UPDATE

RESIDENTIAL MARKET POTENTIAL

for

Greater Downtown Detroit

City of Detroit
Wayne County, Michigan

July, 2014

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Research & Strategic Analysis

STUDY CONTENTS

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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 Greater Downtown Detroit, with a special focus on the Central Business District, in the City of Detroit, Wayne County, Michigan. The most recent Downtown update was published in November 2010.

For the current study, the neighborhoods included within Greater Downtown Detroit remain the same as those outlined in 2010, and encompass the Central Business District, the neighborhoods of Corktown, Rivertown, Lafayette Park, Eastern Market, Midtown (including Cass Park, Brush Park, North Cass, Detroit Medical Center, Wayne State University, and Art Center), Woodbridge, Techtown, and New Center. The Central Business District is bounded by Interstate 75 to the north, Interstate 375 to the east, the Detroit River to the south, and the John C. Lodge Freeway to the west.

The depth and breadth of the potential market for new housing units within Greater Downtown Detroit 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 Detroit, Greater Downtown Detroit in general ,and the Central Business District in specific, are likely to move from (the draw areas);
- How many have the potential to move to the Greater Downtown Study Area and the Central Business District 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 Greater Downtown Detroit);
- What they will pay to live in the Greater Downtown study area and in the Central Business District (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 Detroit and the Downtown 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 Detroit.

Where are the potential renters and buyers of new and existing housing units in the City of Detroit likely to move from?

Analysis of the most recent Wayne County migration and mobility data available from the Internal Revenue Service—from 2005 through 2009—shows that although the county continued to experience net migration losses throughout the study period, that number dropped from the peak of 15,155 households lost in 2007 to less than 10,800 households in 2009. (*See* Appendix One, Table 1.)

Over the study period, annual *out*-migration from Wayne County reached a high of 36,540 households in 2007, but fell to less than 33,300 households in 2009. Over the same period, annual *in*-migration to Wayne County has ranged between 20,090 households in 2006 to 22,500 households in 2009. In 2009, nearly 58 percent of the county's in-migration came from the four adjacent counties of Oakland, Macomb, Washtenaw and Monroe, up from 54.8 percent in 2005.

Based on the updated migration and mobility data, the draw areas for the City of Detroit, the Greater Downtown Study Area and the Central Business District 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 Detroit city limits.

- The local draw area, covering households in groups with median incomes of $50,000 or more units currently living in the balance of Wayne 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 Detroit from Oakland, Macomb, Washtenaw and Monroe 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 Detroit from all other U.S. counties (primarily counties in Michigan, although approximately 40 percent are households currently living outside the state, up from 25 percent in the 2010 study).

As derived from the updated migration and mobility analyses, then, the draw area distribution of market potential (those households, in groups with median incomes above $50,000 per year and with the potential to move within or to the City of Detroit, an average of 38,220 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 Detroit, Wayne County, Michigan

City of Detroit (Primary Draw Area):	47.0%
Balance of Wayne County (Local Draw Area):	35.6%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	10.9%
Balance of US (National Draw Area):	6.5%
Total:	100.0%

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

MARKET POTENTIAL FOR GREATER DOWNTOWN DETROIT

Where are the potential renters and buyers of new and existing housing units in Greater Downtown Detroit likely to move from?

As in the 2010 study, 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 Greater Downtown Detroit in general and the Central Business District in specific would be as follows (*see also* Appendix One, Table 9):

Market Potential by Draw Area
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

City of Detroit (Primary Draw Area):	30.3%
Balance of Wayne County (Local Draw Area):	36.2%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	18.4%
Balance of US (National Draw Area):	14.5%
Total:	100.0%

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

The regional draw area and the balance of the U.S. represent increasingly larger proportions of market potential for new housing in Greater Downtown Detroit (a combined 32.9 percent, compared to 31 percent in 2009). In addition, the Wayne County draw area now comprises over 36 percent of the potential market, compared to 30.1 percent in 2009.

Based on the updated analysis, which accounts for household mobility within the City of Detroit and the balance of Wayne County, as well as migration and mobility patterns for households currently living in all other cities and counties, an average of 15,560 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 Greater Downtown Detroit each year over the next five years, more than seven percent higher than the 14,500 households in 2009.

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 has been 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 *in the* MAIN TABLES *document*):

Annual Potential Market for New and Existing Housing Units
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	7,370	47.4%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	3,120	20.1%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	2,185	14.0%
Single-family detached for-sale (houses, fee-simple ownership)	2,885	18.5%
Total	15,560	100.0%

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

Market propensities for higher-density urban housing continues to grow: multi-family rental housing accounted for 45.3 percent of target market propensities in 2009 (6,570 households), and increased in both number (to 7,370 households) and share (to 47.4 percent). Although the number of households with preferences for multi-family for-sale units increased (from 3,060 to 3,120 households), their share of the potential market dropped from 21.1 percent to 20.1 percent. The most significant change over the past five years is the sharp increase in market preferences for single-family *attached* units (from 1,450 households to 2,185 households, and from a 10 percent share of the market to a 14 percent market share) and the corresponding drop in market preferences for single-family *detached* units (from 3,430 households to 2,885 households, and from a 23.6 percent to an 18.5 percent share of the market).

Given the changes in target market propensities, new development should concentrate on multi-family housing within the Central Business District, and within a quarter-mile radius of proposed light rail stations, since multi-family supports transit, urban development and redevelopment most efficiently and provides the greatest fiscal, economic and social/lifestyle benefit. New residential development should include new construction as well as redevelopment or adaptive re-use of existing buildings.

Therefore, this analysis has determined that, focusing only on households with a preference for multi-family rental and for-sale units, an annual average of 10,490 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 core Downtown each year over the next five years (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of rental and for-sale multi-family housing types would be as follows:

Annual Potential Market for New and Existing Housing Units
Market-Rate Higher-Density Housing Units
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	7,370	70.3%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	3,120	29.7%
Total	10,490	100.0%

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

—*Rental Distribution*—

Based on the incomes and financial capabilities of the 7,370 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 *in the* MAIN TABLES *document*):

Annual Market Potential For Multi-Family For-Rent
Distributed By Rent Range
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$750–\$1,000	909	12.3%
\$1,000–\$1,250	1,333	18.1%
\$1,250–\$1,500	1,562	21.2%
\$1,500–\$1,750	1,460	19.8%
\$1,750–\$2,000	816	11.1%
\$2,000–\$2,250	459	6.2%
\$2,250–\$2,500	425	5.8%
\$2,500–\$2,750	237	3.2%
\$2,750 and up	169	2.3%
Total:	7,370	100.0%

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

—For-Sale Distribution—

Based on the incomes and financial capabilities of the 3,120 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 *in the* MAIN TABLES *document*):

Annual Market Potential For Multi-Family For-Sale
Distributed By Price Range
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$100,000–\$150,000	250	8.0%
\$150,000–\$200,000	726	23.3%
\$200,000–\$250,000	771	24.7%
\$250,000–\$300,000	559	17.9%
\$300,000–\$350,000	400	12.8%
\$350,000–\$400,000	245	7.9%
\$400,000–\$450,000	121	3.9%
\$450,000 and up	48	1.5%
Total:	3,120	100.0%

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

Based on the incomes and financial capabilities of the 2,185 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 table on the following page (*see also* Table 4 *in the* MAIN TABLES *document*):

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 Greater Downtown Detroit can be characterized by general household type as shown on the following table (*see also* Table 4 *in the* MAIN TABLES *document*):

Annual Potential Market By Lifestage and Unit Types
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.
Empty-Nesters & Retirees	21%	15%	28%
Traditional & Non-Traditional Families	6%	7%	3%
Younger Singles & Couples	73%	78%	69%
Total	100%	100%	100%

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

- As noted in the 2010 study, younger singles and couples prefer to live in downtowns and in-town neighborhoods for their diversity, and for the availability of employment, entertainment, and cultural opportunities within walking distance of their residences.

  Ranging between 69 and 78 percent, the share of the potential market held by younger singles and couples continues to rise for both multi-family rental and for-sale housing types. In 2010, 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, Twentysomethings,* and *Small-City Singles*, to the increasingly urban *Entrepreneurs, Fast-Track Professionals, Upscale Suburban Couples,* and *Suburban Achievers*—are represented in the potential market. Nearly three-quarters of these households would be moving to the Downtown Detroit from outside the city, up from two-thirds in 2010.

Affordability continues to be a challenge for the influx 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 units (*see* OPTIMUM MARKET POSITION *below*).

- Older households (empty nesters and retirees) continue to be the second largest potential market, approximately 36 percent of whom are currently living in Detroit, a significantly lower percentage than in 2010, when 44 percent of the empty nester and retiree market lived in the city.

  Empty nesters and retirees—including many of the same target groups as in 2010—now represent approximately 19 percent of the potential market, down from 23 percent in 2010, in part because of their continuing difficulty in selling their existing housing units. 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 largest target market groups in this segment—*Urban Establishment, Cosmopolitan Couples,* and *Multi-Ethnic Retirees*—also have the highest propensities to live in high-density urban neighborhoods.

- The third, and smallest, general market segment—traditional and non-traditional families—continues to decline as a percentage of the potential market for Greater Downtown Detroit, from eight percent in 2010, to six 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 2010.

  Nearly 59 percent of the family-oriented households with the potential to move to Downtown Detroit would be moving from outside the city limits, approximately the same percentage as in 2010.

  Depending on housing type, family-oriented households, a significant number of whom continue to be single parents with one or two children, now comprise between three percent (for-sale multi-family) and seven percent (rental multi-family) of the market for new housing units within the Downtown.

The primary target groups, their median and range of incomes, and median home values, are:

Potential Housing Market
(In Order of Median Income)
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
Old Money	$154,800	$100,000–$250,000	$376,800
Urban Establishment	$111,500	$75,000–$150,000	$294,200
Suburban Establishment	$108,900	$65,000–$135,000	$174,300
Cosmopolitan Elite	$98,300	$75,000–$140,000	$181,700
Affluent Empty Nesters	$91,000	$60,000–$140,000	$175,200
Cosmopolitan Couples	$71,400	$55,000–$110,000	$171,100
Mainstream Retirees	$66,700	$50,000–$100,000	$122,100
Middle-Class Move-Downs	$65,000	$45,000–$95,000	$101,000
No-Nest Suburbanites	$64,300	$45,000–$90,000	$122,600
Middle-American Retirees	$62,700	$40,000–$90,000	$91,900
Multi-Ethnic Retirees	$51,700	$40,000–$75,000	$91,300
Traditional & Non-Traditional Families			
Unibox Transferees	$105,700	$80,000–$165,000	$180,800
Full-Nest Urbanites	$97,200	$65,000–$125,000	$158,600
Late-Nest Suburbanites	$94,600	$75,000–$140,000	$170,400
Full-Nest Suburbanites	$91,500	$60,000–$130,000	$125,200
Multi-Ethnic Families	$65,000	$50,000–$95,000	$100,800
Blue-Cotton Button-Downs	$64,300	$55,000–$90,000	$91,900
Multi-Cultural Families	$60,500	$40,000–$80,000	$76,300

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HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Younger Singles & Couples			
The Entrepreneurs	$130,200	$75,000–$175,000	$279,200
e-Types	$109,800	$60,000–$165,000	$303,800
Fast-Track Professionals	$101,400	$55,000–$160,000	$183,400
Upscale Suburban Couples	$101,200	$50,000–$140,000	$130,000
The VIPs	$91,100	$55,000–$145,000	$163,200
New Bohemians	$89,300	$45,000–$140,000	$234,000
Suburban Achievers	$71,100	$40,000–$105,000	$109,100
Twentysomethings	$63,800	$50,000–$105,000	$107,800
Urban Achievers	$55,600	$35,000–$95,000	$154,800
Small-City Singles	$50,500	$35,000–$85,000	$90,900

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain "anomalous" households, such as empty-nester households within a "full-nest" category.

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

(*Reference* APPENDIX THREE, TARGET MARKET DESCRIPTIONS, *for detail on each target group*.)

THE CURRENT CONTEXT

What are the alternatives?

—Multi-Family Rental Properties—

Zimmerman/Volk Associates has compiled data from a variety of sources, including telephone interviews, individual property and rental websites, the Downtown Detroit Partnership and Midtown Detroit, Inc., on 55 benchmark rental properties, representing approximately 6,599 rental apartments and lofts in and around Greater Downtown Detroit. (*See* Table 5 *and* Maps 1 *through* 6 *in the* MAIN TABLES *document*.) Many of these properties are investment-grade assets: most were built, renovated or created through adaptive re-use of commercial buildings since 2002; property size ranges from just four units to more than 580 units. Nearly all are at functional full occupancy, at 95 percent or more occupied. It is clear the rental market is extremely strong, and rents have increased significantly since the 2010 update.

The following information includes, per submarket, the number of properties surveyed, the approximate number of units, the general unit sizes and rent ranges, and the rents per square foot from the least expensive studio or efficiency apartment to the most-expensive three-bedroom unit:

Downtown:
- 18 Properties
- 2,030 Units
- 526 to 2,231 square feet
- $535 to $4,354 per month
- $0.65 to $2.94 per square foot

Corktown:
- 2 Properties
- 112 Units
- 550 to 1,200 square feet
- $650 to $1,300 per month
- $1.08 to $1.16 per square foot

Rivertown (East and West Riverfront):
- 5 Properties
- 1,059 Units
- 550 to 2,390 square feet
- $600 to $3,339 per month
- $0.77 to $1.82 per square foot

Midtown:
- 12 Properties
- 1,061 Units
- 330 to 1,960 square feet
- $490 to $1,950 per month
- $0.78 to $2.21 per square foot

New Center:
- 7 Properties
- 466 Units
- 360 to 1,400 square feet
- $355 to $1,875 per month
- $0.78 to $1.69 per square foot

Eastern Market:
- 2 Properties
- 80 Units
- 600 to 3,300 square feet
- $750 to $3,850 per month
- $1.00 to $1.75 per square foot

Lafayette Park:
- 8 Properties
- 1,749 Units
- 480 to 1,800 square feet
- $550 to $1,550 per month
- $0.78 to $1.69 per square foot

Research Park/Woodbridge:
- 1 Property
- 12 Units
- 950 square feet
- $1,250 per month
- $1.32 per square foot

Eighteen properties included in the survey are located in the Central Business District. Four new projects have been developed since the last study—the Broderick Tower, Iodent Lofts, the Albert Apartments and Security Trust Lofts. The Albert and Security Trust Lofts are still in the initial lease-up phase. Four—Detroit Town Apartments, Claridge House Apartments, Detroit City Apartments, and Renaissance City Apartments, formerly the Millender Center—have been renovated since the last study. All are adaptive re-use of existing older buildings, adding 934 additional residential units to the CBD.

Even with the addition of over 900 new housing units, only a very few units are available at any one time, and several of the properties have waiting lists.

Rents for efficiency units at the seven new properties currently range from $600 per month for a 350-square-foot flat ($1.71 per square foot) at **Detroit Town Apartments** to $1,400 per month for an 880-square-foot studio with small study ($1.59) at **Security Trust Lofts**. The rent range for one-bedroom apartments starts at $750 per month for 700 square feet of living space ($1.07 per square foot), also at **Detroit Town Apartments, and** reaches $2,500 for 850 square feet ($2.94 per square foot), again at the **Security Trust Lofts**.

The least expensive two-bedroom apartment is also at Detroit Town Apartments, starting at $950 per month for a 1,200-square-foot unit ($0.79), and the most expensive is a two-bedroom duplex penthouse at Broderick Tower, which leases for $3,550 per month for 1,060 square feet ($3.35 per square foot). Only Broderick Tower and Claridge House contain three bedroom apartments, and at both properties they are penthouses. Three-bedroom penthouse rents at Broderick Tower range between $4,850 and $5,000 per month for 1,920 to 2,108 square feet ($2.37 to $2.53 per square foot). At Claridge House, the three-bedroom penthouse contains 1,800 square feet and leases for $2,500 per month.

In Corktown, the 62-unit Coat Factory Lofts on West Fort Street were introduced in 2010. The loft units range in size from approximately 600 to 1,200 square feet, and lease for approximately $1.08 per square foot, or $650 to $1,300 per month. At the time of the survey, two units had just been vacated, for a 96 percent occupancy rate.

No new rental properties have been introduced along the Detroit riverfront since 2002. None of the five properties included in the survey contain studios, and only one, River Place, has three-bedroom apartments. Rents for one-bedroom apartments range from $600 per month for 550 square feet at the River Park Lofts ($1.09 per square foot) to nearly $1,400 per month for 960 square feet at River Place (($1.46 per square foot). Two-bedroom rents start at $1,073 per month for 800 square feet of living space ($1.34 per square foot at River Place) with the highest two-bedroom rent of $3,339 for nearly 2,400 square feet at Riverfront Towers ($1.40 per square foot). At the time of the field investigation, occupancies ranged between 92 percent at River Park Lofts to completely occupied.

The Lafayette Park area had not been included in the previous survey; eight properties, all older buildings, were included for this update. Half of the rental communities leased efficiency apartments, which ranged in rent from $555 per month for 650 square feet at the Carlton Apartments ($0.85 per square foot) to $995 per month for 590 square feet at The Pavilion ($1.69 per square foot).

All eight properties were renting one-bedroom units, with rents ranging between $550 per month for a 600-square-foot one-bedroom at Central Park Apartments ($0.92 per square foot) to $1,400 per month at Leland Lofts (for a 1,360 square foot loft, $1.03 per square foot). Central Park Apartments also had the least expensive two-bedroom unit, $625 per month for a small 700-square-foot apartment ($0.89 per square foot); Leland Lofts also had the most expensive two-bedroom unit, $1,550 per month for 1,490 square feet ($1.04). Only Lafayette Towers is leasing three-bedroom apartments ranging in size from 1,500 to 1,800 square feet and in rent from $1,300 to $1,400 per month ($0.78 to $0.87). Seven of the eight properties have occupancies above 95 percent; Orleans East had 11 vacant units at the time of the survey, for a 90 percent occupancy rate.

Of the 12 apartment communities included in the survey and located in the Midtown area, three—the Beethoven, the Auburn, and 3909 Woodward—have been introduced since 2010. The 28-unit Beethoven, which opened in 2010, is fully occupied, and leases one- and two-bedroom units ranging between $695 per month for a 520-square-foot one-bedroom/one bath apartment to $1,200 per month for a 1,120-square-foot two-bedroom/two-bath apartment ($1.02 to $1.34 per square foot).

The Auburn, which contains 58 studios and one-bedroom units, opened in 2012 and is also fully occupied with a waiting list. Rents for the approximately 500 square-foot studios range between $780 and $830 per month ($1.56 to $1.66) and the approximately 650-square-foot one-bedroom units lease for $920 to $995 per month ($1.42 to $1.53).

3909 Woodward, also known as the Woodward Garden Apartments, recently opened and is still in the lease-up phase. However, at the time of the survey, 48 of the 61 units had been leased in a very short period of time, and there is strong interest in the as-yet-unleased units. Rents start at approximately $900 for a 550-square-foot studio/one-bedroom apartment ($1.64 per square foot) to $1,700 to $1.800 for the 1,225-square-foot two-bedroom units ($1.39 to $1.47).

New Center is the location of seven surveyed properties: the Marlenor Apartments, New Center Plaza Apartments, New Center Commons, the Pallister Plaisance Apartments, Fisher Kahn Apartments, the **Graphic Arts Lofts**, and New Amsterdam Lofts. Occupancy is very high at all but one of the properties, and rents have continued to rise although rents in this area are comparatively lower than in other areas of the Greater Downtown. In general, the lowest rent is found at the Marlenor Apartments, where a 400-square-foot studio leases for $355 per month ($0.89 per square foot), and the most expensive unit, a two-bedroom/one-bath loft containing 1,400 square feet, rents for $1.875 per month at the New Amsterdam Lofts ($1.61 per square foot).

Two rental properties in Eastern Market have been included in the survey, the E&B Brewery, which has added new units and now leases 50 lofts ranging in size from 745 square feet and 3,300 square feet for rents falling between $750 and $3,850 per month ($1.01 and $1.17 per square foot), and FD Lofts, which is now converting to condominiums. Rents ranged from $1,050 to $1,500 per month for approximately 600 to 1,500 square-foot-units ($1.00 to $1.75 per square foot). At

River Lofts just north of Woodbridge, 12 of the 42 units are rentals. At the time of the survey, only one loft was available, renting for $1,250 per month and containing 950 square feet ($1.32 per square foot).

—Multi-Family and Single-Family Attached For-Sale Properties—

In contrast to the booming rental market, for-sale units that are currently on the market are either resales or the unsold units of projects introduced to the market several years ago. (*See* Table 6 *in the* MAIN TABLES *document*.) Financing challenges, from both the developer and consumer perspectives, following the housing collapse of the Great Recession, is the principle reason for the lack of for-sale activity. In 2010, more than 1,050 for-sale apartments, lofts and townhouses in 16 properties located in and around Greater Downtown Detroit were on the market. As noted in 2010, those for-sale properties that were either introduced or had not completed sales in 2007 or later were severely affected by the collapse of the housing market and several still have a unsold units, some of which have been converted to rentals.

The following information includes, per submarket, the number of properties with available units, the approximate number of units, the general unit sizes and price ranges, and prices per square foot:

Downtown:
- 2 Properties
- 11 listed units
- 822 to 4,716 square feet
- $179,900 to $1,300,000
- $198 to $305 per square foot

Corktown:
- 1 Property
- 2 listed units
- 1,036 and 1,394 square feet
- $225,500 to $299,500
- $215 per square foot

Rivertown (East and West Riverfront):
- 5 Properties
- 12 listed units
- 690 to 2,916 square feet
- $99,000 to $549,000
- $97 to $223 per square foot

Midtown:
- 6 Properties
- 16 listed units
- 836 to 2,830 square feet
- $189,900 to $677,900
- $129 to $240 per square foot

Nine of the 11 units listed on the Multiple Listing Service and located in Downtown are at the **Residences at the Westin Book Cadillac**. Current listings range from $260,00 for an 1,116-square-foot one-bedroom/one-and-a-half bath apartment to $1.3 million for the 4,416-square-foot three-story penthouse. Prices per square foot now range between $226 and $305.

Several units are being leased for between $2,600 to $3,200 per month, nearly double the achievable rents in 2010.

Two units are currently available at Carola Condominiums—an 822-square-foot one-bedroom priced at $179,900 ($219 per square foot), and a 1,300-square-foot two-bedroom/two-bath unit priced at $257,000 ($198 per square foot).

In Corktown, two of the 34 condominium lofts at Grinnell Place Lofts are currently on the market. A one-bedroom/one-and-a-half bath loft containing more than 1,000 square feet is priced at $22,500, and the asking price on a 1,394-square-foot two-bedroom/two-bath unit is $299,500 ($215 per square foot on both units).

Twelve units are currently listed through Multiple Listing Service in Rivertown (Riverfront East and West). Seven of the 12 condominiums are for sale at 200 Riverfront Drive, for prices ranging between $99,000 for a 713-square-foot one-bedroom apartment to $289,900 for a 1,300-square-foot two-bedroom/two-bath unit (a range of $139 to $223 per square foot).

Just two units are advertised at Harbortown, both one-bedrooms—one is priced at $129,900 for 900 square feet of living space ($144 per square foot) and the other at $164,999 containing 1,214 square feet ($136 per square foot).

Three other properties each have just one unit on the market. A 1,268-square-foot two-bedroom condominium is priced at $182,000 ($144 per square foot) at The Lofts at Rivertown; a three-bedroom/three-bath unit containing more than 2,900 square feet has an asking price of $281,000 at Garden Court (just $97 per square foot); and a two-bedroom/two-and-a-half bath condominium at 200 River Place Lofts contains 2,916 square feet and is priced at $549,000 ($188 per square foot).

Thirteen condominiums and three townhouses are on the market at six properties in Midtown. The majority of the condominiums for sale are at Willys Overland Lofts, where the nine one- and two-bedroom units are listed for between $189,900 (977 square feet, or $194 per square foot) and $677,900 (2,830 square feet, or $240 per square foot).

The Garden Lofts at Woodward Place has one listing, an 836-square-foot one-bedroom priced at $199,000 ($238 per square foot).

Carlton Lofts also has only one listing, a two-bedroom/two-bath unit containing just over 1,000 square feet with an asking price of $205,000 ($204 per square foot).

The two remaining condominiums are listed at The Ellington; both are two-bedroom/two-bath units of approximately the same size—1,179 and 1,165 square feet—priced at $260,000 and $265,000, respectively ($221 and $227 per square foot).

Three townhouses are on the market in Midtown. One, at Centurion Place, is the first unit in the second phase and has not yet been constructed; it is priced at $225,000 for 1,750 square feet for two bedrooms, two-and-a-half baths, and a den ($129 per square foot).

Two resales are available at Brush Park, both with two bedrooms and two baths. The smaller townhouse contains 1,456 square feet and has an asking price of $235,000 ($161 per square foot); the larger unit is priced at $280,000 and has more than 1,700 square feet of living space ($163 per square foot).

MARKET CAPTURE:
GREATER DOWNTOWN DETROIT AND THE CORE DOWNTOWN (CENTRAL BUSINESS DISTRICT)

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 Greater Downtown Detroit should be able to achieve an annual capture of 12 percent of the potential renter households over the next five years.

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 owner households is achievable in Greater Downtown Detroit over the next five years. (Nationally, prior to the housing collapse in 2008, new dwelling units represented 15 percent of all units sold; for the most recent 12-month period from April 2013 to March 2014, new dwelling units represented just 7.9 percent of all units sold.)

Based on a 12 percent capture of the potential market for new rental housing, and an eight percent capture of the potential market for new for-sale housing units, Greater Downtown Detroit should be able to absorb up to 1,134 new market-rate multi-family rental and for-sale housing units per year over the next five years, as follows:

Annual Capture of Market Potential
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	7,370	12%	884
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	3,120	8%	250
Total	10,490		1,134

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

Over five years, these capture rates support the construction and absorption of over 5,600 new multi-family dwelling units within the Greater Detroit Downtown Study Area.

The core Downtown (Central Business District) is likely to capture at least 35 percent of that annual absorption, as follows:

Annual Capture of Market Potential
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	NUMBER OF NEW UNITS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	884	35%	310
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	250	35%	87
Total	1,134		397

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

Over five years, these capture rates support the construction and absorption of just under 2,000 new multi-family housing units within the core Downtown (Central Business District).

Midtown should also capture approximately 35 percent of the annual market potential (310 rental units and 87 condominiums), with 30 percent (340 total units: 264 rental units and 76 condominiums) captured by the remaining neighborhoods of Greater Downtown.

However, once the M-1 streetcar is operational from the core Downtown to New Center, properties located within a quarter-mile walking distance of any of the 20 stations proposed for the initial 3.3 mile line is likely to achieve higher capture rates than those outlined above, due to improved transportation cost efficiency and convenience, enabling the Greater Downtown Detroit study area to achieve higher annual capture rates of the potential market.

Therefore, based on a 15 percent capture of the potential market for new multi-family rental housing, and a 10 percent capture of the potential market for new multi-family for-sale housing units, the Greater Downtown Detroit study area would be able to absorb up to 1,418 new market-rate multi-family rental and for-sale housing units per year (with the additional 284 absorbed units per year directly attributable to proximity to one of the 20 M-1 rail stations along Woodward Avenue) as shown on the table on the following page:

Annual Capture of Market Potential
Transit Locations
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	7,370	15%	1,106
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	3,120	10%	312
Total	10,490		1,418

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

Over five years, absorption of more than 1,400 additional units (284 additional units per year) could be achieved by situating multi-family buildings within a quarter-mile walking distance of the M-1 rail stations in Greater Downtown Detroit.

Again, the core Downtown (Central Business District) is likely to capture at least 35 percent of that annual absorption, as follows:

Annual Capture of Market Potential
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	NUMBER OF NEW UNITS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	1,106	35%	387
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	312	35%	109
Total	1,418		496

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

Over five years, these capture rates support the construction and absorption of an additional 500 new multi-family housing units (99 per year) within the core Downtown (Central Business District).

Again, Midtown should also capture approximately 35 percent of the annual market potential (496 total units: 387 rental units and 109 condominiums), with 30 percent (426 total units: 332 rental units and 94 condominiums) captured by the remaining neighborhoods of Greater Downtown.

These capture rates of eight to 15 percent 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.

MARKET-RATE RENT AND PRICE RANGES: DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)

Since the 2010 update, several factors have contributed to the increase in market potential and the desirability of living in Downtown Detroit:

- The Live Downtown/Midtown incentive program: Employees of several businesses—Blue Cross Blue Shield of Michigan, Compuware, DTE Energy, Marketing Associates, Quicken Loans and Strategic Staffing Solutions—are eligible for financial incentives to live near their work.

  The incentives apply to units located in Downtown, Midtown, Woodbridge, Corktown, Eastern Market, and Lafayette Park/East Jefferson, and are intended for both new residents (up to $20,000 in a forgivable loan towards the down purchase of a primary residence, or a $2,500 allowance toward the first year's rent, followed by a $1,000 allowance the second year), as well as residents already living in an incentive neighborhood (matching funds of up to $5,000 towards exterior improvements costing $10,000 or more, or an allowance of $1,000 upon lease renewal).

  To date, more than 1,500 households have benefitted from one of the incentives.

- Major employment growth: More than 13,000 employees have been added to the Downtown workforce since 2010; several thousand are employees of Quicken Loans, Michigan Blue Cross Blue Shield, DTE Energy, and the advertising and marketing firm Campbell-Ewald, all companies that have moved into Downtown from the suburbs.

- New 45-block entertainment district: In February of this year, the Detroit City Council transferred all city-owned land within the district—which comprises a largely vacant and dilapidated portion of the lower Cass Corridor—to the Downtown Development Authority, which, in partnership with Olympia Development of Michigan, will build a $450 million entertainment complex anchored by a new hockey arena.

- M-1 RAIL: Groundbreaking is planned this summer on the rebuilding of 3.3 miles of Woodward Avenue, from Adams Street in Downtown past West Grand Boulevard in New Center, to accommodate the new M-1 streetcars. The current plan calls for 20 stations along Woodward, greatly enhancing the opportunities for transit-oriented development.

- New retail/shopping opportunities: Since 2010, numerous restaurants and shops have opened in Greater Downtown Detroit. One of the most important was the opening of the 21,000-square-foot Whole Foods Market at the corner of Woodward and Mack in June 2013. A grocery store is one of the most highly-desired amenities of Downtown residents, and sales at the store have exceeded expectations.

A challenge that is beginning to emerge as an issue for Downtown residents with children approaching school age is the availability of quality elementary, middle school, and high school educational facilities. In city after city, only a grocery store exceeds a Downtown charter or magnet school as a neighborhood amenity most desired by residents. Those cities with quality schools located in their downtowns or in-town neighborhoods have seen steady growth in the number of families choosing to live there, ranging from southern cities such as Charlotte and Memphis, to midwestern cities such as Indianapolis and Kansas City, western cities such as Eugene, Oregon and Boise, Idaho, and northeastern cities such as Burlington, Vermont and Newton, Massachusetts.

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 2,500 newly-developed market-rate residential units that could currently be absorbed by the market over the next five years is as follows (*see also* Table 5):

Rent, Price and Size Ranges: 2,500 Dwelling Units
Newly-Created Housing (Adaptive Re-Use and New Construction)
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Microlofts	$600–$900/month	300–450 sf	$2.00 psf
Hard Lofts *	$750–$1,500/month	500–1,100 sf	$1.36–$1.50 psf
Soft Lofts †	$975–$1,925/month	600–1,350 sf	$1.43–$1.63 psf
Luxury Apartments	$1,750–$3,500/month	900–1,950 sf	$1.79–$1.94 psf
FOR-SALE (MULTI-FAMILY)—			
Hard Lofts *	$150,000–$245,000	750–1,350 sf	$181–$200 psf
Soft Lofts †	$195,000–$315,000	900–1,500 sf	$210–$217 psf
Luxury Condominiums	$350,000–$650,000	1,300–2,500 sf	$260–$269 psf

* Unit interiors of "hard lofts" typically have high ceilings and commercial windows and are either minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms.

† Unit interiors of "soft lofts" may or may not have high ceilings and are fully finished, with the interiors partitioned into separate rooms.

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 Downtown Detroit (Central Business District). It is likely that, over the study period, rents and prices will change from the 2014 values; barring another Great Recession, the changes are likely to be escalation of values.

As in 2010, 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 Detroit 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, near the interstates, are likely to command rent and prices at the lower end of values.

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 DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne 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	$1,509 per month	936 sf	$1.61
Multi-family for-sale	$322,357	1,361 sf	$237

DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT) BUILDING AND UNIT TYPES

Building types that are most appropriate for development on infill sites *outside* the core Downtown include the courtyard apartment building and the mansion apartment building; new development *inside* the core Downtown and within a quarter-mile walk of transit stations should maximize density as much as possible.

- 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.

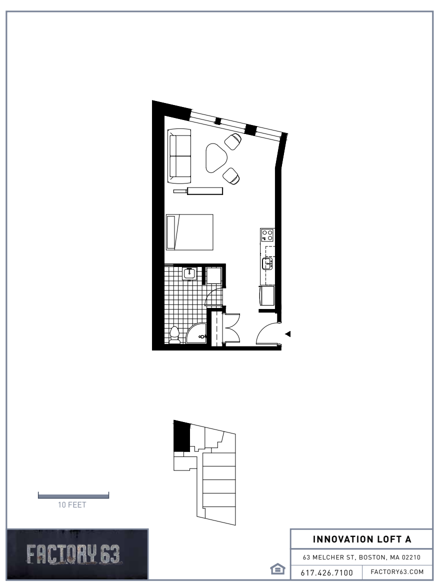
  Project: The Heritage at Freemason Harbour
  Downtown Norfolk, Virginia
  184 units.
  1-bedroom/1-bath, 764-822 sf, $1,207 - $1,335, $1.51 - $1.58 psf;
  1-bedroom/1-bath/study, 900 sf, $1,410, $1.56 psf;
  2-bedroom/2-bath, 1,071–1,183 sf, $1,545-$2,127, $1.44 -$1.80 psf;
  3-bedroom/2-bath, 1,331 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.

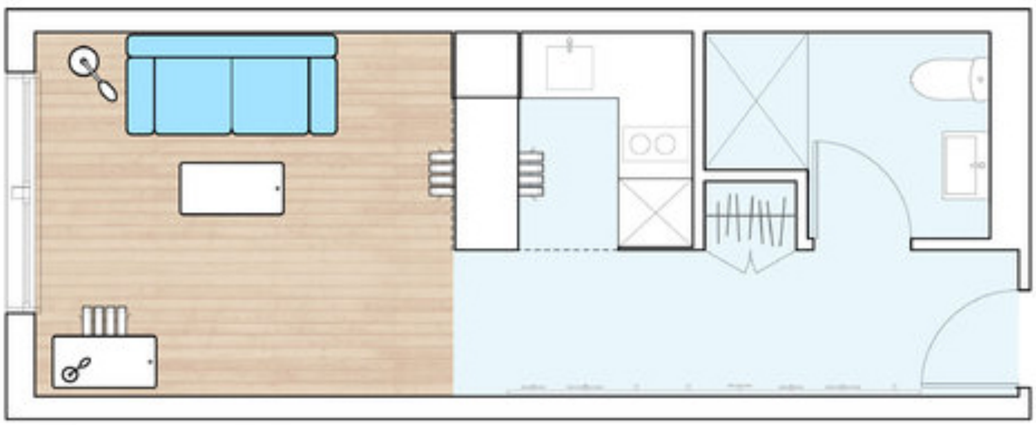


Factory 63.

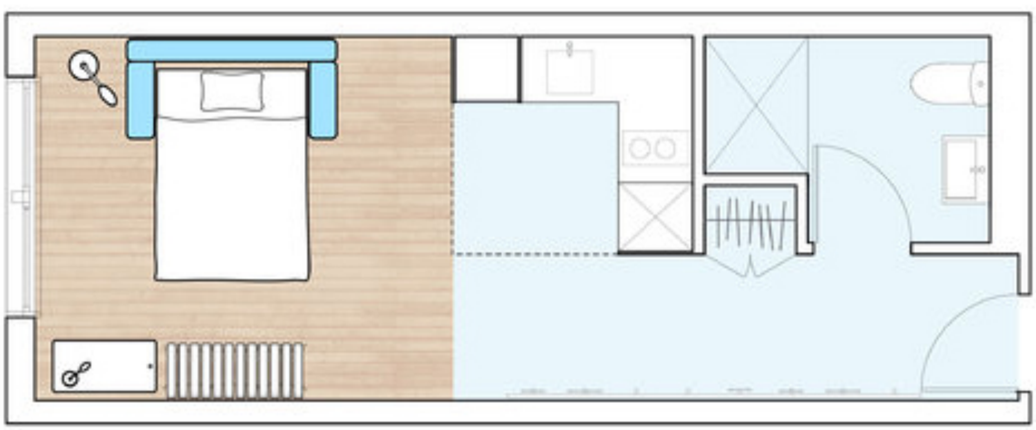
San Francisco has reduced allowable minimum from 290 square feet to 220 square feet, but limited the change to 375 units until market impact has been assessed by the City's planning department; the concern is that the higher-profit micro units could reduce housing opportunities for households with children. 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.

- 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 flexible 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 be flexible in order to 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. Although Detroit has had artist-oriented housing such as the adaptive re-use of the Atlas Furniture building in the Eastern Market since as early as the 1970s, most are in lower-density industrial areas and few, if any, in dense, pedestrian-oriented neighborhoods.

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. 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.

AS220

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 2010, 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 transit, parks and greenways, and entertainment venues—such as theaters, clubs and restaurants, as well as provide convenient access to a variety of retailers, including 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 Greater Downtown. Some of these parks could be specialized, such as "Bark Parks," where residents can take their dogs, or just a small green area, perhaps enhanced by a sculpture, but including seating that is shaded by trees.

Larger urban recreational areas that do not require an automobile to access are also a tremendous asset for Downtown residents. In Manhattan and Brooklyn, New York, abandoned piers have been turned into a variety of recreational facilities, ranging from soccer fields, basketball and bocce courts, performance spaces, as well as picnic areas, grilling areas, jogging and bicycle paths, and green space. Louisville, Kentucky, among many other cities, has also transformed its riverfront in a similar fashion. A vibrant urban parks system provides a variety of uses and benefits downtown workers and visitors, as well as residents.

Again, it is important to note some of the basics that enhance urban neighborhoods, but are often overlooked in downtowns, include sidewalks wide enough for two people to walk abreast, street trees to provide shade in summer, street furniture and decoration, designed by artists, that would include benches, sculptures, wall fountains and trompe l'oeil murals to add interest to blank walls. Neighborhood/district street banners on light poles enhance the image of an area for residents and tourists alike.

Since 2010, 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/waterfront 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.

—BUILDING AMENITIES—

As in 2010, to meet the expectations of potential residents, new residential construction should be designed using high-profile features such as green roofs, Energy-Star appliances and HVAC, sustainable, low-VOC finish materials, filtered air systems, and high-performance window walls as feasible from the cost perspective. LEED certification should be encouraged for every new residential building, whether adaptive-re-use or new construction.

The Luma South Lofts and Eleven South Lofts are the first two LEED-certified green residential buildings in downtown Los Angeles. The buildings were designed using energy-saving technologies, renewable and recyclable materials, and environmentally responsible construction techniques. As of May, 2014, three units are available for sale, and four are available for lease.

Project: Eleven South Lofts and Luma South Lofts
Downtown Los Angeles, California
1-bedroom/1-bath, 870 sf, $499,800, $574 psf;
1-bedroom/1-bath, 1,120 sf, $700,000, $625 psf;
2-bedroom/3-bath, 1,770 sf, $1,450,000, $819 psf;
1-bedroom/1-bath, 930 sf, $2,550, $2.74 psf;
2-bedroom/3-bath, 1,570 sf, $4,500, $2.86 psf;
2-bedroom/3-bath PH, 1,750 sf, $5,500, $3.14 psf;
2-bedroom/3-bath, 1,760 sf, $5,500, $3.12 psf.

Luma South Lofts

At the upper end of rents and prices, individual building amenities, for both rental and for-sale properties, should include concierge services, a fitness center, private lounge with wet bar, secure indoor bike storage, and for an additional fee, private storage modules. Each building should also have its own recycling center. If the building can support it, a roof deck with outdoor gathering spaces would significantly add to the value of the units.

According to Nielsen Company estimates, 42 percent of the households living in Downtown Detroit do not own an automobile, and an additional 43 percent own only one. With the addition of the streetcar, it is likely that automobile ownership will drop even further, since the Millennials' interest in automobiles and driving is considerably less than predecessor generations; the percentage of young people under 19 years of age with licenses has dropped from over 64 percent in 1998 to just over 46 percent in 2008.

As a result, over the past several years, in addition to Detroit, numerous cities have reduced or eliminated downtown parking requirements, including second-tier cities as Lafayette, Louisiana, Cincinnati, Ohio, and Knoxville, Tennessee, as well as such major cities as Austin, Texas, Boston, Massachusetts and Miami, Florida.

In Boston, Massachusetts, the city has not reduced parking requirements across the board, but on a case-by-case basis; in most instances the requirement is for 0.75 spaces per unit. That ratio is likely to be reduced even further when residential projects are located near multiple transit options, car-share stations, and Hubway, Boston's area bicycle network. The first condominium building approved without parking is the Related and Beal Companies' 14-story, 104-unit building, part of the Lovejoy Wharf project. The building is currently under construction and is expected to be completed in 2015.

Lovejoy Wharf

Portland, Oregon has had the greatest number of residential buildings constructed without any parking at all. Although buildings located within 500 feet of a frequent-service transit line were not required to provide any parking, until 2011, most developments did incorporate some parking spaces in the project. However, in 2011, Urban Development Partners, a Portland residential developer, persuaded their lender Wells Fargo that parking was not necessary to lease out their proposed 24-unit building at 3810 Southeast Division Street. The building also achieved LEED Platinum Certification. They have now constructed several smaller buildings with no parking spaces provided, the most recent being 2510 Southeast 33rd Place, which opened at the beginning of April this year.

3812 Southeast Division

Project: 2510 Southeast 33rd Place
Portland, Oregon
28 units.
Studio/1-bath, 370 sf, $$995-$1,095, $$2.69-$2.96 psf;
1-bedroom/1-bath, 435-525 sf, $1,345-$1,375, $2.62-$3.09 psf;
Parking: None provided; bicycle parking only.

2510 Southeast 33rd Place

Approximately two dozen buildings, ranging in size from 15 to 81 units, with no parking provided have been completed, permitted or proposed in Portland over the past three years.

In Downtown Miami, Florida, the first condominium building proposed since 2008 is under construction, with no parking provided. The 37-story Centro, located on 150 Southeast First Street, will contain 352 one- and two-bedroom condominiums, ranging in size from a 500-square-foot one-bedroom unit (initial pricing at approximately $220,000, or $440 per square foot) to a 1,131-square-foot two-bedroom/two-bath unit (initial pricing at approximately $450,000, or $398 per square foot). The property, which broke ground in late 2013 and is projected to be completed in early 2015, sold 220 of the units in the first four months after sales opening. There will be a Car2Go base onsite, as well as full service valet parking.

Centro

In Chicago's Wicker Park neighborhood, an 11-story apartment building called 1611 West Division is nearing completion. A total of 99 units—studios, two-bedroom units with one bath, and two-bedroom units with two baths—will be leased with no permanent parking, except for nine spaces on a "first come, first-served" basis, in the adjacent Wendy's Restaurant parking lot. The building also has a dedicated 16-space parking lot, with one space reserved for I-Go car sharing, and the remaining 15 for the building's three retail tenants.

Rents range from $1,495 for a 507-square-foot studio ($2.95 per square foot) to $3,295 for an 1,146-square-foot two-bedroom/two-bath unit ($2.87 per square foot).

1611 West Division

In 2010, the City of Seattle designated several "urban villages" in the city which had special zoning rules that did not require Seattle developers to provide parking. Up to 30 parking-free projects have been developed since then.

One of the most recent is located in Seattle's Morgan Junction Residential Urban Village, and is proposed for 30 studio apartments containing approximately 220 square feet each. The proposed rents are approximately $700 per month, or $3.18 per square foot. The developer submitted a Parking Demand and Utilization study that evaluated the availability of on-street parking in the area. The study found that residents of the building would generate demand for parking for 15 vehicles, which could be accommodated on the street, since the late evening parking utilization rate in the area is only 55 percent.

City of Knoxville, Tennessee has an on-street residential parking program in the Downtown, in which proof of residency in the Downtown is required; the Residential Parking Permit is $125 per year and allows residents to park in designated parking areas up to the maximum time limit without putting money in the parking meters or in designated spaces in the Coliseum parking garage without time restrictions. After six pm on weeknights and all weekends, parking is free at parking meters and in city-owned parking garages. In addition, Knoxville has opened four city garages and one city-owned surface parking lot for residential parking. Again, residents must live in Downtown and provide proof of residency. The cost to park in those garages is half the corporate rate.

The City of Pittsburgh also has a residential parking permit program that covers parking districts. To be designated a parking district, a new district must include 10 blockfaces or 100 parking spaces, at least 70 percent of the residents per block must be in favor of a permit program, current off-street parking is not sufficient to accommodate all residents, at least three-quarters of on-street parking spaces are occupied during peak periods, and at least 15 percent of the existing spaces are occupied by non-residents for more than two hours.

There are currently 34 residential permit parking areas. Residents living on a street located in a permit parking zoned area may be eligible to purchase a permit decal for $20 per automobile per year; a visitor pass is $1.00.

Other cities with residential parking permit programs similar to Pittsburgh's include Philadelphia, Pennsylvania, Baltimore, Maryland, Charlotte, North Carolina, Boston, Massachusetts, Austin, Texas, Tucson, Arizona, Louisville, Kentucky, and many others.

The City of San Francisco is utilizing congestion-based parking pricing, funded by the federal government, in an effort to ensure that every block has at least one available parking spot. The SFPark program uses sensors embedded in the pavement to determine how many of the city's more than 37,000 parking spaces are available, and then raise or lower the rates based on supply and demand.

GREATER DOWNTOWN HOUSING STRATEGIES

With the advent of the M-l streetcar, the Greater Downtown immediately becomes inter-connected, from Downtown through Midtown to New Center, presenting significant opportunities to build greater residential densities, which will, in turn, spur new commercial development, and create more walkable neighborhoods.

In recognition of these opportunities, in 2011, the Downtown Detroit Partnership and the Detroit Economic Growth Corporation commissioned Hamilton Anderson to prepare a Greater Downtown TOD Strategy, the principles of which are strongly supported in this update. A core premise of the strategy is that livable neighborhoods are walkable, and that walkable neighborhoods depend on residential density and the retail amenities that accompany that density.

Priority areas for creating that density should be located within a quarter-mile of each station area, as confirmed by the TOD strategy. The strategy recommends a residential density of 100 units to the acre in the District Centers of Downtown, Midtown, and New Center, a density designed to enable the production goal of 8,250 new housing units in the Greater Downtown over 10 years.

Based on the annual market capture rates detailed earlier in this analysis, an annual average of just under 500 units a year could be absorbed in Downtown Detroit (Central Business District) once the M-1 streetcar is operational. Continued absorption at that pace would mean that the core Downtown alone could account for almost 5,000 units over 10 years, leaving an average of just 325 units a year to be absorbed in the District Centers of Midtown and New Center.

METHODOLOGY

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

The evaluation of the study area'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 Detroit. 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 Detroit and for Wayne County.

Appendix One, Table 1.
Migration Trends

Analysis of the most recent Wayne County migration and mobility data available from the Internal Revenue Service—from 2005 through 2009—shows that, although the county continued to experience significant loss of households throughout the study period, that number has dropped from a loss of 15,155 households in 2007 to a loss of 10,790 households in 2009, a decline of nearly 29 percent. (*See* Appendix One, Table 1.)

Annual in-migration into Wayne County rose slightly over the study period, ranging from 20,290 households in 2006, (the lowest in-migrating total over the five years) to 22,500 households in 2009 (the highest in-migrating total). In 2009, nearly 58 percent of the county's in-migration came from the four adjacent counties of Oakland, Macomb, Washtenaw and Monroe, up from 54.8 percent in 2005. After peaking at more than 36,500 households in 2007, out-migration from Wayne County dropped to 33,290 households in 2009, the lowest number of out-migrating households over the study period. In 2009, 55.4 percent of out-migrating households moved to one of the four adjacent counties, up from a 51.2 percent share in 2005. Collectively, the majority of out-migration continues to be to other counties in Michigan, the Midwest, or the South.

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 Detroit and the Greater Downtown Detroit study area have been confirmed as follows:

- The primary draw area, covering households in groups with median incomes of $50,000 or more currently living within the Detroit city limits.

- The local draw area, covering households in groups with median incomes of $50,000 or more currently living elsewhere in Wayne County.

- The regional draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Detroit from Oakland, Macomb, Washtenaw and Monroe Counties.

- The national draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Detroit from all other U.S. counties (primarily counties in Michigan and the Midwest, although approximately 40 percent are households currently living outside the state).

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 259,095 households live in the City of Detroit in 2014, down from the estimated 317,110 households in 2009, a drop of just over 58,000 households (more than 18 percent); 52.6 percent, or 136,210 households are in target market groups with median incomes of $50,000 or more (183,840 households in 2009, 47,630 fewer households than in 2009, a decline of more than 25 percent). (*Reference* Appendix One, Table 2.) Over 58.4 percent of these households can be classified as traditional and non-traditional families (approximately the same as in 2009), another 31.6 percent are empty nesters and retirees (down slightly from 33.6 percent), and 10 percent are younger singles and couples (up from 7.8 percent in 2009).

Median income within the city is estimated at $25,050, down from $31,400 in 2009, and approximately 48.5 percent lower than the national median of $51,600. Median home value within the city is estimated at $54,600, $16,000 lower than the median of $70,600 in 2009, and just 30 percent of the national median of $182,100.

An estimated 691,015 households live in Wayne County in 2014, down from the estimated 721,175 households in 2009, a loss of 30,160 households, or just over four percent over the study period. Nearly 65 percent, or 445,385 households are in target market groups with median incomes of $50,000 or more (509,600 households in 2009, 64,215 fewer households than in 2009, a drop of 12.6 percent). (*Reference* Appendix One, Table 3.) Over 43.4 percent of these households can be classified as empty nesters and retirees (up from 39.6 percent in 2009), another

40.3 percent are traditional and non-traditional families (down from nearly 42 percent in 2009), and 16.3 percent are younger singles and couples (down from 18.8 percent in 2009).

Median income within the county is estimated at $38,300, down from $43,600 in 2009, and approximately 26 percent lower than the national median of $51,600. Median home value within the county is estimated at $85,200, $25,100 lower than the median of $110,300 in 2009, and approximately 47 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 DETROIT (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 Detroit 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 Detroit)—

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). The map following this page illustrates household mobility rates within the Greater Downtown Detroit area; the highest mobility rates are concentrated east of Woodward Boulevard in the Central Business District, and west of Woodward in Midtown, where there are concentrations of rental apartment buildings.

After updating the migration and mobility data, Zimmerman/Volk Associates determined that an average of 17,980 households (down from 18,940 households in 2009) currently living in the City of Detroit, 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 59 percent of these households are likely to be family-oriented households (as characterized within five Zimmerman/Volk Associates' target market groups and down from over 62 percent in 2009); another 32.1 percent are likely to be younger singles and couples (in seven market groups and up from 26.8 percent); and the remaining 9.3 percent are likely to be empty nesters and retirees (in five market groups and down from 11 percent).

Appendix One, Table 5.
External Mobility (Households Moving To the City of Detroit from the Balance of Wayne 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 map following this page illustrates household mobility rates within Wayne County.

The updated data shows that an average of 13,600 households, currently living in the balance of Wayne 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 Detroit each year over the next five years, an increase of 1,520 households since 2009.

Approximately 43 percent of these households (down from 49 percent in 2009) are likely to be younger singles and couples (in eight market groups); 33.8 percent (down from 32 percent) are traditional and non-traditional families (in nine groups); and the remaining 23.4 percent are empty nesters and retirees (in 11 groups and up from 18.6 percent).

Appendix One, Tables 6 and 7; Appendix Two, Tables 1 through 4.
External Mobility (Households Moving To the City of Detroit from Outside Wayne 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 Detroit 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 Detroit—

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 Detroit 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 38,220 households in groups with median incomes of $50,000 or more have the potential to move within or to the City of Detroit each year over the next five years. This is up 4.4 percent over the annual market potential of 36,610 households in 2009. Traditional and non-traditional families (in nine groups) are likely to account for 44 percent of the market (down from 46.4 percent in 2009), younger singles and couples (in 10 groups) another 40 percent (same percentage as in 2009), and with the remaining 15.5 percent likely to be empty nesters and retirees (in 11 groups and down from 13.7 percent in 2009).

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

Market Potential by Draw Area
City of Detroit, Wayne County, Michigan

City of Detroit (Primary Draw Area):	47.0%
Balance of Wayne County (Local Draw Area):	35.6%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	10.9%
Balance of US (National Draw Area):	6.5%
Total:	100.0%

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

The updated migration, mobility and target market analyses show that there has been an increase in the share of draw areas moving to Detroit from outside the city limits. Households moving from the balance of Wayne County have increased from a third of the annual potential market to 35.6 percent, the regional draw area has risen from 9.3 percent to 10.9 percent, and the balance of the United States has risen from six percent to 6.5 percent of the annual potential market. As a result, households moving within the city represent less than half (47 percent) of the annual potential market over the next five years, down from 51.7 percent in 2009, even though their total number has increased since then.

UPDATE OF THE POTENTIAL MARKET FOR GREATER DOWNTOWN DETROIT AND THE CENTRAL BUSINESS DISTRICT—

As in 2009, the annual potential market for new market-rate housing units developed within existing buildings or new construction within Greater Downtown Detroit and the Central Business District 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 Greater Downtown Detroit and the Central Business District—

As updated by the target market methodology, an average of 15,560 households have the potential to move to the Greater Downtown Detroit Study Area each year over the next five years, more than seven percent higher than the 2009 number of 14,500 households. (*See* Appendix One, Table 9.) More than 64 percent of these households are likely to be younger singles and couples (in 10 market groups and a slightly higher percentage than in 2009); another 26.7 percent (the same percentage as in 2009) are likely to be empty nesters and retirees (in 11 groups); and 8.9 percent (down from 9.5 percent in 2009) are likely to be traditional and non-traditional family households (in eight groups).

The updated distribution of the draw areas as a percentage of the market for Greater Downtown Detroit is shown on the following page:

Market Potential by Draw Area
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

City of Detroit (Primary Draw Area):	30.3%
Balance of Wayne County (Local Draw Area):	36.2%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	18.4%
Balance of US (National Draw Area):	14.5%
Total:	100.0%

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

At 30.3 percent, the City of Detroit accounts for a significantly smaller share of market potential for the Greater Downtown Study Area than in 2009, at 38.9 percent. Because of the nationally well-publicized city bankruptcy, Detroit has now become a magnet for young people and entrepreneurial individuals who do not view Detroit's many challenges as a lost cause but rather as opportunities to contribute to the city's revitalization. This is a very similar dynamic to what has occurred in the City of New Orleans after the devastation of Hurricane Katrina in 2005.

The 15,560 draw area households that have the potential to move within or to the Greater Downtown study area each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Approximately 47.4 percent of these households (up from 45 percent in 2009, or from 6,570 households to 7,370 households) comprise the potential market for new market-rate rentals. The remaining 52.6 percent (or 8,190 households, up from 7,940 households in 2009) comprise the market for new market-rate for-sale (ownership) housing units. (*See* Appendix One, Table 10.)

Of these 8,190 households, 38.1 percent (or 3,120 households) comprise the annual market for market-rate multi-family for-sale units (condominium apartments and lofts), down slightly from 38.5 percent, but up from 3,060 households, in 2009. Another 26.7 percent (or 2,185 households) comprise the annual market for market-rate attached single-family (townhouse/live-work) units, up significantly from 18.3 percent and 1,450 households in 2009. The remaining 35.2 percent (or 2,885 households) comprise the annual market for all ranges and densities of market-rate single-family detached houses, down dramatically from 43.2 percent and 3,430 households in 2009. (*See* Appendix One, Table 11.)

—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