grand Rapids

City of Grand Rapids
Kent County, Michigan

August, 2014

Conducted by
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Research & Strategic Analysis

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# UPDATE

# RESIDENTIAL MARKET POTENTIAL

## Downtown Grand Rapids
*City of Grand Rapids, Kent County, Michigan*

August, 2014

## INTRODUCTION

The purpose of this study is to re-evaluate the depth and breadth of the potential market for new market-rate rental and for-sale dwelling units, to be added through adaptive re-use of existing non-residential buildings and/or new construction, within Downtown Grand Rapids, in the City of Grand Rapids, Kent County, Michigan. The analysis will provide the residential context that will help inform the Downtown master-planning process currently underway. The original Downtown study was published in July, 2004, and the first update was published in November, 2008.

For the master planning process, given the potential impacts of the Grand River restoration, the boundaries of the Downtown study area have been expanded from the North Street Park Bridge in the north to Millennium Park in the south, and from Prospect Avenue in the east to Butterworth Street, Seward and Elizabeth Avenues, and the West River Drive in the west. From the residential market perspective, this study area is only slightly larger than that defined for the original study and update: an area bounded by Coldbrook Street and the I-96 Expressway to the north, Prospect Street to the east, Wealthy Street to the south, and Seward Street to the west. This area includes not only Center City, but also portions of the Heritage Hill and Heartside neighborhoods, the North Monroe District and the American Seating Park redevelopment.

The depth and breadth of the potential market for new housing units within Downtown Grand Rapids have been updated using Zimmerman/Volk Associates' proprietary target market methodology. The target market methodology is particularly effective in defining housing potential

because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestage, lifestyle patterns, and household compatibility issues.

For this update, Zimmerman/Volk Associates re-examined the following:

- Where the potential renters and buyers for new market-rate housing units in the City of Grand Rapids in general and the Downtown Study Area in specific are likely to move from (the draw areas);
- How many have the potential to move to the Downtown Study Area if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- Who currently lives in the draw areas and what they are like (the target markets);
- What their alternatives are (other relevant housing in Downtown Grand Rapids);
- What they will pay to live in the Downtown (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

The target market methodology is described in detail in the METHODOLOGY section at the end of this study.

## MARKET POTENTIAL

The extent and characteristics of the potential market for new residential units within the City of Grand Rapids and the Downtown Study Area have been re-examined through detailed analysis of households living within the appropriate draw areas. These draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2012 American Community Survey for the City of Grand Rapids and for Kent County.

### *Where are the potential renters and buyers of new and existing housing units in the City of Grand Rapids likely to move from?*

Analysis of the most recent Kent County migration and mobility data available from the Internal Revenue Service—from 2006 through 2010—shows that although the county continued to experience net migration losses through 2009, in 2010, the county gained more households from in-migration than it lost through out-migration. (*See* Appendix One, Table 1.)

Over the study period, annual *out*-migration from Kent County ranged between the high of 12,680 households in 2007 and the low of 11,100 households in 2010. Over the same period, annual *in*-migration to Kent County has ranged between 11,265 households in 2010, the highest total over the study period, and 10,065 households the previous year, the lowest total. In 2010, as in previous years, between 20 and 23 percent of the county's in-migration came from just two counties—the adjacent counties of Ottawa and Allegan .

Based on the updated migration and mobility data, then, the draw areas for the City of Grand Rapids and the Downtown Study Area have been confirmed as follows (*see also* METHODOLOGY):

- The primary draw area, covering households in groups with median incomes of $50,000 or more currently living within the Grand Rapids city limits.
- The local draw area, covering households in groups with median incomes of $50,000 or more currently living in the balance of Kent County.

- The regional draw area, covering households in groups with median incomes of $50,000 or more that are likely to move to the City of Grand Rapids from Ottawa and Allegan Counties.

- The national draw area, covering households in groups with median incomes of $50,000 or more with the potential to move to the City of Grand Rapids from all other U.S. counties (primarily Michigan counties, but also include the Chicago, Phoenix, and Los Angeles areas).

As derived from the updated migration and mobility analyses, the draw area distribution of market potential (those households, in groups with median incomes above $50,000 per year with the potential to move within or to the City of Grand Rapids, an average of 16,485 households each year over the next five years) is therefore as follows (*see also* Appendix One, Table 8):

**Market Potential by Draw Area**
***City of Grand Rapids, Kent County, Michigan***

| | |
|---|---|
| City of Grand Rapids (Primary Draw Area): | 53.5% |
| Balance of Kent County (Local Draw Area): | 25.2% |
| Ottawa and Allegan Counties (Regional Draw Area): | 5.0% |
| Balance of US (National Draw Area): | 16.3% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Households moving within the city and from the balance of the county as a share of Grand Rapids' market potential has ranged from 76.4 percent in 2004, up to 79.5 percent in 2008, then declining somewhat to 78.7 percent in 2014. The share of households moving to the city from Ottawa and Allegan Counties rose to five percent (up from 4.5 percent in 2004 and 4.7 percent in 2008). As a share of the potential market, households living in all other U.S. counties have risen to 16.3 percent after falling to 15.9 percent in 2008 from 19.2 percent in 2004.

## MARKET POTENTIAL FOR DOWNTOWN GRAND RAPIDS

***Where are the potential renters and buyers of new and existing housing units in the Downtown Study Area likely to move from?***

As in the original 2004 study and the 2008 update, the target market methodology identifies those households with a preference for living in downtowns and in-town neighborhoods. After discounting for those segments of the city's potential market that typically choose suburban and/or rural locations, the distribution of draw area market potential for new and existing market-rate dwelling units within the Downtown Grand Rapids Study Area would be as follows (*see also* Appendix One, Table 9):

**Market Potential by Draw Area**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| | |
|---|---|
| City of Grand Rapids (Primary Draw Area): | 46.3% |
| Balance of Kent County (Local Draw Area): | 21.4% |
| Ottawa and Allegan Counties (Regional Draw Area): | 4.1% |
| Balance of US (National Draw Area): | 28.2% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Over the next five years, the balance of the U.S. represents a growing proportion of market potential for new housing in Downtown Grand Rapids (28.2 percent, compared to 24.8 percent in the 2008 update). The percentage of households moving from Kent County, and from Ottawa and Allegan Counties, has also increased, to 21.4 percent from 21 percent (Kent County) and to 4.1 percent from 2.6 percent (Ottawa and Allegan Counties). The market potential from elsewhere in the city has fallen from 51.6 percent in 2008 to 46.3 percent in 2014.

Based on the updated analysis, which accounts for household mobility within the City of Grand Rapids and the balance of Kent County, as well as migration and mobility patterns for households currently living in all other cities and counties, an average of 5,135 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families represent the potential market for new and existing housing units within the Downtown Grand Rapids Study Area each year over the next five years, more than 11 percent higher than the 4,610 households in 2008.

### *What are their housing preferences in aggregate?*

The protracted ownership housing slump has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households, yielding a higher share of consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical just five years ago. At the same time, there continues to be a significant shift in preferences from suburban subdivisions toward mixed-use neighborhoods, preferably in urban locations.

The updated housing preferences of the draw area households—derived from their tenure (rental/ownership) choices and broad financial capacities—reflect that market shift and are outlined on the following table (*see also* Table 1):

**Annual Potential Market for New and Existing Housing Units**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | PERCENT OF TOTAL |
|---|---|---|
| Multi-family for-rent (lofts/apartments, leaseholder) | 2,345 | 45.7% |
| Multi-family for-sale (lofts/apartments, condo/co-op ownership) | 500 | 9.7% |
| Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership) | 640 | 12.5% |
| Low-range single-family detached (houses, fee-simple ownership) | 675 | 13.1% |
| Mid-range single-family detached (houses, fee-simple ownership) | 555 | 10.8% |
| High-range single-family detached (houses, fee-simple ownership) | 420 | 8.2% |
| Total | 5,135 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The market propensity for higher-density urban rental housing continues to grow: multi-family rental housing accounted for 34.9 percent of target market propensities in the 2008 update (1,610 households), and increased both in number (to 2,345 households) and in share (to 45.7 percent) in 2014.

In contrast, the number of households with preferences for multi-family for-sale units dropped significantly (from 950 to 500 households), and their share of the potential market dropped from 20.6 percent to 9.7 percent.

Another major change over the past six years is the increase in market preferences for single-family *attached* units (from 520 households to 640 households, from an 11.3 percent share of the market to a 12.5 percent market share).

As in the 2004 study and 2008 update, this analysis is focusing on the most appropriate housing types for downtowns: multi-family rental and for-sale units, and single-family attached units. Limited to households with preferences for multi-family rental and for-sale and single-family attached for-sale units, then, an annual average of 3,485 households currently living in the defined draw areas represent the pool of potential renters/buyers of new housing units (new construction and/or adaptive re-use of non-residential structures) within the Downtown Study Area each year over the next five years (*see again* Table 1). This represents an increase of more than 13 percent, or 405 households per year.

As derived from the tenure and housing preferences of those 3,485 draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached housing types is as follows:

**Annual Potential Market for New and Existing Housing Units**
**Market-Rate Higher-Density Housing Units**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | PERCENT OF TOTAL |
|---|---|---|
| Multi-family for-rent (lofts/apartments, leaseholder) | 2,345 | 67.3% |
| Multi-family for-sale (lofts/apartments, condo/co-op ownership) | 500 | 14.3% |
| Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership) | 640 | 18.4% |
| Total | 3,485 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 1

## Annual Market Potential

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move Within/To Downtown Grand Rapids Each Year Over The Next Five Years
Households In Groups With Median Incomes Above $50,000

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

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*City of Grand Rapids; Balance of Kent County; Ottawa and Allegan Counties, Michigan; All Other U.S. Counties Draw Areas*

| | |
|---|---|
| Total Target Market Households With Potential To Rent/Purchase In The City of Grand Rapids, Kent County, Michigan | 16,485 |

| | |
|---|---|
| Total Target Market Households With Potential To Rent/Purchase In Downtown Grand Rapids | 3,485 |

### Annual Market Potential

| | *Multi-Family* | | *Single-Family* | | | | |
|---|---|---|---|---|---|---|---|
| | | | *Attached* | *Detached* | | | |
| | *For-Rent* | *For-Sale* | *All Ranges* | *Low-Range* | *Mid-Range* | *High-Range* | Total |
| Total Households: | 2,345 | 500 | 640 | 675 | 555 | 420 | 5,135 |
| *{Mix Distribution}:* | 45.7% | 9.7% | 12.5% | 13.1% | 10.8% | 8.2% | 100.0% |

### Downtown Residential Mix
**(Excluding Single-Family Detached)**

| | *Multi-Family* | | *Single-Family* | |
|---|---|---|---|---|
| | | | *Attached* | |
| | *For-Rent* | *For-Sale* | *All Ranges* | Total |
| Total Households: | 2,345 | 500 | 640 | 3,485 |
| *{Mix Distribution}:* | 67.3% | 14.3% | 18.4% | 100.0% |

NOTE: Reference Appendix One, Tables 1 Through 11.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Since the initial study was conducted in 2004 and the update in 2008, there has been a significant increase in the size of the annual potential downtown market—from approximately 2,500 households in 2004 to nearly 3,100 households in 2008 to nearly 3,500 households in 2014—and considerable changes in the type of housing that best matches target household preferences. As a share of the market, multi-family for-rent has risen from just over 52 percent in 2008 to more than 67 percent in 2014; multi-family for-sale (condominium) units now represent just over 14 percent of the market (compared to 30.8 percent in 2008); and single-family attached for-sale (townhouses) comprise 18.4 percent of the market, up from 16.9 percent in 2008.

The rents and price points for new market-rate housing units that could be developed in the Downtown Grand Rapids Study Area have therefore been derived from the income and financial capabilities of those households in groups with incomes above $50,000 that have been identified as the target markets for new housing in the Study Area.

### *—Rental Distribution by Rent Range—*

Based on the incomes and financial capabilities of the 2,345 households that represent the target markets for new market-rate rental units each year over the next five years, the distribution of annual market potential by rent range is summarized as follows (*see also* Table 2):

**Annual Market Potential For New Multi-Family For-Rent**
**Distributed By Rent Range**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| MONTHLY RENT RANGE | HOUSEHOLDS PER YEAR | PERCENTAGE |
|---|---|---|
| $500–$750 | 140 | 6.0% |
| $750–$1,000 | 340 | 14.5% |
| $1,000–$1,250 | 420 | 17.9% |
| $1,250–$1,500 | 475 | 20.2% |
| $1,500–$1,750 | 380 | 16.2% |
| $1,750–$2,000 | 220 | 9.4% |
| $2,000–$2,250 | 190 | 8.1% |
| $2,250 and up | 180 | 7.7% |
| Total: | 2,345 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 2

## Target Groups For Multi-Family For-Rent

Households In Groups With Median Incomes Above $50,000

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

| **Empty Nesters & Retirees** | *Number of Households* | *Percent* |
|---|---|---|
| Old Money | 5 | 0.2% |
| Urban Establishment | 30 | 1.3% |
| Small-Town Establishment | 15 | 0.6% |
| Cosmopolitan Elite | 5 | 0.2% |
| Suburban Establishment | 15 | 0.6% |
| New Empty Nesters | 35 | 1.5% |
| Affluent Empty Nesters | 20 | 0.9% |
| Cosmopolitan Couples | 15 | 0.6% |
| Middle-Class Move-Downs | 30 | 1.3% |
| Mainstream Retirees | 15 | 0.6% |
| No-Nest Suburbanites | 85 | 3.6% |
| Middle-American Retirees | 30 | 1.3% |
| Multi-Ethnic Retirees | 10 | 0.4% |
| Subtotal: | 310 | 13.2% |
| **Traditional & Non-Traditional Families** | | |
| Unibox Transferees | 10 | 0.4% |
| Late-Nest Suburbanites | 5 | 0.2% |
| Full-Nest Suburbanites | 25 | 1.1% |
| Full-Nest Urbanites | 35 | 1.5% |
| Multi-Ethnic Families | 35 | 1.5% |
| Multi-Cultural Families | 70 | 3.0% |
| Subtotal: | 180 | 7.7% |
| **Younger Singles & Couples** | | |
| The Entrepreneurs | 30 | 1.3% |
| e-Types | 130 | 5.5% |
| The VIPs | 45 | 1.9% |
| Fast-Track Professionals | 25 | 1.1% |
| Upscale Suburban Couples | 230 | 9.8% |
| New Bohemians | 140 | 6.0% |
| Twentysomethings | 120 | 5.1% |
| Suburban Achievers | 320 | 13.6% |
| Small-City Singles | 160 | 6.8% |
| Urban Achievers | 655 | 27.9% |
| Subtotal: | 1,855 | 79.1% |
| **Total Households:** | **2,345** | **100.0%** |

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

- The largest group of renters are younger singles and couples at over 79 percent of the market. More than 23 percent of the more affluent of these households would be able to afford rents at or above $1,750 per month; the heart of the market—over 55 percent of these households—is provided by units with rents between $1,250 and $1,750 per month; and just under 22 percent of these younger households would require rents below $1,250 per month.
- Empty nesters and retirees represent just over 13 percent of the market for new market-rate rental units, and 14.5 percent of them could pay rents no greater than $1,250 per month. Forty-five percent of this market segment are able to afford rents between $1,250 and $1,750 per month. The remaining 40 percent of these older households make up the market for new units with rents above $1,750 per month.
- Traditional and non-traditional families comprise 7.7 percent of the market for new market-rate rental units. Just under 20 percent would require rents below $1,250 per month; over 61 percent could afford rents between $1,250 and $1,750 per month, and 19.4 percent of the family households can afford rents above $1,750 per month.

### *—For-Sale Distribution by Price Range—*

The realization of the full market potential for ownership units may continue to be challenging over the short-term, given restrictive mortgage underwriting by financial institutions, the disinterest on the part of many younger households in becoming owners, the fact that many otherwise-qualified households, particularly current renters, lack the funds for a down payment, and the inability of many owner households to sell their existing single-family houses, or their reluctance to sell at a perceived loss of value.

Based on the incomes and financial capabilities of the 500 households that represent the target markets for new market-rate for-sale multi-family units (condominiums) each year over the next five years, the distribution of annual market potential by price range is summarized as follows (*see also* Table 3):

**Annual Market Potential For New Multi-Family For-Sale**
**Distributed By Price Range**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| PRICE RANGE | HOUSEHOLDS PER YEAR | PERCENTAGE |
|---|---|---|
| $150,000–$200,000 | 90 | 18.0% |
| $200,000–$250,000 | 130 | 26.0% |
| $250,000–$300,000 | 85 | 17.0% |
| $300,000–$350,000 | 70 | 14.0% |
| $350,000–$400,000 | 50 | 10.0% |
| $400,000–$450,000 | 40 | 8.0% |
| $450,000 and up | 35 | 7.0% |
| Total: | 500 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Younger singles and couples are also the largest segment of the market for new multi-family for-sale units (condominiums), at 68 percent of the market. However, only 20 percent would be able to purchase a new condominium with base prices at or above $400,000, and 37 percent would only be able to afford a unit priced between $250,000 and $400,000. The heart of this segment—43 percent—are younger households in the market for condominiums priced between $150,000 and $250,000.
- At 23 percent, empty nesters and retirees represent the next largest segment of the market for new multi-family for-sale units. Nearly 48 percent would be in the market for new condominiums with base prices between $150,000 and $250,00, and another 48 percent could afford condominiums priced between $250,000 and $400,000. Only four percent would be able to purchase new condominiums with base prices at or above $400,000.
- The smallest group, traditional and non-traditional families, comprise just nine percent of the market for this housing type. More than 44 percent would be limited to condominium units priced between $150,000 and $250,000, and the remaining 55.6 percent could afford base prices between $250,000 and $400,000.

Table 3

## Target Groups For Multi-Family For-Sale

Households In Groups With Median Incomes Above $50,000

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

| **Empty Nesters & Retirees** | *Number of Households* | *Percentage* |
|---|---|---|
| Urban Establishment | 15 | 3.0% |
| Small-Town Establishment | 5 | 1.0% |
| Cosmopolitan Elite | 5 | 1.0% |
| Suburban Establishment | 10 | 2.0% |
| New Empty Nesters | 5 | 1.0% |
| Affluent Empty Nesters | 15 | 3.0% |
| Cosmopolitan Couples | 5 | 1.0% |
| Middle-Class Move-Downs | 10 | 2.0% |
| Mainstream Retirees | 5 | 1.0% |
| No-Nest Suburbanites | 25 | 5.0% |
| Middle-American Retirees | 10 | 2.0% |
| Multi-Ethnic Retirees | 5 | 1.0% |
| Subtotal: | 115 | 23.0% |
| **Traditional & Non-Traditional Families** | | |
| Late-Nest Suburbanites | 10 | 2.0% |
| Full-Nest Suburbanites | 10 | 2.0% |
| Full-Nest Urbanites | 10 | 2.0% |
| Multi-Ethnic Families | 5 | 1.0% |
| Multi-Cultural Families | 10 | 2.0% |
| Subtotal: | 45 | 9.0% |
| **Younger Singles & Couples** | | |
| The Entrepreneuers | 10 | 2.0% |
| e-Types | 40 | 8.0% |
| The VIPs | 15 | 3.0% |
| Fast-Track Professionals | 10 | 2.0% |
| Upscale Suburban Couples | 70 | 14.0% |
| New Bohemians | 20 | 4.0% |
| Twentysomethings | 20 | 4.0% |
| Suburban Achievers | 50 | 10.0% |
| Small-City Singles | 25 | 5.0% |
| Urban Achievers | 80 | 16.0% |
| Subtotal: | 340 | 68.0% |
| **Total Households:** | **500** | **100.0%** |

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Based on the incomes and financial capabilities of the 640 households that represent the target markets for new market-rate for-sale single-family attached units each year over the next five years, the distribution of annual market potential by price range is summarized on the following table (*see also* Table 4):

**Annual Market Potential For New Single-Family Attached For-Sale Distributed By Price Range**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| PRICE RANGE | HOUSEHOLDS PER YEAR | PERCENTAGE |
|---|---|---|
| $150,000–$200,000 | 115 | 18.0% |
| $200,000–$250,000 | 130 | 20.3% |
| $250,000–$300,000 | 140 | 21.9% |
| $300,000–$350,000 | 90 | 14.1% |
| $350,000–$400,000 | 70 | 10.9% |
| $400,000–$450,000 | 50 | 7.8% |
| $450,000 and up | 45 | 7.0% |
| Total: | 640 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Younger singles and couples are again the largest market segment, at just under 60 percent, for new single-family attached for-sale units (townhouses). Just 16 percent would be able to purchase new townhouses with base prices at or above $400,000, 43.4 percent would be able to afford units priced between $250,000 and $400,000, and 40.8 percent could afford new townhouses priced between $150,000 and $250,000.
- At just under 29 percent, empty nesters and retirees comprise the next largest segment of the market for new single-family attached for-sale units; 13.5 percent would be in the market for new townhouses with base prices above $400,000. Up to 57 percent would be able to purchase new townhouses with base prices between $250,000 and $400,000, and nearly 30 percent would require units priced between $150,000 and $250,000.
- The family market represents just under 12 percent of the market for new townhouses, of which slightly over 13 percent would be able to purchase units priced over $400,000, 40 percent could afford units priced between $250,000 and $400,000, and 46.7 percent could only afford townhouses priced between $150,000 and $250,000.

Table 4

## Target Groups For Single-FamilyAttached For-Sale

Households In Groups With Median Incomes Above $50,000

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

| **Empty Nesters & Retirees** | *Number of Households* | *Percentage* |
|---|---|---|
| Urban Establishment | 20 | 3.1% |
| Small-Town Establishment | 10 | 1.6% |
| Cosmopolitan Elite | 5 | 0.8% |
| Suburban Establishment | 15 | 2.3% |
| New Empty Nesters | 15 | 2.3% |
| Affluent Empty Nesters | 15 | 2.3% |
| Cosmopolitan Couples | 10 | 1.6% |
| Middle-Class Move-Downs | 15 | 2.3% |
| Mainstream Retirees | 10 | 1.6% |
| No-Nest Suburbanites | 50 | 7.8% |
| Middle-American Retirees | 15 | 2.3% |
| Multi-Ethnic Retirees | 5 | 0.8% |
| Subtotal: | 185 | 28.9% |
| **Traditional & Non-Traditional Families** | | |
| Unibox Transferees | 5 | 0.8% |
| Late-Nest Suburbanites | 5 | 0.8% |
| Full-Nest Suburbanites | 10 | 1.6% |
| Full-Nest Urbanites | 20 | 3.1% |
| Multi-Ethnic Families | 10 | 1.6% |
| Multi-Cultural Families | 25 | 3.9% |
| Subtotal: | 75 | 11.7% |
| **Younger Singles & Couples** | | |
| The Entrepreneuers | 25 | 3.9% |
| e-Types | 25 | 3.9% |
| The VIPs | 20 | 3.1% |
| Fast-Track Professionals | 10 | 1.6% |
| Upscale Suburban Couples | 105 | 16.4% |
| New Bohemians | 15 | 2.3% |
| Twentysomethings | 30 | 4.7% |
| Suburban Achievers | 55 | 8.6% |
| Small-City Singles | 35 | 5.5% |
| Urban Achievers | 60 | 9.4% |
| Subtotal: | 380 | 59.4% |
| **Total Households:** | **640** | **100.0%** |

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

## TARGET MARKET ANALYSIS

### *Who is the potential market?*

As updated by the target market analysis, then, the annual potential market—represented by lifestage—for new housing units in the Downtown Grand Rapids Study Area can be characterized by general unit type as shown on the following table (*see also* Table 5):

**Annual Potential Market By Lifestage and Unit Types**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| HOUSEHOLD TYPE | PERCENT OF TOTAL | RENTAL MULTI-FAM. | FOR-SALE MULTI-FAM. | FOR-SALE SF ATT. |
|---|---|---|---|---|
| Empty-Nesters & Retirees | 18% | 13% | 23% | 29% |
| Traditional & Non-Traditional Families | 9% | 8% | 9% | 12% |
| Younger Singles & Couples | 73% | 79% | 68% | 59% |
| Total | 100% | 100% | 100% | 100% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- The largest segment of the annual potential market is younger singles and couples. This generation—the Millennials—is the first to have been largely raised in the suburbs where cul-de-sacs substituted for neighborhoods, malls took the place of downtowns, and driver's licenses became a necessity of life. In far greater numbers than predecessor generations, Millennials are moving to downtown and walkable neighborhoods. Younger households typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses. For the most part, younger households tend to be "risk-tolerant," and will move into areas or neighborhoods that would not be considered acceptable for most families or older couples..

  Ranging between 59 and 79 percent, the share of the potential market held by younger singles and couples continues to rise for all housing types. In the 2008 update, these households represented 69 percent of the market; the updated analysis shows an increase to 73 percent of the market. All of the same target household groups—from the risk-oblivious and very urban *e-Types, New Bohemians,* and *Urban Achievers* to the risk-aware *VIPs* and *Twentysomethings* (and now including *Small-City Singles*), to the increasingly urban

*Entrepreneurs, Fast-Track Professionals,* and *Upscale Suburban Couples (*and now including *Suburban Achievers)*—are represented in the potential market. Just under 47 percent of these households would be moving to Downtown Grand Rapids from outside the city, up from approximately 40 percent in 2008.

Affordability continues to be a challenge for a significant number of young people that are just entering the job market and are living on their own for the first time. This challenge can be addressed in part by the introduction of smaller, less expensive rental micro-units (*see* OPTIMUM MARKET POSITION *below*).

- Older households (empty nesters and retirees) continue to be the second largest potential market, more than a third of whom are currently living in Grand Rapids, a considerably lower percentage than in 2008, when approximately half of the empty nester and retiree market lived elsewhere in the city.

  Empty nesters and retirees—most of the same target groups as in 2008—now represent approximately 18 percent of the potential market, down from 21 percent in 2008. The collapse of the ownership housing market in 2007-2008 has had a significant impact on this market segment, as a greater number of older households are now choosing to rent, rather than buy downtown units.

- The third, and smallest, general market segment—traditional and non-traditional families—continues to decline as a percentage of the potential market for the Downtown Grand Rapids Study Area, from 10 percent in 2008 to nine percent over the next five years, although, like the empty nesters and retirees and younger singles and couples, there are more of them in 2014 than in 2008.

  Nearly 73 percent of the family-oriented households with the potential to move to the Downtown Grand Rapids Study Area would be moving from outside the city limits, up from approximately 46 percent in 2008.

Table 5

## Target Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move Within/To Downtown Grand Rapids Each Year Over The Next Five Years
Households In Groups With Median Incomes Above $50,000

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

| | | *Multi-Family* | | *Single-Family Attached* |
|---|---|---|---|---|
| | Total | *For-Rent* | *For-Sale* | *All Ranges* |
| Number of Households: | 3,485 | 2,345 | 500 | 640 |
| **Empty Nesters & Retirees** | 18% | 13% | 23% | 29% |
| **Traditional & Non-Traditional Families** | 9% | 8% | 9% | 12% |
| **Younger Singles & Couples** | 73% | 79% | 68% | 59% |
| | 100% | 100% | 100% | 100% |

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

## THE CURRENT CONTEXT

### *What residential properties are currently located in the Downtown?*

Updated information on relevant rental and for-sale, multi-family and single-family attached properties/units located in the Grand Rapids market area is provided as follows: for rental properties, see Table 6; for for-sale condominium and townhouse units, see Table 7.

Rents at most of the rental properties included in the survey in 2008 continue to rise. Of the 30 properties, containing more than 1,200 units and over 200 student beds, that are included in the current survey, 17 have income restrictions or are mixed-income, containing both market-rate and affordable units, and two are student housing properties. Excluding properties with income restrictions, rents for studios have risen from approximately $500 per month in 2008 to $725 per month in 2014, for units generally containing between 350 and 600 square feet (with a current general range of $1.56 to $3.09 per square foot, considerably higher than in 2008). Currently, the highest studio rent in the market is $1,935 per month for a 475-square-foot unit at Plaza Towers, the 34-story apartment building on Fulton Street ($4.07 per square foot).

Again excluding properties with income restrictions, rents for one-bedroom apartments start at approximately $875 per month, with the highest one-bedroom rent at $2,135 per month. The one-bedroom size range is now from approximately 400 to 1,000 square feet of living space ($0.99 to $3.05 per square foot, with most of the rents per square foot falling between $1.50 and $1.75).

Two-bedroom units now start at around $1,150, up from $650 per month in 2008. The most expensive two-bedroom apartment leases for $2,563 per month for 1,161 square feet of living space ($2.21 per square foot). In general, two-bedroom unit sizes range between 540 and approximately 1,500 square feet (generally $1.19 to $2.21 per square foot in 2014, up from $0.80 to $1.29 per square foot in 2008).

There are few three-bedroom apartments included in the survey that do not have income restrictions. Three-bedroom apartments rent for $539 (income-restricted) and from $2,100 to $2,500 per month at The Gallery Apartments, the only market-rate property with three-bedroom units. Unit sizes range between 885 and 1,750 square feet; the three-bedrooms at The Gallery

contain 1,292 square feet. On a per-square-foot basis, the market-rate rents fall between $1.63 and $1.93 per square foot, up from $0.80 to $0.86 per square foot in 2008).

One property is still in the initial leasing phase. Excluding that property, occupancy rates continue to be very high, ranging between 95 and 100 percent (functional full occupancy). Only 35 units were available at the time of the survey, for an overall vacancy rate of 98 percent.

Most of the condominium housing developments started prior to or during the collapse of the housing market are nearing sell-out, or, if not sold out, continue to lease unsold units.

Resale prices for Downtown units now start at around $85,000 (Boardwalk Condominiums). Resales at the 180-unit Union Square condominium are priced between $164,900 for a 1006-square-foot one-bedroom apartment to $299,000 for a 1,682-square-foot two-bedroom unit with three baths. Four units remain to be sold, although many of the units are available as rentals, with rents ranging between $1,000 and $2,200 per month.

River House, the 34-story tower located on Bridge Street, also has several units, both new and resale, on the market. The listed units are priced between $279,900 for a 1,029-square-foot one-bedroom apartment to $4.2 million for a 6,842-square-foot four-bedroom/three-bath penthouse. Base prices per square foot for resales as well as the remaining units range between $221 and $614.

Nearly all of the condominiums and townhouses developed in Belknap Lookout by the Artesian Group are currently on the market: eight of the nine two- and three-bedroom Belknap Brownstones, ranging in size from 1,120 to 2,440 square feet, have base prices ranging between $235,000 and $375,000 ($123 to $199 per square foot) and the townhouses have base prices of $376,900 for units containing 2,080 square feet ($181 per square feet).

The least expensive, and smallesst condominiums on the market at the time of the field investigation are at Hillmount Condominiums, the conversion of a 1949 apartment building in Heritage Hill. The four listed units are priced between $68,000 and $105,000 for 369 to 629 square feet of living space ($167 to $196 per square foot).

## Summary Of Selected Rental Properties

*Greater Downtown Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Property (Date Opened)* Address | *Number of Units* | *Unit Base Rent* | *Unit Size* | *Rent per Sq. Ft.* | *Additional Information* |
|---|---|---|---|---|---|
| **Lenox Apts (1911; 1998)** | **14** | | | | **Two available.** |
| **(Adaptive Re-Use)** | 1br/1ba | $374 to | 600 | $0.62 to | **86% occupancy** |
| 349 South Division Avenue | | $465 | | $0.78 | *Income restrictions.* |
| | 2br/1ba | $455 to | 820 to | $0.55 to | *Parking, water included.* |
| | | $572 | | $0.70 | |
| **101 South Division Lofts (2009)** | **20** | | | | **One available.** |
| 101 South Division Avenue | 1br/1ba | $404 to | 570 to | $0.83 to | **95% occupancy** |
| | | $640 | 775 | $0.71 | *Income restrictions.* |
| | 2br/1ba | $552 | 890 to | $0.62 | |
| | 2br/2ba | | 1,250 | | |
| **Chaffee Apts (1998)** | **8** | | | | **One available.** |
| **(Adaptive Re-Use)** | 1br/1ba | $420 to | 600 to | $0.70 to | **88% occupancy** |
| 138 South Division Avenue | | $535 | 650 | $0.82 | *Income restrictions.* |
| | | | | | *Gas & heat included* |
| **Goodrich Apts (1890:2010)** | **14** | | | | **Two available.** |
| **(Adaptive Re-Use)** | 1br/1ba | $426 to | 500 to | $0.76 | **86% occupancy** |
| 333-339 South Division Avenue | | $565 | | | *Income restrictions.* |
| | 2br/1ba | $640 | 840 | $0.85 | *Parking, gas, heat* |
| | | | | | *& water included.* |
| **240 Ionia Avenue Apts (2014)** | **48** | | | | **Three available.** |
| 240 Ionia Avenue | 1br/1ba | $430 to | 726 | $0.59 to | **94% occupancy** |
| | | $500 | | $0.69 | *Half income-restricted,* |
| | 1br/1ba | $1,330 to | 772 to | $1.72 to | *half market-rate.* |
| | | $1,600 | 900 | $1.78 | |
| | 2br/2ba | $1,700 to | 1,120 to | $1.52 to | |
| | | $2,000 | 1,200 | $1.67 | |
| **Baker Lofts (1913; 2013)** | **87** | | | | **None available.** |
| 40 Logan Street, SW | 1br/1ba | $450 to | 597 to | $0.74 to | **100% occupancy** |
| | | $550 | 739 | $0.75 | *Income restrictions.* |
| | 2br/1ba | $550 to | 778 to | $0.62 to | *Exercise room,* |
| | | $750 | 1,202 | $0.71 | *utilities included.* |
| **Division Park Ave. (1910; 2011)** | **30** | | | | **Four available** |
| 209 South Division Avenue | 1br/1ba | $515 to | 533 to | $0.82 to | **87% occupancy** |
| | | $695 | 846 | $0.97 | *Under renovation.* |
| | 2br/1.5ba | $605 to | 707 to | $0.88 to | *Income restrictions.* |
| | | $809 | 919 | $0.86 | |
| | 2br/2ba TH | $677 to | 1,017 to | $0.67 to | |
| | | $818 | 1,381 | $0.59 | |
| | 3br/2ba TH | $539 to | 1,567 to | $0.34 to | |
| | | $771 | 1,753 | $0.44 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Greater Downtown Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Property (Date Opened)* Address | *Number of Units* | *Unit Base Rent* | *Unit Size* | *Rent per Sq. Ft.* | *Additional Information* |
|---|---|---|---|---|---|
| **Metropolitan Park (2007)** | **24** | | | | **One Available** |
| 350 Ionia Avenue, SW | 2br/2ba | $542 | 1,050 | $0.52 | **96% occupancy** |
| | | | | | *Income restrictions.* |
| **Serrano Lofts (1917; 2011)** | **15** | | | | **None available** |
| 17 Williams Street, SW | 1br/1ba | $547 to | 606 to | $0.90 to | **100% occupancy** |
| | | $693 | 621 | $1.12 | *Income restrictions.* |
| | 1br/1.5ba | $853 | 930 | $0.92 | |
| | 2br/1ba | $682 | 825 | $0.83 | |
| | 2br/1.5ba | $889 | 933 | $0.95 | |
| **The Lofts (1925; 1999)** | **55** | | | | **Four available** |
| **(Adaptive Re-Use)** | 1br/1ba | $556 to | 580 to | $0.96 to | **93% Occupancy** |
| 26 Sheldon Boulevard SE | | $693 | 765 | $0.91 | *Income restrictions.* |
| | 2br/1ba | $660 to | 840 to | $0.79 to | *Fitness room; laundry;* |
| | | $824 | 897 | $0.92 | *community room.* |
| | 2br/2ba | $660 to | 747 to | $0.88 to | |
| | | $824 | 900 | $0.92 | |
| **Uptown Village (2007)** | **24** | | | | **One available** |
| 950 Wealthy Street, SE | 2br/1ba | $563 | 852 | $0.66 | **96% occupancy** |
| | 3br/2ba | $650 to | 1,125 to | $0.57 to | *Playground, parking.* |
| | | $745 | 1,316 | $0.58 | *Income restrictions.* |
| | 3br/2ba TH | $838 | 1,200 | $0.70 | *Water included* |
| **Martineau Apartments (2005)** | **23** | | | | **One available** |
| **(Adaptive Re-Use)** | Loft/lba | $573 to | 850 to | $0.53 to | **96% Occupancy** |
| 106-120 South Division | Artist Live-Work | $695 | 1,300 | $0.67 | *Income restrictions.* |
| **Waters House (1961)** | **102** | | | | **None available.** |
| 500 East Fulton | Studio/1ba | $575 | 408 | $1.41 | **100% occupancy** |
| | 1br/1ba | $650 to | 624 to | $1.04 | *Pool,* |
| | | $725 | 768 | $0.94 | *Community Room.* |
| | 2br/1ba | $725 | 768 | $0.94 | *Water & gas included.* |
| | 2br/1.5ba | $825 | 912 | $0.90 | |
| | 2br/2ba | $1,000 | 1,152 | $0.87 | |
| | 3br/2ba | $1,000 | 1,152 | $0.87 | |
| **College Hill** | **132** | | | | **n/a** |
| 510 College Ave. NE | Studio/1ba | $585 to | 429 | $1.36 to | *Fitness Center* |
| | | $595 | | $1.39 | |
| | 1br/1ba | $665 to | 686 | $0.97 to | |
| | | $695 | | $1.01 | |
| | 2br/1ba | $795 to | 784 | $1.01 to | |
| | | $840 | | $1.07 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Greater Downtown Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Property (Date Opened)* Address | *Number of Units* | *Unit Base Rent* | *Unit Size* | *Rent per Sq. Ft.* | *Additional Information* |
|---|---|---|---|---|---|
| **Half Century Building** | **18** | | | | **None available** |
| 16 Jefferson Street, SE | Studio/1ba | $610 | 400 | $1.53 | **100% occupancy** |
| | 1br/1ba | $695 to | 400 to | $1.41 to | *Income restrictions.* |
| | | $705 | 500 | $1.74 | *Utilities included* |
| | 2br/1ba | $1,030 to | 750 | $1.37 | |
| | | $1,105 | | | |
| **Kelsey Apts (2006)** | **14** | | | | **Two available** |
| **(Adaptive Re-Use)** | 3br/1ba | $629 to | 885 to | $0.71 to | **86% Occupancy** |
| 235 South Division Avenue SE | | $850 | 1,616 | $0.53 | *Income restrictions.* |
| **Globe Apartments (1903; 2001)** | **120** | | | | **None available.** |
| **(Adaptive Re-Use)** | 1br/1ba | $631 to | 651 to | $0.79 to | **100% occupancy** |
| 315 Commerce Avenue, SW | | $800 | 1,008 | $0.97 | *Mixed income.* |
| | 2br/1ba | $762 to | 987 | $0.77 | *Pool, exercise facility.* |
| | | $1,000 | | | *business center, whirlpool* |
| | 2br/2ba | $762 to | 906 to | $0.84 to | *garage ($50)* |
| | | $1,000 | 1,190 | $0.84 | |
| | 3br/2ba | $881 to | 1,357 to | $0.65 to | |
| | | $1,200 | 1,395 | $0.86 | |
| **Grand Central Lofts (2012)** | **31** | | | | **Nine Available.** |
| 100 Commerce Avenue | Studio/1ba | $725 to | 350 to | $1.76 to | **71% occupancy** |
| | | $750 | 425 | $2.07 | |
| | 1br/1ba | $875 to | 400 to | $1.41 to | |
| | | $900 | 638 | $2.19 | |
| | 2br/1ba | $1,150 to | 540 to | $1.62 to | |
| | | $1,250 | 770 | $2.13 | |
| **616 Lofts on Prospect (07/14)** | **24** | | | | **In lease-up** |
| **(Adaptive Re-Use)** | Studio/1ba | $750 | | | *Parking included* |
| | 1br/1ba | $1,175 to | 624 to | $1.88 to | |
| | | $1,625 | 903 | $1.80 | |
| | 2br/1ba | $1,600 to | 898 to | $1.76 to | |
| | | $1,800 | 907 | $1.98 | |
| **Loose Leaf Lofts (1930; 2008)** | **34** | | | | **None available** |
| **(Adaptive Re-Use)** | Micro-unit | | | | **100% Occupancy** |
| 333 Commerce Avenue, SW | Studio/1ba | $795 | 515 | $1.54 | *Sky deck, hot tub.* |
| | Live-Work/1ba | $850 | 750 | $1.13 | *water included* |
| | 1br/1ba | $860 to | 720 to | $0.99 to | |
| | | $985 | 1,000 | $1.19 | |
| | 2br/1ba | $1,095 to | 900 to | $1.13 to | |
| | | $1,195 | 1,060 | $1.22 | |
| | 1br/1ba PH | $1,350 to | 900 to | $1.17 to | |
| | | $1,550 | 1,330 | $1.50 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Greater Downtown Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Property (Date Opened)* Address | *Number of Units* | *Unit Base Rent* | *Unit Size* | *Rent per Sq. Ft.* | *Additional Information* |
|---|---|---|---|---|---|
| **The Gallery (2010)** | **56** | | | | **None available.** |
| 10 Commerce Avenue, SW | Studio/1ba | $950 | 477 | $1.99 | **100% occupancy** |
| | 1br/1ba | $1,150 to | 702 to | $1.64 to | *Rooftop deck,* |
| | | $1,300 | 758 | $1.72 | *fitnesss center,* |
| | 2br/2ba | $1,600 to | 1,009 to | $1.59 to | *theater, parking,* |
| | | $1,900 | 1,072 | $1.77 | *shops, services (dog walking* |
| | 3br/2ba | $2,100 | 1,292 | $1.63 to | *dry cleaning, personal* |
| | | $2,500 | | $1.93 | *trainer, etc.)* |
| **616 Lofts on Pearl (1910; 2011)** | **12** | | | | **None available** |
| 139 Pearl Street, NW | 1br/1ba | $950 to | 563 to | $1.52 to | **100% occupancy.** |
| | | $1,000 | 627 | $1.69 | |
| | 2br/1ba | $1,250 to | 750 to | $1.67 to | |
| | | $1,600 | 950 | $1.68 | |
| **616 Lofts on Ionia (1930; 2012)** | **26** | | | | **None available** |
| 1 Ionia Avenue, SW | 1br/1ba | $1,050 to | 624 to | $1.68 to | **100% occupancy.** |
| | | $1,625 | 903 | $1.80 | |
| | 2br/1ba | $1,600 to | 898 to | $1.76 to | |
| | | $1,650 | 907 | $1.82 | |
| **26 Cherry Street (2013)** | **45** | | | | **One available** |
| 26 Cherry Street | 1br/1ba | $1,050 | 624 | $1.68 | **98% occupancy.** |
| | | *{market-rate unit}* | | | *Mixed-income.* |
| **38 Apartments (2010)** | **43** | | | | **n/a** |
| 38 Commerce Avenue, SW | 1br/1ba | $1,190 to | 590 to | $2.01 to | *Rooftop fitness center;* |
| | | $1,345 | 670 | $2.02 | *same-floor parking.* |
| | 2br/2ba | $1,748 to | 1,280 to | $1.19 to | |
| | | $1,812 | 1,520 | $1.37 | |
| | Penthouse: 1br/2.5ba/den | $2,000 | 1,259 | $1.59 | |
| | Penthouse: 1br/2.5ba/den | $2,100 | 1,359 | $1.55 | |
| | Penthouse: 2br/2.5ba | $2,100 | 1,361 | $1.54 | |
| | Penthouse: 2br/2.5ba | $2,400 | 1,620 | $1.48 | |
| | Penthouse: 2br/2.5ba | $2,500 | 1,696 | $1.47 | |
| | Penthouse: 2br/2.5ba | $2,600 | 1,665 | $1.56 | |
| | Penthouse: 2br/2.5ba | $2,700 | 1,806 | $1.50 | |
| **616 Lofts at Grandville (1900; 2013)** | **18** | | | | **Two available.** |
| 206 Grandville Avenue, SW | 1br/1ba | $1,200 to | 605 to | $1.98 to | **89% occupancy** |
| | | $1,250 | 625 | $2.07 | |
| | 2br/1ba | $1,500 to | 760 to | $1.97 to | |
| | | $1,550 | 900 | $2.04 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Greater Downtown Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Property (Date Opened)* Address | *Number of Units* | *Unit Base Rent* | | *Unit Size* | | *Rent per Sq. Ft.* | | *Additional Information* |
|---|---|---|---|---|---|---|---|---|
| **Plaza Towers (1992; 1997)** | **133** | | | | | | | **None available.** |
| 201 Fulton Street, NW | Studio/1ba | $1,385 | to | 475 | | $2.92 | to | **100% Occupancy** |
| | | $1,935 | | | | $4.07 | | *Clubhouse, indoor pool,* |
| | 1br/1ba | $1,305 | to | 637 | to | $2.05 | to | *whirlpool, sauna,* |
| | | $2,135 | | 701 | | $3.05 | | *fitness center, rooftop* |
| | 2br/2ba | $1,605 | to | 977 | to | $1.64 | to | *sports deck, tennis court.* |
| | | $2,563 | | 1,161 | | $2.21 | | *garage* |
| **205 S. Division (2013)** | **38** | | | | | | | **One available** |
| 205 South Division | 2br/2ba | $1,490 | | 1,098 | | $1.36 | | **97% occupancy.** |
| | | *{market-rate unit}* | | | | | | *Mixed-income.* |
| | | | | *. . . . . Student Housing . . . . .* | | | | |
| **Lofts @ 5 Lyon (2011)** | **167 beds** | | | | | | | **None available.** |
| 5 Lyon Street | Studio/1ba | $820 | | 340 | | $2.41 | | **100% occupancy** |
| | 1br/1ba | $910 | | 400 | to | $1.82 | to | *Fully furnished.* |
| | | | | 500 | | $2.28 | | |
| | 2br/1ba | $1,410 | to | 400 | to | $3.53 | to | |
| | | $1,470 | | 500 | | $2.94 | | |
| | 3br/1ba | $1,890 | to | 600 | to | $3.15 | to | |
| | | $1,950 | | 800 | | $2.44 | | |
| | 4br/1ba | $2,420 | to | 900 | to | $2.69 | to | |
| | | $2,480 | | 1,100 | | $2.25 | | |
| **Hopson Flats (1906; 2007)** | **42** | | | | | | | **None available.** |
| 212-216 Grandville Avenue, SW | 2br/1ba | $1,380 | | $690 per month per bed | | | | **100% occupancy** |
| | 3br/1ba | $1,860 | | $620 per month per bed | | | | *Exercise facility,* |
| | 4br/2ba | $2,200 | to | $550 per month per bed | | | | *game room, lounge,* |
| | | $2,240 | | $560 per month per bed | | | | *entertainment room* |
| Grad student suites: | 1br/1ba | $1,125 | | 450 | | $2.50 | | *utilities included.* |
| | 2br/2ba | $1,850 | | 700 | | $2.64 | | |

SOURCE: Zimmerman/Volk Associates, Inc.

# Summary Of Selected For-Sale Multi-Family And Single-Family Attached Current Listings

*Greater Downtown Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Development (Date Opened)* Address | *Unit Type* | *Unit Price Range* | *Unit Size Range* | *Price Per Sq. Ft.* | *Total Units* |
|---|---|---|---|---|---|
| | | *. . . . . Downtown . . . . .* | | | |
| **Boardwalk Condos (2001-07)** | CO | | | | **236** |
| **(Adaptive Re-Use:** | 1br/1ba | $84,900 | 466 | $182 | |
| **1892 Berkey & Gay Factory)** | 1br/1ba | $126,900 | 631 | $201 | |
| 940 Monroe Avenue, NW | 2br/1ba | $179,900 | 1,146 | $157 | |
| | 2br/1ba | $179,900 | 1,003 | $179 | |
| | 1br/1ba | $182,500 | 918 | $199 | |
| | 1br/1ba | $184,900 | 895 | $207 | |
| | 2br/1ba | $189,900 | 1,087 | $175 | |
| | 1br/1ba | $194,900 | 846 | $230 | |
| | 2br/2ba | $199,750 | 1,254 | $159 | |
| | 2br/1ba | $199,900 | 1,132 | $177 | |
| | 2br/2ba | $214,900 | 1,125 | $191 | |
| | 2br/2ba | $214,900 | 1,450 | $148 | |
| | 2br/2ba | $214,900 | 1,191 | $180 | |
| **Union Square** | | | | | |
| Condos (1900:2006) | CO | | | | **180** |
| 600 Broadway Avenue, NW | 1br/1ba | $164,900 | 1,006 | $164 | |
| | 1br/1ba | $169,000 | 778 | $217 | |
| | 3br/1ba | $204,750 | 1,500 | $137 | |
| | 2br/1ba | $214,900 | 1,066 | $202 | |
| | 2br/1ba | $229,900 | 1,320 | $174 | |
| | 2br/2ba | $248,000 | 1,057 | $235 | |
| | 2br/2ba | $250,000 | 1,334 | $187 | |
| | 2br/2ba | $270,000 | 1,334 | $202 | |
| | 2br/2ba | $299,000 | 1,675 | $179 | |
| | 2br/3ba | $299,000 | 1,682 | $178 | |
| **Monroe Center (1984)** | CO | | | | **5** |
| 52 Monroe Center | 1br/1.5ba | $228,800 | 938 | $244 | |
| | 2br/1.5ba | $353,000 | 1,502 | $235 | |
| 49 Monroe Center | 2br/2ba | $324,800 | 1,484 | $219 | |
| **Clark Place Condos** | CO | | | | |
| 801 Broadway Avenue | 2br/2ba | $224,900 | 1,536 | $146 | |
| | 2br/2ba | $224,900 | 1,527 | $147 | |
| **City View Condos** | CO | | | | |
| 60 Monroe Center | 1br/2ba | $275,000 | 1,492 | $184 | |
| | 2br/2ba | $469,900 | 1,991 | $236 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## Summary Of Selected For-Sale Multi-Family And Single-Family Attached Current Listings

*Greater Downtown Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Development (Date Opened)* Address | *Unit Type* | *Unit Price Range* | *Unit Size Range* | *Price Per Sq. Ft.* | *Total Units* |
|---|---|---|---|---|---|
| **River House (2008)** | CO | | | | **207** |
| 335 Bridge Street, NW | 1br/1.5ba | $279,900 | 1,029 | $272 | |
| | 2br/2ba | $329,900 | 1,491 | $221 | |
| | 3br/2ba | $345,000 | 1,491 | $231 | |
| | 2br/2ba | $431,900 | 1,442 | $300 | |
| | 3br/2ba | $435,000 | 1,702 | $256 | |
| | 3br/3ba | $549,900 | 1,891 | $291 | |
| | 2br/2.5ba | $1,195,000 | 2,927 | $408 | |
| | 4br/3ba | $4,200,000 | 6,842 | $614 | |
| | | *. . . . . Belknap Lookout . . . . .* | | | |
| **Belknap Brownstones (2012)** | CO | | | | **9** |
| Fairview Avenue | 2br/2ba (A3) | $235,000 | 1,200 | $196 | |
| | 2br/2ba (A2) | $240,000 | 1,120 | $214 | |
| | 3br/2.5ba (A1) | $335,000 | 2,440 | $137 | |
| | 2br/2ba (C3) | $240,000 | 1,120 | $214 | |
| | 2br/2ba (C2) | $235,000 | 1,200 | $196 | |
| | 3br/2.5ba (C1) | $335,000 | 2,440 | $137 | |
| | 3br/2.5ba (D2) | $335,000 | 1,200 | $279 | |
| | 3br/2.5ba (D1) | $375,000 | 2,320 | $162 | |
| **Belknap Lookout THs (2012)** | TH | | | | **2** |
| *The Artesian Group* | 3br/2.5ba | $376,900 | 2,080 | $181 | |
| | | *. . . . . Heartside . . . . .* | | | |
| **Plaza Towers (1997)** | CO | | | | **144** |
| Campau Circle | 2br/2ba | $164,900 | 967 | $171 | |
| | 2br/2ba | $169,000 | 965 | $175 | |
| | 2br/2.5ba | $279,900 | 1,277 | $219 | |
| | | *. . . . . Heritage Hill . . . . .* | | | |
| **Hillmount (1949; 2005)** | CO | . . . . . | . . . . . | | **101** |
| **(Renovation of 1949 apt bldg)** | 1br/1ba | $68,000 | 369 | $184 | |
| 505 Cherry Street, SE | 1br/1ba | $72,500 | 369 | $196 | |
| | 1br/1ba | $84,900 | 473 | $179 | |
| | 1br/1ba | $105,000 | 629 | $167 | |

SOURCE: Zimmerman/Volk Associates, Inc.

## DOWNTOWN MARKET-RATE RENT AND PRICE RANGES

In 2014, given the increase in market potential for Downtown, particularly for rental units, the number of new market-rate dwelling units that could potentially be absorbed within the Study Area over five years ranges between 1,860 and over 2,300 units (*see* MARKET CAPTURE *below*). A total of 2,000 new units has therefore been established as an achievable absorption goal over a five- to seven-year time frame.

### *What is the market currently able to pay?*

*—Rent and Price Ranges—*

Based on the tenure preferences of draw area households and their income and financial capabilities, the optimum market position for newly-developed market-rate residential units that could currently be absorbed by the market over the next five to seven years is as follows (*see also* Table 8 *for greater detail*):

**Rent, Price and Size Ranges: 2,000 Market-Rate Dwelling Units**
**Newly-Created Housing (Adaptive Re-Use and New Construction)**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| HOUSING TYPE | RENT/PRICE RANGE | SIZE RANGE | RENT/PRICE PER SQ. FT. |
|---|---|---|---|
| **FOR-RENT (MULTI-FAMILY)—** | | | |
| Hard Lofts | $800–$1,350/month | 450–900 sf | $1.50–$1.78 psf |
| Soft Lofts | $750–$2,000/month | 350–1,250 sf | $1.60–$2.14 psf |
| Upscale Apartments | $1,500–$2,700/month | 750–1,500 sf | $1.80–$2.00 psf |
| **FOR-SALE (MULTI-FAMILY)—** | | | |
| Hard Lofts | $150,000–$225,000 | 750–1,250 sf | $180–$200 psf |
| Soft Lofts | $185,000–$285,000 | 850–1,400 sf | $204–$218 psf |
| Upscale Condominiums | $295,000–$425,000 | 1,200–1,800 sf | $236–$246 psf |
| **FOR-SALE (SINGLE-FAMILY ATTACHED)—** | | | |
| Townhouses/Rowhouses | $250,000–$335,000 | 1,300–1,850 sf | $181–$192 psf |
| Live-Work | $315,000–$365,000 | 1,350–1,600 sf | $228–$233 psf |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Based on the unit types, sizes, and rents/prices outlined in the optimum market position above, the weighted average rents and prices for each of the housing types are shown on the following table:

**Weighted Average Base Rents, Prices and Size Ranges**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| HOUSING TYPE | WEIGHTED AVERAGE BASE RENT/PRICES | WEIGHTED AVERAGE UNIT SIZE | WEIGHTED AVERAGE BASE RENT/PRICES PER SQ. FT. |
|---|---|---|---|
| Multi-family for-rent | $1,466 per month | 832 sf | $1.76 |
| Multi-family for-sale | $257,963 | 1,173 sf | $220 |
| Single-family attached for-sale | $304,398 | 1,596 sf | $191 |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The aforementioned rents and prices are in year 2014 dollars, are exclusive of consumer options and upgrades, or floor or location premiums, and cover a broad range of rents and prices for newly-developed units currently sustainable by the market in the Downtown Study Area. Location will have a significant impact on rents and prices; projects situated within a short walking distance of high-value amenities, such as restaurants, theaters, shops, or transit, or with views of the Grand River, will likely command rents and prices at the upper end of values. Those projects that are located on the outer edges of the Study Area, or near the interstate, are likely to command rents and prices at the lower end of values.

# Optimum Market Position--2,000 New Market-Rate Dwelling Units

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Percent* / *Number* | *Housing Type* | *Unit Configuration* | *Unit Mix* | *Base Rent/Price* | *Unit Size* | *Rent/Price Per Sq. Ft.* | *Annual Market Capture* |
|---|---|---|---|---|---|---|---|
| **67.3%** | **Multi-Family For-Rent** | | | | | | **281 to 352 units** |
| 350 | Hard Lofts | Loft/1ba | 20% | $800 | 450 | $1.78 | |
| | | Loft/1ba | 30% | $975 | 600 | $1.63 | |
| | | Loft/1ba | 30% | $1,200 | 750 | $1.60 | |
| | | Loft/1ba | 20% | $1,350 | 900 | $1.50 | |
| | | Weighted averages: | | $1,083 | 675 | $1.60 | |
| 650 | Soft Lofts | Microloft/1ba | 10% | $750 | 350 | $2.14 | |
| | | Studio/1ba | 15% | $900 | 500 | $1.80 | |
| | | 1br/1ba | 25% | $1,400 | 800 | $1.75 | |
| | | 2br/1ba | 20% | $1,550 | 900 | $1.72 | |
| | | 2br/2ba | 20% | $1,700 | 1,000 | $1.70 | |
| | | 2br/2ba/den | 10% | $2,000 | 1,250 | $1.60 | |
| | | Weighted averages: | | $1,410 | 815 | $1.73 | |
| 346 | Upscale Apartments | 1br/1.5ba | 30% | $1,500 | 750 | $2.00 | |
| | | 1br/1.5ba/den | 20% | $1,850 | 950 | $1.95 | |
| | | 2br/2ba | 30% | $2,100 | 1,100 | $1.91 | |
| | | 2br/2.5ba/den | 15% | $2,500 | 1,350 | $1.85 | |
| | | 3br/2.5ba PH | 5% | $2,700 | 1,500 | $1.80 | |
| | | Weighted averages: | | $1,960 | 1,023 | $1.92 | |
| 1,346 | units | Overall Weighted Averages: | | $1,466 | 832 | $1.76 | |

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

## Optimum Market Position--2,000 New Market-Rate Dwelling Units

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Percent* / *Number* | *Housing Type* | *Unit Configuration* | *Unit Mix* | *Base Rent/Price* | *Unit Size* | *Rent/Price Per Sq. Ft.* | *Annual Market Capture* |
|---|---|---|---|---|---|---|---|
| **14.3%** | **Multi-Family For-Sale** | | | | | | **40 to 50 units** |
| 50 | Hard Lofts | Loft/1ba | 20% | $150,000 | 750 | $200 | |
| | | Loft/1ba | 20% | $175,000 | 900 | $194 | |
| | | Loft/1ba | 30% | $210,000 | 1,100 | $191 | |
| | | Loft/1ba | 30% | $225,000 | 1,250 | $180 | |
| | | Weighted averages: | | $195,500 | 1,035 | $189 | |
| 150 | Soft Lofts | 1br/1ba | 30% | $185,000 | 850 | $218 | |
| | | 1br/1ba/den | 30% | $205,000 | 950 | $216 | |
| | | 2br/2ba | 25% | $245,000 | 1,150 | $213 | |
| | | 2br/2ba/den | 15% | $285,000 | 1,400 | $204 | |
| | | Weighted averages: | | $221,000 | 1,038 | $213 | |
| 86 | Upscale Condominiums | 2br/2ba | 25% | $295,000 | 1,200 | $246 | |
| | | 2br/2.5ba | 35% | $350,000 | 1,450 | $241 | |
| | | 3br/2ba | 25% | $395,000 | 1,650 | $239 | |
| | | 3br/2.5ba | 15% | $425,000 | 1,800 | $236 | |
| | | Weighted averages: | | $358,750 | 1,490 | $241 | |
| 286 | units | Overall Weighted Averages: | | $257,963 | 1,173 | $220 | |

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

## Optimum Market Position--2,000 New Market-Rate Dwelling Units

## *Downtown Grand Rapids*

*City of Grand Rapids, Kent County, Michigan*

**August, 2014**

| *Percent* / *Number* | *Housing Type* | *Unit Configuration* | *Unit Mix* | *Base Rent/Price* | *Unit Size* | *Rent/Price Per Sq. Ft.* | *Annual Market Capture* |
|---|---|---|---|---|---|---|---|
| **18.4%** | **Single-FamilyAttached For-Sale** | | | | | | **51 to 64 units** |
| 318 | Townhouses/Rowhouses | 2br/1.5ba | 20% | $250,000 | 1,300 | $192 | |
| | | 2br/2.5ba | 30% | $290,000 | 1,550 | $187 | |
| | | 2br/2.5ba | 25% | $310,000 | 1,700 | $182 | |
| | | 3br/2.5ba | 25% | $335,000 | 1,850 | $181 | |
| | | Weighted averages: | | $298,250 | 1,613 | $185 | |
| 50 | Live-Work Units | 1br/1.5.5ba | 25% | $315,000 | 1,350 | $233 | |
| | *500 sf work space* | 1br/1.5.5ba | 45% | $345,000 | 1,500 | $230 | |
| | *on ground floor* | 2br/1.5.5ba | 30% | $365,000 | 1,600 | $228 | |
| | | Weighted averages: | | $343,500 | 1,493 | $230 | |
| 368 | units | Overall Weighted Averages: | | $304,398 | 1,596 | $191 | |
| 2,000 | Total Units | | | | | | |

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

## MARKET CAPTURE: THE DOWNTOWN GRAND RAPIDS STUDY AREA

### *How fast will new units lease or sell?*

In the context of the target market methodology, new rental development (including adaptive re-use of existing non-residential buildings as well as new construction) in the Downtown Study Area should be able to achieve an annual capture of 12 percent of the potential market over the near term and 15 percent longer term.

Given current economic conditions, and the expectation of continued improvement for new for-sale housing over the near term, Zimmerman/Volk Associates has determined that an annual capture of approximately eight percent of the potential market for each for-sale housing type is achievable in the Downtown over the next two to three years, and up to 10 percent over the next three to five years. (Nationally, prior to the housing collapse in 2008, new dwelling units represented 15 percent of all units sold; currently, the National Association of Realtors reports that new units represent less than 10 percent of total housing sales.)

Based on a 12 to 15 percent capture of the potential market for new rental housing, and an eight to 10 percent capture of the potential market for new for-sale housing units, Downtown Grand Rapids should be able to absorb up to 372 to 466 new market-rate multi-family rental and for-sale and for-sale single-family attached housing units per year over the next five to seven years, as follows:

**Annual Capture of Market Potential**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | CAPTURE RATE | NUMBER OF NEW UNITS |
|---|---|---|---|
| Multi-family for-rent (lofts/apartments, leaseholder) | 2.345 | 12%-15% | 281-352 |
| Multi-family for-sale (lofts/apartments, condo/co-op ownership) | 500 | 8%-10% | 40-50 |
| Single-family attached for-sale (rowhouses, fee-simple ownership) | 640 | 8%-10% | 51-64 |
| Total | 3,485 | | 372-466 |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

At these forecast capture rates, between 1,860 and over 2,300 new market-rate units could be absorbed within the Downtown Study Area over the next five to seven years.

These capture rates are well within the target market methodology's parameters of feasibility.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

## DOWNTOWN BUILDING AND UNIT TYPES

Building and unit types most appropriate for the Downtown Study Area include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is three or more stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.

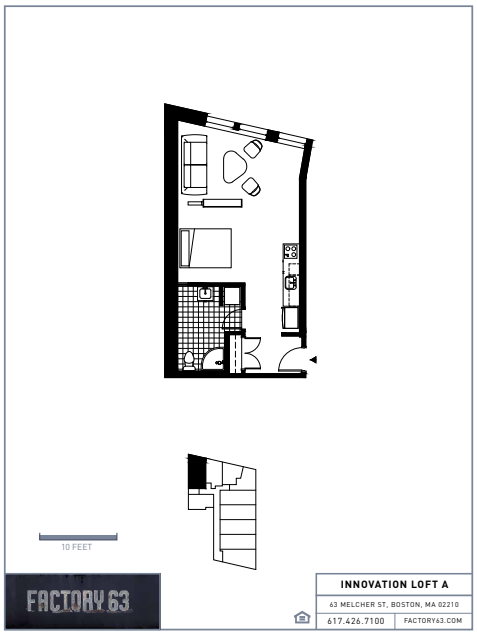
  Project: The Heritage at Freemason Harbour
  Downtown Norfolk, Virginia
  184 units.
  1-bedroom/1-bath, 764-822 sf, $1,207 - $1,335, $1.51 - $1.58 psf;
  1-bedroom/1-bath/study, 900 sf, $1,410, $1.56 psf;
  2-bedroom/2-bath, 1,071–1,183 sf, $1,545-$2,127, $1.44 -$1.80 psf;
  3-bedroom/2-bath, 1,331 sf, $2,207-$2,787, $1.66 -$2.09 psf.
  Amenities: Business center, fitness center, concierge.
  Parking: Carports under building, in courtyard, and on street.

The Heritage at Freemason Harbour.

- Loft Apartment Building: Either adaptive re-use of older warehouse or manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version usually has double-loaded corridors.

  Microlofts: Several cities across the country are changing minimum unit size requirements as part of a strategy to attract young knowledge workers. Millennial knowledge workers have responded positively to efficiency units as small as 220 square feet, often leasing out new micro loft projects within a matter of days.

  The City of Boston reduced the city's 450-square-foot unit minimum to 350 square feet in a pilot program currently limited to the South Boston "Innovation District." As of February, 2014, 353 micro-units have been approved. The first property to market micro-units, the 38-unit Factory 63, was completely leased within a week, reportedly all to renters who worked within a 10-block radius of the property. Initial rents were between $1,200 a month for 337 square feet to $2,450 for 597 square feet; fully-leased. There is a waiting list for vacancies in the property where rents now start at $1,699.

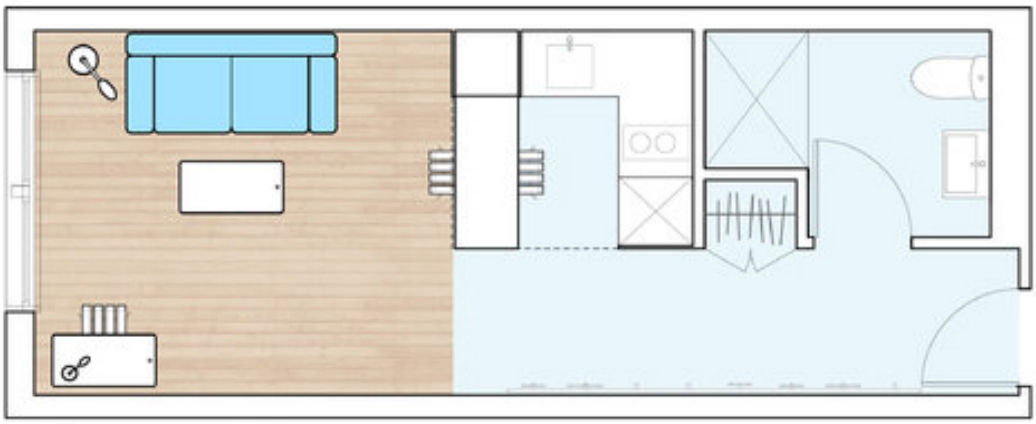



Factory 63.

San Francisco has reduced allowable minimum from 290 square feet to 220 square feet, but limited the change to 375 units until market impact has been assessed by the City's planning department; the concern is that the higher-profit micro units could reduce housing opportunities for households with children. The first completed project, SoMa Studios with 23 295-square-foot units, was bulk leased for five years to the California College of the Arts. The same developer, Panoramic Interests, has a 160-unit building planned with 220-square-foot units slated when announced in 2012 with monthly rents between $1,300 and $1,500 ($5.90 to $6.80 per square foot); at the time the average San Francisco studio rent was $2,075 for 493 square feet, or $4.21 per square foot. The building will include substantial common space and parking for 240 bicycles but, other than a single car-share spot, no automobile parking.

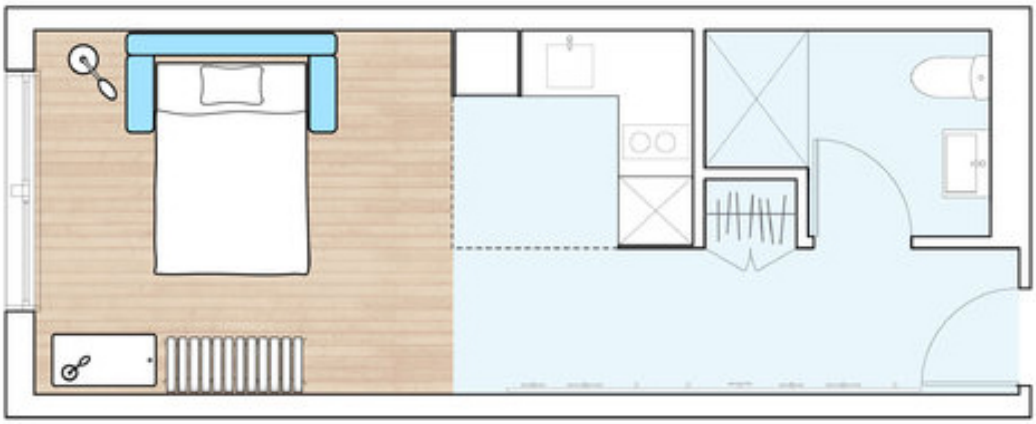
Panoramic Interests.

In New York City a pilot program accommodates units smaller than the current 400-square-foot minimum. The first project, the 55-unit My Micro NY, won the City's "adapt NYC" micro-unit competition. Units in the modular building range from 250 to 370 square feet; 40 percent will be affordable. Every floor will have a common area, and the building will include an attic garden, a ground-floor porch, a lounge and a fitness deck.



APT. #3A - DAY

9'-10" high wall surface behind couch used as pin-up wall; kitchen counter is down and ready for a coffee.



APT. #3A - NIGHT

Convertible sofa-bed folded down; kitchen counter folded up; coffee table on wheels relocated to wall.

My Micro NY.

Because of their small size and intricate layouts, small units are challenging to develop within existing buildings. A U.S. example of creating micro-units through the adaptive re-use of a non-residential building is the redevelopment of the historic, 1828 Arcade building in Providence, Rhode Island. The oldest surviving indoor mall in the nation, the Arcade closed when its three-story interior retail format was no longer economically viable. It re-opened in 2014 with ground-level retail and its two upper levels converted into 48 dwellings, including 38 micro units ranging from 225 to 450 square feet furnished with built-in beds, storage, banquette seating. In February, 2014, when half the units were completed and occupied, there was a 2,000-name waiting list for the remaining units. Units are now fully leased at rents starting at $550 a month, $2.44 per square foot.

Arcade Building.

Hard Lofts: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with minimal room delineations such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

Soft Lofts: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of "hard lofts," such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.

The Chocolate Lofts, a six-story residential conversion in 2004 of the former Paterson Chocolate factory located on Queen Street in Toronto, contains 144 hard and soft lofts. The old chocolate factory units contain timber posts and 12-foot wood ceilings. The soft loft units have functional layouts with 10.5-foot concrete ceilings. All units have exposed duct work, granite countertops and stainless steel appliances and sold out very quickly at prices ranging from $285,000 for a 500-square-foot studio to $558 for a two-bedroom penthouse.

Hard loft

Soft loft

- Liner Building: An apartment building with apartments and/or lofts lining two to four sides of a multi-story parking structure. Units are typically served from a single-loaded corridor that often includes access to parking. Ground floors typically include a traditional apartment lobby and can also include maisonette apartments, retail or some combination of the two.

  Gateway Lofts is a mixed-use infill project, providing affordable housing and street-level retail in downtown Charlotte, North Carolina. The six-story, post-tensioned concrete building was built on a 36- by 300-foot (11- by 91-meter) site adjacent to a parking garage, whose elevator tower it now shares.

  Gateway's middle floors have 15-foot (4.6-meter) wide, multilevel, loft-style units with stained concrete floors, exposed load bearing brick walls, and steel stairs open to a mezzanine. Penthouse units have 12-foot (3.6-meter) ceilings, skylit studios, and flowing, wall-free spaces.

Gateway Lofts

- Podium Building: A small-scale apartment building construction type with two or more stories of stick-frame residential units (lofts or apartments) built over a single level of above-grade structured parking, usually constructed with reinforced concrete. With a well-conceived street pattern, a podium building can include ground-level non-residential uses lining one or more sides of the parking deck.

Project: The Americana Apartments
Glendale, CA
25 units.
Studio/1-bath, 675-809 sf, $2,200-$2,450, $3.03-$3.26 psf;
1-bedroom/1-bath/den, 869-965 sf, $2,299-$3,090, $2.66-$3.20 psf;
1-bedroom/1-bath, 717-1,046 sf, $2,500-$2,600, $2.49-$3.49 psf;
2-bedroom/2-bath, 1,028-1,465 sf, $3,481-$4,050, $2.76-$3.39 psf;
2-bedroom/2-bath/den, 1,408 sf, $3,695-$3,920, $2.62-$2.78 psf;
2-bedroom/2.5-bath/ TH, 1,494-1,928 sf, $3,733-$4,200, $2.18-$2.50 psf.
Amenities: Fitness club, pool, concierge.
Parking: Garage under building.

The Americana Apartments

- Mansion Apartment Building: A two- to three-story flexible-use structure with a street façade resembling a large detached or attached house (hence, "mansion"). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

  Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives

  Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.

  Project: Edgewater at Oakmont
  Pittsburgh, Pennsylvania
  20 units, First Phase.
  2-bedroom/2-bath/den, 1,441 sf, $335,300, $233 psf;
  2-bedroom/2-bath/den, 1,979 sf, $433,500, $219 psf;
  Parking: Garage under building.

Edgewater at Oakmont

- Live-work is a unit or building type that accommodates non-residential uses in addition to, or combined with living quarters. The typical live-work unit is a building, either attached or detached, with a principal dwelling unit that includes space that can be used as office, retail, or studio space, or as an accessory dwelling unit. Regardless of the form they take, live-work units should be flexible in order to respond to economic, social and technological changes over time and to accommodate as wide as possible a range of potential uses. The unit configuration must also comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

  Some of the most effective neighborhood revitalization efforts have incorporated live-work housing for artists and artisans. Perhaps the best example of arts-led revitalization has taken place on two nearly-adjacent blocks in downtown Providence, Rhode Island. In over decade an artists' non-profit, AS220, has re-developed a series of buildings with a mix of uses including eating and drinking establishments, retail uses, gallery and performance spaces, shared technical equipment, and work and residential studios.

AS220

  The original redevelopment includes 12 single-room residential studios with shared bathrooms and kitchen. Rents in 11 of the units range from $333 to $455 a month, including all utilities and high-speed internet, for spaces between 324 and 408 square feet; a 12th unit rents for free to a monthly artist-in-residence.

The second redevelopment was the restoration of The Dreyfus, an historic hotel building and former dormitory that now includes a bar and restaurant and 14 residential studios, 11 of which rent to income-qualified artists for between $444 and $612 for between 301 and 407 square feet. The remaining three units are rented at market rents—$866 to $920—for 306 to 406 square feet. The most recent redevelopment is called the Mercantile Block, which includes ground floor market-rate retail, the group's shared print shop, a floor of office space, and two floors with 22 apartments renting for $310 to $1,125 for 597 to 880 square feet. Rents at both The Dreyfus and The Mercantile cover all other utilities except electric, including high-speed internet. Occupancy in all three properties is effectively 100 percent. In addition to the housing, the properties include 19 rental work studios which enhance the neighborhood's vitality day and night.

As an example of the complex financing required to make these deals work, for the Mercantile redevelopment AS220 drew on more than a dozen different funding sources—loans, grants and tax credits—plus its own equity, seven of which were aggregated into a National Trust Community Investment Fund "community development entity" (CDE) which, in turn, generated New Market tax credits sold to a national tax credit investor.

The Dreyfus

## DOWNTOWN AMENITIES

As noted in 2008, the diversity, and social and cultural amenities of the city are one of the attractions of urban living.

Again, locations that are within walking distance of transportation, parks and greenways, and entertainment venues—such as theaters, clubs and restaurants, as well as provide convenient access to a variety of retailers, particularly a grocery store—hold a significant market advantage. Because of the high value placed by the potential market on intimate urban green spaces, additional small "pocket parks" could be created on "leftover" land throughout the Study Area. Some of these parks could be specialized, such as "Bark Parks," where residents can take their dogs. A vibrant urban parks system provides a variety of uses and benefits downtown workers and visitors, as well as residents.

Again, from the market perspective, it is important to reiterate some of the basics that enhance urban neighborhoods, and that are already found in parts of Downtown Grand Rapids: sidewalks wide enough for two people to walk abreast, street trees to provide shade in summer, street furniture and decoration, designed by artists, that include benches, sculptures, wall fountains and trompe l'oeil murals to add interest to blank walls.

Since 2008, urban bicycling has become even more important as the Millennials—who as a generation are delaying obtaining driver's licenses or purchasing automobiles—are relying on bicycle transportation as much as possible. Bicycle infrastructure, ranging from well-designed bike lanes on key thoroughfares to physically-separated bike lanes in both urban and park/riverfront locations, has become as critical an issue as automobile parking. Bike racks—both utilitarian and those designed as civic art—should be plentiful; ideally, bicycle parking should be mandated at all public and private parking facilities and in newly-constructed commercial buildings.

## METHODOLOGY

The update of the technical analysis of market potential for the Downtown Grand Rapids Study Area included confirmation of the draw areas—based on the most recent migration data for Kent County, and incorporating additional data from the 2012 American Community Survey for the county and the City of Grand Rapids—as well as compilation of the current residential rental and for-sale activity in the Downtown market area. The appendix tables referenced here are provided in a separate document.

The evaluation of the Downtown's market potential was derived from the updated target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

### CONFIRMATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Updated taxpayer migration data provided the framework for the confirmation of the draw areas—the principal counties of origin for households that are likely to move to the City of Grand Rapids. These data are maintained at the county and "county equivalent" level by the Internal Revenue Service and provide a clear representation of mobility patterns. The migration data for the city has been supplemented by mobility data from the 2012 American Community Survey for the City of Grand Rapids and for Kent County.

Appendix One, Table 1.
**Migration Trends**

Analysis of the most recent Kent County migration and mobility data available from the Internal Revenue Service—from 2006 through 2010—shows that, although the county had continued to show a net loss of households through 2009, by 2010, the county had gained 165 more households than it had lost. (*See* Appendix One, Table 1.)

Annual in-migration into Kent County rose steadily over the first three years of the study period, increasing from 10,690 households in 2006 (the lowest in-migrating total over the study period) to 10,895 households in 2008, then falling to 10,065 in 2009. However, in 2010, in-migration rose to 11,265 households as the region began to emerge from the Great Recession. Between approximately 16 and 18 percent of the county's in-migration is from Ottawa County, the adjacent county to the west, with another 4.5 to 4.7 percent from Allegan County to the southwest.

After an increase between 2006 and 2007, out-migration from Kent County continued to decline, ranging between 11,100 households in 2010, the lowest number of out-migrating households over the study period, to 12,680 households in 2007, the highest number. In 2010, nearly 20 percent of out-migrating households moved to either Ottawa or Allegan Counties. Collectively, the majority of out-migration continued to be to other counties in Michigan.

As noted in the previous study, although net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

Based on the updated migration data, then, the draw areas for the City of Grand Rapids and the Downtown Study Area have been confirmed as follows:

- The primary draw area, covering households currently living within the Grand Rapids city limits.
- The local draw area, covering households currently living in the balance of Kent County.
- The regional draw area, covering households that are likely to move to the City of Grand Rapids from Ottawa and Allegan Counties.
- The national draw area, covering households with the potential to move to the City of Grand Rapids from all other U.S. counties.

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on

migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

## 2014 TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from The Nielsen Company (formerly Claritas, Inc.) provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. For purposes of this study, only those households in groups with median incomes above $50,000 are included in the analysis. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Tables 2 and 3.

### Target Market Classifications

An estimated 75,000 households live in the City of Grand Rapids in 2014, up from the estimated 72,300 households in 2008, an increase of 2,700 households (more than 3.7 percent); 68.7 percent, or 51,545 households are in target market groups with median incomes of $50,000 or more (3,345 fewer households than in 2008, a decline of six percent). (*Reference* Appendix One, Table 2.) Approximately 28.7 percent of these households can be classified as empty nesters and retirees (compared to 33.9 percent in 2008), another 53 percent are traditional and non-traditional families (up slightly from just under 52 percent), and 18.3 percent are younger singles and couples (up from 14.7 percent in 2008).

Median income within the city is estimated at $39,900, up only $500 from $39,400 in 2008, and approximately 22.7 percent lower than the national median of $51,600. Median home value within the city is estimated at $121,400, $8,500 higher than the median of $112,900 in 2008, but still considerably below the national median of $182,100.

An estimated 235,845 households live in Kent County in 2014, up from the estimated 227,210 households in 2008, a gain of 8,635 households, or 3.8 percent over five years. Seventy percent, or 165,050 households are in target market groups with median incomes of $50,000 or more (7,695 fewer households than in 2008, a drop of 4.5 percent). (*Reference* Appendix One, Table 3.) Over

35.4 percent of these households can be classified as empty nesters and retirees (up from 27.1 percent in 2008), another 46.5 percent are traditional and non-traditional families (up slightly from just over 45 percent in 2008), and 18.1 percent are younger singles and couples (down from 27.8 percent in 2008).

Median income within the county is estimated at $51,300, $1,700 more than in 2008, and $300 less than the national median of $51,600. Median home value within the county is estimated at $145,600, $8,900 higher than the median of $136,700 in 2008, and approximately 80 percent of the national median of $182,100.

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant "predictable variables," ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as "behaviors," such as mobility rates, lifestage, and lifestyle patterns

Mobility rates detail how frequently a household moves from one dwelling unit to another; lifestage denotes what stage of life the household is in, from initial household formation (typically when a young person moves out of his or her parents' household into his or her own dwelling unit), through family formation (typically, marriage and children) to retirement (typically, no longer employed); and lifestyle patterns reflect the ways households choose to live, *e.g.*, an urban lifestyle includes residing in a dwelling unit in a city, most likely high-density, and implies the ability to walk to more locations than a suburban lifestyle, which is most likely lower-density and typically

requires automobile ownership to get to non-residential locations. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

## UPDATE OF THE POTENTIAL MARKET FOR THE CITY OF GRAND RAPIDS (MOBILITY ANALYSIS)—

The updated mobility tables, individually and in summaries, indicate the average number and type of households that have the potential to move within or to the City of Grand Rapids each year over the next five years. The total number from each county is derived from historical migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.
**Internal Mobility** (Households Moving Within the City of Grand Rapids)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data and 2012 American Community Survey Data, combined with Nielsen data, to determine the number of households in each target

market group that will move from one residence to another within a specific jurisdiction (internal mobility).

After updating the migration and mobility data, Zimmerman/Volk Associates determined that an average of 8,815 households (up from 6,450 households in 2008) currently living in the City of Grand Rapids, and in target market groups with median incomes of $50,000 or more, have the potential to move from one residence to another within the city each year over the next five years.

Just under half of these households are likely to be family-oriented households (as characterized within 12 Zimmerman/Volk Associates' target market groups, up from 39.7 percent in 2008); another 40.9 percent are likely to be younger singles and couples (in 11 market groups, down from 54 percent); and the remaining 9.7 percent are likely to be empty nesters and retirees (in 13 market groups, up from 6.8 percent).

Appendix One, Table 5.
**External Mobility** (Households Moving To the City of Grand Rapids from the Balance of Kent County)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county.

The updated data shows that an average of 4,150 households, currently living in the balance of Kent County and in groups with median incomes of $50,000 or more, have the potential to move from a residence in the county to a residence in the City of Grand Rapids each year over the next five years, a drop of 850 households since 2008.

Approximately 47.5 percent of these households (up from 42.2 percent in 2008) are likely to be traditional and non-traditional families (in 13 market groups); 31 percent (down from 43.1 percent) are younger singles and couples (in 10 groups); and the remaining 21.6 percent are empty nesters and retirees (in 16 groups, up from 14.7 percent).

Appendix One, Tables 6 and 7; Appendix Two, Tables 1 and 2.
**External Mobility** (Households Moving To the City of Grand Rapids from Outside Kent County)—

These tables determine the average number of households in each target market group living in each draw area county that is likely to move to the City of Grand Rapids each year over the next five years (through a correlation of Nielsen data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 8.
**Market Potential for the City of Grand Rapids**—

Appendix One, Table 8 summarizes Appendix One, Tables 4 through 7. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing market-rate dwelling units in the City of Grand Rapids each year over the next five years originating from households in groups with median incomes of $50,000 or more currently living in the draw areas. An average of 16,485 households in groups with median incomes of $50,000 or more have the potential to move within or to the City of Grand Rapids each year over the next five years. This is up 9.5 percent over the annual market potential of 15,050 households in 2008. Traditional and non-traditional families (in 13 groups) are likely to account for up to 45.5 percent of the market (up from just under 39 percent in 2008), younger singles and couples (in 12 groups) make up another 39.4 percent (down from 48.8 percent in 2008), and the remaining 15 percent are likely to be empty nesters and retirees (in 16 groups, up from 12.2 percent in 2008).

The updated distribution of the draw areas as a percentage of the potential market for the City of Grand Rapids is as follows:

**Market Potential by Draw Area**
***City of Grand Rapids, Kent County, Michigan***

| | |
|---|---|
| City of Grand Rapids (Primary Draw Area): | 53.5% |
| Balance of Kent County (Local Draw Area): | 25.2% |
| Ottawa and Allegan Counties (Regional Draw Area): | 5.0% |
| Balance of US (National Draw Area): | 16.3% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The updated migration, mobility and target market analyses also show that there has been an increase in the share of draw areas moving to Grand Rapids from outside the county. Households moving from Ottawa and Allegan Counties have increased from 4.7 percent of the annual potential market to five percent, and the balance of the United States has risen from 15.9 percent to 16.3 percent of the annual potential market. Households moving within the city represent 53.5 percent of the annual potential market over the next five years, up from 42.9 percent in 2008, whereas households moving from the balance of Kent County have dropped from 36.5 percent of the total in 2008 to just over 25 percent per year over the next five years.

## UPDATE OF THE POTENTIAL MARKET FOR THE DOWNTOWN GRAND RAPIDS STUDY AREA—

As in 2008, the annual potential market for new market-rate housing units developed within existing buildings or new construction within the Downtown Study Area includes the same draw areas as for the city as a whole. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen data, to determine which target market groups, as well as how many households within each group, are likely to move to the Study Area each year over the next five years.

Appendix One, Tables 9 through 11.

### Market Potential for the Downtown Grand Rapids Study Area—

As updated by the target market methodology, an average of 5,135 households have the potential to move to the Downtown Grand Rapids Study Area each year over the next five years, more than 11.4 percent higher than the 2008 number of 4,610 households. (*See* Appendix One, Table 9.) Over 63 percent of these households are likely to be younger singles and couples (in 10 market groups, and a slightly higher percentage than nearly 62 percent in 2008); another 26.3 percent (down slightly from 26.9 percent in 2008) are likely to be empty nesters and retirees (in 13 groups); and 10.4 percent (down slightly from 11.3 percent in 2008) are likely to be traditional and non-traditional family households (in six groups).

The updated distribution of the draw areas as a percentage of the market for the Downtown Grand Rapids Study Area is shown on the following page:

**Market Potential by Draw Area**
**DOWNTOWN GRAND RAPIDS STUDY AREA**
***City of Grand Rapids, Kent County, Michigan***

| | |
|---|---|
| City of Grand Rapids (Primary Draw Area): | 46.3% |
| Balance of Kent County (Local Draw Area): | 21.4% |
| Ottawa and Allegan Counties (Regional Draw Area): | 4.1% |
| Balance of US (National Draw Area): | 28.2% |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

At 46.3 percent, the City of Grand Rapids accounts for a smaller share of market potential for the Downtown Study Area than in 2008, at 51.6 percent. Households moving from the balance of the U.S. now account for a considerably larger share, over 28 percent, of the potential market than in 2008, at 24.8 percent.

The 5,135 draw area households that have the potential to move to the Downtown Grand Rapids Study Area each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Approximately 45.7 percent of these households (up from just under 35 percent in 2008, or from 1,610 households to 2,345 households) comprise the potential market for new market-rate rentals. The remaining 54.3 percent (or 2,790 households, down from 3,000 households in 2008) comprise the market for new market-rate for-sale (ownership) housing units. (*See* Appendix One, Table 10.)

Of these 2,790 households, 17.9 percent (or 500 households) comprise the annual market for market-rate multi-family for-sale units (condominium apartments and lofts), down significantly from 31.7 percent, or 950 households, in 2008. Another 22.9 percent (or 640 households) comprise the annual market for market-rate attached single-family (townhouse/live-work) units, up significantly from 17.3 percent and 520 households in 2008. The remaining 59.2 percent (or 1,650 households) comprise the annual market for all ranges and densities of market-rate single-family detached houses.

## —Target Market Data—

Target market data are based on the Nielsen (formerly Claritas) PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main household lifestages—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Upscale Suburban Couples* or *Fast-Track Professionals*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 "behaviors."

Over the past 26 years, Zimmerman/Volk Associates has augmented the PRIZM cluster systems for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those households in groups with median incomes of $50,000 or more are included in the tables.

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Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.

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Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

Zimmerman/Volk Associates, Inc. retains all rights, title and interest in the methodology and target market descriptions contained within this study. The specific findings of the analysis are the property of the client and can be distributed at the client's discretion.

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