
RESIDENTIAL MARKET POTENTIAL

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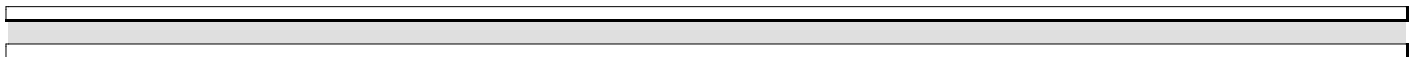
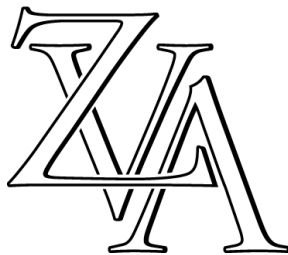
Greater Downtown Detroit

City of Detroit
Wayne County, Michigan

November, 2010

On Behalf of
INVEST DETROIT

Conducted by
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Research & Strategic Analysis

STUDY CONTENTS

Residential Market Potential	
Greater Downtown Detroit	1
Introduction	1
Market Potential	4
<i>Where will the potential market for housing in the City of Detroit move from?</i>	4
Market Potential for Greater Downtown Detroit	6
<i>Where will the potential market for housing in Greater Downtown Detroit move from?</i>	6
<i>How many households have the potential to rent or purchase new or existing dwelling units within Greater Downtown Detroit each year?</i>	6
<i>What are their housing preferences?</i>	7
Table 1: Annual Market Potential	10
Target Market Analysis	11
<i>Who is the potential market?</i>	11
Table 2: Annual Market Potential by Household Type	15
The Current Context	17
<i>What are the alternatives?</i>	17
—Multi-Family Rental Properties—	17
Table 3: Summary of Selected Rental Properties	20
—Multi-Family and Single-Family Attached For-Sale Properties—	27
Table 4: Summary of Selected For-Sale Multi-Family and Single-Family Attached Properties	30
Overview of Greater Downtown Detroit	33
Market-Rate Rent and Price Ranges: Greater Downtown Detroit	37
<i>What is the market currently able to pay?</i>	39
—General Rent and Price Ranges—	39
Table 5: Optimum Market Position: Market-Rate Dwelling Units	40
<i>How fast will the units lease or sell?</i>	41
—Market Capture—	41
—Rental Distribution—	45
Table 6: Target Groups for New Multi-Family For-Rent	46
—For-Sale Distribution—	47
Table 7: Target Groups for New Multi-Family For-Sale	48
Table 8: Target Groups for New Single-Family Attached For-Sale	50
Table 9: Target Groups for New Urban Single-Family Detached For-Sale	52

Greater Downtown Housing Types	53
Courtyard Apartment Building	53
Loft Apartment Building	53
Liner Building	54
Podium Building	54
Mansion Apartment Building	54
Townhouse	54
Live-work	55
Urban house	55
Greater Downtown Amenities	56
—Building Amenities—	57
Greater Downtown Housing Strategies	59
Methodology	62
Assumptions and Limitations	72
Rights and Study Ownership	73



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Greater Downtown Detroit
City of Detroit, Wayne County, Michigan

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INTRODUCTION

The purpose of this study is to re-examine the depth and breadth of the market for new market-rate dwelling units, both new construction as well as adaptive re-use of existing buildings, that could be developed over the next several years within Greater Downtown Detroit, Wayne County, Michigan. For the purposes of this study, the Greater Downtown Detroit study area encompasses the Central Business District, Midtown, the New Center, and the East and West Riverfront; its boundaries include Euclid Street east to Woodward Avenue, north on Woodward Avenue to Holbrook Street, Holbrook Street east to Interstate 75, Interstate 75 south to Jefferson Avenue, Jefferson Avenue east to East Grand Street, East Grand Street to the Detroit River, the Detroit River west to Rosa Parks Boulevard, Rosa Parks Boulevard north to Fort Street, Fort Street east to Michigan State Route 10, and State Route 10 north to Euclid Street.

The remarkable transformation of American households (particularly the predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and rising gasoline prices, has resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density suburbs to higher-density apartments, townhouses, and detached houses in urban and mixed-use neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade, representing an unprecedented demographic foundation on which cities can re-build their downtowns and in-town neighborhoods.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

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. In contrast to conventional supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position for new housing derived from the housing preferences and socio-economic characteristics of households in the draw areas within the framework of the local housing market context.

The target market methodology is particularly effective in defining realistic 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.

The current constrained market—characterized throughout most of the United States by weak housing prices; higher than typical levels of unsold units, both builder inventory units as well as foreclosed and/or abandoned houses; and high levels of mortgage delinquencies by speculators and investors as well as homeowners—has resulted in very restrictive development financing and mortgage underwriting, taking a significant percentage of potential homebuyers out of the market and preventing numerous developments from going forward. As is typical during economic recessions with high unemployment levels, rental occupancies have, in general, also declined.

These market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, the initial percentage of the potential market able to overcome the constraints of the deep recession and restrictive mortgage underwriting could be reduced.

In brief, using the target market methodology, Zimmerman/Volk Associates determined:

- Where the potential renters and buyers for new market-rate housing units in Greater Downtown Detroit are likely to move from (the draw areas);
- How many have the potential to move to the Greater Downtown study area if appropriate housing units were to be made available (depth and breadth of the market);

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

- 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 (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.

NOTE: Tables 1 and 2, included in this document, contain summaries of the market potential and general market segments for new market-rate housing units created through adaptive re-use of existing buildings and/or new construction within Greater Downtown Detroit. Tables 3 and 4 provide the relevant supply-side context. Tables 5 through 9 outline the optimum market position, and the specific target household groups, for new Study Area housing units. The appendix tables, provided in a separate document, contain migration and target market data covering the appropriate draw areas for both the city and for Greater Downtown Detroit.

MARKET POTENTIAL

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is integral to the determination of the depth and breadth of the potential market for newly-created market-rate housing units within Greater Downtown Detroit.

American households, more than any other nation's, have always been extraordinarily mobile. In 2009, because of the impact of the recession on household mobility, approximately 10 percent of American households moved from one dwelling unit to another, a considerably lower mobility rate than in previous years. In general, household mobility is higher in urban areas; a greater percentage of renters move than owners; and a greater percentage of younger households move than older households.

Where will the potential market for housing in the City of Detroit move from?

—The Draw Areas—

As derived from migration analysis—based on the most recent taxpayer records from the Internal Revenue Service—the principal draw areas for new housing units within Greater Downtown Detroit include the City of Detroit, the balance of Wayne County, and the adjacent counties of Oakland, Macomb, Washtenaw and Monroe. This analysis also factors in the market potential from households currently living in all other counties represented in Wayne County migration.

Based on the analyses described above, then, the draw areas for the City of Detroit and the Greater Downtown Detroit study area have been delineated as follows:

- The primary draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units currently living within the Detroit city limits.
- The local draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units currently living in the balance of Wayne County.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

- The regional draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units that are likely to move to the City of Detroit from Oakland, Macomb, Washtenaw and Monroe Counties.
- The national draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units and with the potential to move to the City of Detroit from all other U.S. counties (primarily counties in Michigan, although approximately 25 percent are households currently living outside the state).

As derived from the updated migration and mobility analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Detroit) 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):	51.7%
Balance of Wayne County (Local Draw Area):	33.0%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	9.3%
Balance of US (National Draw Area):	6.0%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

MARKET POTENTIAL FOR GREATER DOWNTOWN DETROIT

Where will the potential market for housing in Greater Downtown Detroit move from?

The target market methodology also identifies those households with a preference for living in downtowns and in-town neighborhoods. Therefore, after discounting for those segments of the city's potential market that would 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 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):	38.9%
Balance of Wayne County (Local Draw Area):	30.1%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	16.5%
Balance of US (National Draw Area):	<u>14.5%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

The regional draw area and the balance of the U.S. represent much larger proportions of market potential for new housing in Greater Downtown Detroit (a combined 31 percent) than for the city as a whole (a combined 15.3 percent). Conversely, households already living in the City of Detroit represent a considerably smaller segment of market potential for Greater Downtown (38.9 percent) than for the city as a whole (51.7 percent).

How many households have the potential to rent or purchase new or existing dwelling unit within Greater Downtown Detroit each year?

As determined by the target market methodology, 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, in the year 2011, more than 14,500 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families—with the financial capacities to rent or purchase market-rate dwelling units—represent the potential market for new housing units within Greater Downtown Detroit.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

What are their housing preferences?

The housing preferences of these 14,510 draw area households—derived from their tenure (rental/ownership) choices and financial capacities—are outlined as follows (*see also* Table 1):

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)	6,570	45.3%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	3,060	21.1%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	1,450	10.0%
Low-range single-family detached (houses, fee-simple ownership)	1,460	10.1%
Mid-range single-family detached (houses, fee-simple ownership)	1,180	8.1%
High-range single-family detached (houses, fee-simple ownership)	<u>790</u>	<u>5.4%</u>
Total	14,510	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

These 14,510 households account for just under 40 percent of the 36,610 households that represent the annual potential market for new and existing market-rate units citywide, and indicate the depth of the potential market for new housing units within the Greater Downtown, not housing need and not projections of household change. These are the households that are likely to move within or to Greater Downtown Detroit if appropriate housing options were to be made available and favorable economic factors are in place.

From the perspective of draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Greater Downtown Detroit market area, the potential market for new housing units within the study area could include the full range of housing types, from rental multi-family to for-sale single-family detached. However, within the Central Business District, and within the quarter-mile radius of each proposed light rail station,

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

new development should concentrate for the most part on the highest-density housing types, including redevelopment of existing buildings, which support transit, urban development and redevelopment most efficiently and provide the greatest fiscal, economic and social/lifestyle benefit. Exceptions would include the construction of new detached houses on selected vacant single-family lots, particularly in the North End neighborhood.

Recommended housing types therefore include:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale);
- Townhouses, live-work (single-family attached for-sale); and
- Urban detached houses (single-family detached for-sale on small lots).

Excluding large-lot single-family detached units, then, this analysis has determined that in the year 2010, up to 11,940 households currently living in the defined draw areas represent the pool of potential renters/buyers of market-rate housing units (new construction and/or adaptive re-use of formerly non-residential structures) within Greater Downtown Detroit (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of 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)	6,570	55.0%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	3,060	25.6%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	1,450	12.1%
Urban single-family detached (houses, fee-simple ownership)	<u>860</u>	<u>7.2%</u>
Total	11,940	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

Again, these numbers indicate the depth of the potential market for market-rate higher-density housing units within Greater Downtown Detroit if appropriate housing options were available. These households currently represent a “lost” opportunity for the city. Without a sufficient supply in an appropriate range of available housing options throughout the study area, these households have either moved elsewhere or have moved less frequently than their typical mobility rates would predict.

Table 1

Annual Market Potential

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Study Area In 2011

Greater Downtown Detroit

City of Detroit, Wayne County, Michigan

*City of Detroit; Balance of Wayne County; Regional Draw Area; All Other US Counties
Draw Areas*

Total Target Market Households
With Potential To Rent/Purchase In The
City of Detroit, Wayne County, Michigan 36,610

Total Target Market Households
With Potential To Rent/Purchase In
Greater Downtown Detroit 14,510

Annual Market Potential

	<i>Multi- Family</i>		<i>Single- Family</i>				<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i> <u>All Ranges</u>	<i>..... Detached</i> <u>Low-Range</u> <u>Mid-Range</u> <u>High-Range</u>			
Total Households:	6,570	3,060	1,450	1,460	1,180	790	14,510
<i>{Mix Distribution}:</i>	45.3%	21.1%	10.0%	10.1%	8.1%	5.4%	100.0%

**Target Annual Market Potential
(Excluding Suburban Single-Family Detached)**

	<i>Multi- Family</i>		<i>Single- Family</i>		<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i> <u>All Ranges</u>	<i>.. Detached ..</i> <u>Urban</u>	
Total Households:	6,570	3,060	1,450	860	11,940
<i>{Mix Distribution}:</i>	55.0%	25.7%	12.1%	7.2%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 11.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

TARGET MARKET ANALYSIS

Who is the potential market?

—The Target Markets—

The re-urbanization of America is the result of dramatic changes in American households, the growing cost of commuting by private automobile, and the profound impact of the Great Recession—which began in 2007—on both households and home-builders, particularly in the exurbs. The most lasting consequence, however, may well be the changed composition of American households and the convergence of urban housing preferences of the two largest generations in the history of America: the Baby Boomers (currently estimated at 77 million), born between 1946 and 1964, and the estimated 78 million Millennials, who were born from 1977 to 1996.

Boomer households have been moving from the full-nest to the empty-nest life stage at an accelerating pace that will peak sometime this decade and continue beyond 2020. Since the first Boomer turned 50 in 1996, empty-nesters have had a substantial impact on urban housing. After fueling the diffusion of the population into ever-lower-density exurbs for nearly three decades, Boomers, particularly affluent Boomers, are rediscovering the merits and pleasures of urban living.

Meanwhile, Millennials are now leaving their parents' homes. The Millennials are the first generation to have been largely raised in the post-'70s world of the cul-de-sac as neighborhood, the mall as village center, and the driver's license as a necessity of life. In far greater numbers than predecessor generations, Millennials are moving to urban neighborhoods at every scale.

In addition to their shared preference for urban living, particularly those neighborhoods served by mass transit, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (married couples with children) that comprised the typical post-war American household, Boomers and Millennials are predominantly singles and couples. As a result, the 21st Century home-buying market now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are as likely to be non-traditional families (single parents or unrelated couples of the

Greater Downtown Detroit
 City of Detroit, Wayne County, Michigan
 November, 2010

same sex with one or more children, adults caring for younger siblings, to grandparents with custody of grandchildren) as traditional families.

As determined by the target market analysis, and reflecting national trends, the potential market for new market-rate housing units in Greater Downtown Detroit can be characterized by general household type as follows (*see also* Table 2):

Annual Potential Market By Household Type
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATTACHED	FOR-SALE SF DETACHED
Empty-Nesters & Retirees	23%	15%	28%	40%	45%
Traditional & Non-Traditional Families	8%	7%	4%	11%	18%
Younger Singles & Couples	<u>69%</u>	<u>78%</u>	<u>68%</u>	<u>49%</u>	<u>37%</u>
Total	100%	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

- **The largest general market segment continues to be younger singles and couples.** The two principal factors in the large share of the market held by younger singles and couples include their higher mobility rates—young people are more likely to be renters and tend to move much more frequently than older people—and the inability, or reluctance, of older singles and couples to sell their existing units in the current housing recession.

Younger singles and couples now make up the largest share of the market for all housing types except single-family detached. Some of the same target household groups—*e-Types*, *New Bohemians*, *Urban Achievers*, *Fast-Track Professionals* and *The VIPs*—are represented in the potential market. New target markets include *The Entrepreneurs*, *Upscale Suburban Couples*, *Twentysomethings*, *Small-City Singles*, *No-Nest Suburbanites* and *Suburban Achievers*. Approximately 35 percent of these households would be moving to Greater Downtown from another dwelling unit in Detroit, another 29 percent would be moving from elsewhere in Wayne County, 22 percent from the region, and the remaining 14 percent from outside the region.

Since younger singles and couples typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses, places for social interaction are significantly more important to them than they are to either families or empty nesters and retirees. This market segment chooses neighborhoods with a “sense of place,” with outdoor public spaces and neighborhood amenities that reflect their interests. To many of these households, the public realm can be more important than the dwelling unit itself. However, the continuing challenge in capturing this potential market is to produce new units that are attractive to young people (lofts, not suburban-style apartments), at rents and prices that the identified target markets can afford, and within a vibrant neighborhood with a varied mix of uses, services and activities.

- **The next largest market segment is comprised of older households (empty nesters and retirees).** Nearly 44 percent of these households are currently living in Detroit.

Empty nesters and retirees— of which the largest target groups are, in order of median income, *Urban Establishment*, *Cosmopolitan Couples*, *Middle-Class Move-Downs* and *Multi-Ethnic Retirees*—now represent approximately 23 percent of the potential market for the site, a lower percentage than in 2002 in part, as noted above, because of their inability to sell—or reluctance to sell at a loss—their existing housing units. However, as the national, regional, and local housing markets begin to stabilize, and with the introduction of new units in a broader range of rents and prices, older households are likely to become a larger share of the potential market.

Empty-nest and retiree households currently represent between 15 percent and 45 percent of the market for new housing units in the Greater Downtown Detroit study area, depending on housing type. In 2010, the oldest Baby Boomers are celebrating their 64th birthdays; throughout the country, a significant number of Baby Boomers have already made the decision to move from detached houses in the suburbs to rental or condominium apartments in or near downtowns, when those units have been available. In other cities, these households have been among the first to move into downtown units, particularly once larger and more amenity-oriented condominiums have become available.

- **The third, and smallest, general market segment is comprised of family-oriented households (traditional and non-traditional families), comprising just eight percent of the market for new housing in Greater Downtown Detroit.**

Depending on housing type, family-oriented households, many of whom are single parents with one or two children, now comprise between just four percent (for-sale multi-family) and 18 percent (for-sale single-family detached) of the market for new housing units in Greater Downtown. Outside of New York City, very few traditional families choose to live in multi-family dwelling units, in large part because of the lack of private outdoor space in which their children can play unsupervised.

Almost 55 percent of the traditional and non-traditional family households that represent the potential market for new housing in Greater Downtown Detroit currently live in either Detroit or elsewhere in Wayne County; just six percent would be moving to the study area from the region, and nearly 39 percent from elsewhere in the U.S.

Table 2

Annual Market Potential By Household Type
 Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
 With The Potential To Move To The Study Area In 2011
Greater Downtown Detroit
City of Detroit, Wayne County, Michigan

	<u>Total</u>	<i>Multi- Family</i>		<i>Single- Family</i>	
		<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached .. All Ranges</i>	<i>.. Detached .. Urban</i>
Number of Households:	11,970	6,570	3,060	1,480	860
Empty Nesters & Retirees	23%	15%	28%	40%	45%
Traditional & Non-Traditional Families	8%	7%	4%	11%	18%
Younger Singles & Couples	69%	78%	68%	49%	37%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

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			
<i>Old Money</i>	\$172,000	\$100,000–\$300,000	\$375,300
<i>Urban Establishment</i>	\$132,400	\$75,000–\$200,000	\$295,600
<i>Cosmopolitan Elite</i>	\$116,700	\$75,000–\$150,000	\$183,900
<i>Affluent Empty Nesters</i>	\$108,000	\$60,000–\$150,000	\$177,900
<i>Suburban Establishment</i>	\$108,000	\$65,000–\$135,000	\$177,500
<i>Cosmopolitan Couples</i>	\$84,800	\$60,000–\$125,000	\$177,400
<i>Mainstream Retirees</i>	\$79,200	\$55,000–\$120,000	\$162,100
<i>Middle-Class Move-Downs</i>	\$77,200	\$50,000–\$100,000	\$100,000
<i>Middle-American Retirees</i>	\$74,400	\$40,000–\$90,000	\$100,900
<i>Multi-Ethnic Retirees</i>	\$62,300	\$40,000–\$75,000	\$101,300
Traditional & Non-Traditional Families			
<i>Unibox Transferees</i>	\$125,600	\$80,000–\$165,000	\$183,600
<i>Late-Nest Suburbanites</i>	\$112,300	\$75,000–\$140,000	\$182,300
<i>Full-Nest Suburbanites</i>	\$108,700	\$60,000–\$130,000	\$140,500
<i>Full-Nest Urbanites</i>	\$98,300	\$65,000–\$125,000	\$159,800
<i>Multi-Ethnic Families</i>	\$77,200	\$50,000–\$95,000	\$100,800
<i>Blue-Cotton Button-Downs</i>	\$76,300	\$55,000–\$90,000	\$101,900
<i>Multi-Cultural Families</i>	\$63,400	\$40,000–\$80,000	\$106,300
Younger Singles & Couples			
<i>The Entrepreneurs</i>	\$154,600	\$75,000–\$175,000	\$277,500
<i>e-Types</i>	\$126,500	\$60,000–\$165,000	\$309,600
<i>Fast-Track Professionals</i>	\$111,400	\$55,000–\$160,000	\$193,700
<i>The VIPs</i>	\$108,200	\$55,000–\$145,000	\$183,400
<i>Upscale Suburban Couples</i>	\$101,900	\$50,000–\$140,000	\$135,500
<i>New Bohemians</i>	\$96,800	\$45,000–\$140,000	\$238,500
<i>No-Nest Suburbanites</i>	\$76,400	\$45,000–\$135,000	\$140,500
<i>Twentysomethings</i>	\$75,800	\$50,000–\$105,000	\$117,500
<i>Suburban Achievers</i>	\$74,000	\$40,000–\$105,000	\$115,700
<i>Urban Achievers</i>	\$68,900	\$35,000–\$95,000	\$168,600
<i>Small-City Singles</i>	\$60,000	\$35,000–\$85,000	\$100,400

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., 2010.

(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 assembled data from a variety of sources, including the Downtown Detroit Partnership, the University Cultural Center Association, the Detroit News, Crain's Detroit Business, among others, as well as on-site field investigation, on 31 benchmark rental properties, representing more than 2,600 rental apartments and lofts in and around Greater Downtown Detroit. (See Table 3.) Many of these properties are investment-grade assets: most were built, renovated or created through adaptive re-use of commercial buildings since 2002, and most have 25 or more units. A large number are at functional full occupancy, at 95 percent or more occupied.

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

Downtown:

- 13 Properties
- 1,448 Units
- 526 to 3,000 square feet
- \$525 to \$4,354 per month

Eastern Market:

- 5 Properties
- 85 Units
- 550 to 1,800 square feet
- \$550 to \$1,600 per month

Midtown:

- 7 Properties
- 356 Units
- 520 to 1,860 square feet
- \$625 to \$2,150 per month

East and West Riverfront:

- 3 Properties
- 675 Units
- 550 to 3,700 square feet
- \$550 to \$3,500 per month

New Center:

- 1 Property
- 39 Units
- 644 to 1,360 square feet
- \$650 to \$1,555 per month

Thirteen properties are located in the Central Business District. Downtown rents for efficiency units currently range from \$525 per month for a 526-square-foot flat (\$1.00 per square foot) at

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

New Cadillac Square to \$950 per month for an 819-square-foot unit (\$1.16) at **Lofts of Merchants Row**. Rents for one-bedroom apartments range from \$595 per month for 662 square feet of living space (\$0.90 per square foot) at **Washington Square Apartments** to \$2,203 for 1,173 square feet (\$1.73 per square foot) at the **Fort Shelby Apartments**. Two-bedroom apartments start at \$750 per month for an 800-square-foot unit (\$0.94), also at **New Cadillac Square**, and go as high as \$4,354 for 2,231 square feet, including three bathrooms (\$1.95) at **Fort Shelby**. Only two of the properties contain three bedroom apartments: **Lofts of Merchants Row** and **Fort Shelby Apartments**. Rents range between \$2,000 (2,061 square feet; \$0.97 per square foot) and \$3,284 (1,848 square feet; \$1.78 per square foot). Three properties—**Greektown Lofts**, **Clark Lofts** and **Library Lofts**—provide true open lofts; rents run between \$750 for a 750-square-foot loft (\$1.00 per square foot) and \$2,500 for 3,000 square feet (\$0.83). At the time of the field investigation, occupancy rates ranged between 75 percent (one unit vacant at the four-unit **Eureka Lofts**) and several properties that were fully occupied or at functional full occupancy (95 percent occupied or more). The **Kales Building** has a waiting list.

Seven apartment communities are located in the Midtown area of Detroit. In general, Midtown rents range from \$435 to \$1,300 per month for smaller studio and one-bedroom units ranging in size from 520 to 1,000 square feet (approximately \$0.97 to \$1.46 per square foot) and \$895 to \$2,150 for larger two-bedroom units containing between 750 and 1,860 square feet (approximately \$1.00 to \$1.38). The most recent project to enter the marketplace, **The Beethoven**, is leasing one-bedrooms from \$625 to \$775 per month for 520 to 700 square feet (\$1.11 to \$1.20 per square foot) and two-bedrooms from \$1,125 to \$1,275 per month for 1,100 to 1,200 square feet (\$1.02 to \$1.06). The occupancy rates of these seven properties range from 63 to 100 percent; according to the UCCA, which annually surveys all rental properties in the area, overall average occupancy in Midtown is 93 percent.

New Center is the location of the **Graphic Arts Lofts**, which opened in 2006 and is 82 percent occupied. The 39 units range in size from 644 to 1,360 square feet and lease for \$650 to \$1,555 per month (\$1.01 to \$1.14 per square foot).

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

Four rental properties have opened in Eastern Market since 2002, joining the **Rocky Lofts** which has been leasing units since the 1980s. All five properties each have fewer than 40 units, and one—**E&B Brewery**—was intended as for-sale units; the unsold units are now being leased. Open lofts predominate, although the **Detroit Candy Company** contains four two-bedroom/two-bath units. In general, the smallest lofts rent for just under \$550 to \$1,050 per month for 550 to 900 square feet (\$0.99 to \$1.00 per square foot). The largest lofts start at \$860 and go up to \$1,600 per month for approximately 1,200 to 1,750 square feet (a range of \$0.57 to \$1.00 per square foot). None of these properties are fully occupied; although most only have one vacant unit.

No new rental properties have been introduced along the Detroit riverfront since 2002. One property, **Riverfront Apartments** on the West Riverfront adjacent to Downtown, is currently leasing a range of one- to three-bedroom units, containing between 553 to 2,400 square feet of living space, for rents starting at \$890 to as much as \$3,100 per month (property-wide rents per square foot range from \$1.07 to \$1.61). At the time of the field investigation, the property was 94 percent occupied.

At **River Park Lofts/Iron Street Lofts**, the least expensive units—550-square-foot one-bedroom soft lofts—start at \$550 a month, or \$1.00 per square foot. The largest mezzanine loft, at 2,000 square feet, rents for \$1,200 per month (\$0.60 per square foot). Eighty-five percent of the 55 units are occupied. At **Garden Court**, 20 of the 65 units have been sold as condominiums, and 14 are currently being leased. The remaining units are available either as rentals or for sale. Rents for studios with one bath fall between \$815 and \$950 per month for 937 square feet of living space (\$0.87 to \$1.01). A representative two-bedroom unit, at 2,063 square feet, is available for a monthly rent of \$2,000 (\$0.97), and a three-bedroom, three-and-a-half bath unit containing 3,700 square feet has an asking rent of \$3,500 (\$0.95 per square foot).

Summary Of Selected Rental Properties

Greater Downtown Detroit, Michigan

June, 2010

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
..... Downtown						
New Cadillac Square (1927; 2004) 111 Cadillac Square 21-story building	221	Studio	\$525 to \$550	526 to 625	\$0.88 to \$1.00	84% occupancy Game room, fitness room.
		1br/1ba	\$625 to \$725	625 1,020	\$0.71 to \$1.00	
		2br/1ba	\$750 to \$850	800 1,100	\$0.77 to \$0.94	
Fyfe Apartments (early 1900s; 1960s) 10 West Adams Avenue 14-story building	65	Studio	\$525 to \$625			85% occupancy High rise.
		1br/1ba	\$675 to \$900			
		2br/1.5ba	\$1,200			
Washington Square Apts (1981; 2007) 1431 Washington Boulevard 29-story building	351	1br/1ba	\$595 to \$755	662 to 756	\$0.90 to \$1.00	99% occupancy Rooftop pool, sundeck, spa, fitness center, business center, parking garage.
		2br/2ba	\$785 to \$1,500	1,000 to 1,152	\$0.79 to \$1.30	
Greektown Lofts (1990s) 743 Beaubien Street 6-story building	51	open lofts	\$750 to \$1,200	750 to 2,300	\$0.52 to \$1.00	85% occupancy No designated parking.
Lofts at Woodward Center {2003} 1448 Woodward Avenue Mid-rise buildings	61	Studio	\$660 to \$735	660 to 735	\$1.00 \$1.00	100% occupancy
		1br/1ba	\$880 to \$1,400	920 to 1,400	\$0.96 to \$1.00	
		2br/2ba	\$1,100 to \$1,250	1,092 to 1,250	\$1.00 to \$1.01	

Summary Of Selected Rental Properties

Greater Downtown Detroit, Michigan

June, 2010

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Downtown (continued).</i>						
Millender Center (1985) 555 Brush Street 33-story building	339	1br/1ba	\$768 to \$1,090	795 to 950	\$0.97 to \$1.15	97% occupancy Valet services, high-speed internet, indoor pool, fitness center, rooftop jogging tennis, lounge.
		2br/2ba	\$959 to \$1,372	1,020 to 1,410	\$0.94 to \$0.97	
		2br/2ba PH	\$1,915 to \$2,189	1,800 to	\$1.06 to \$1.22	
Lofts of Merchants Row (1920; 2004) 1247 Woodward Avenue Mid-rise building	157	Studio	\$785 to \$950	572 to 819	\$1.16 to \$1.37	93% occupancy Mid-rise. Fitness center, business center, high-speed internet.
		1br/1ba	\$950 to \$1,615	767 to 1,414	\$1.24 to \$1.14	
		2br/2ba	\$1,665 to \$2,070	1,290 to 1,507	\$1.29 to \$1.37	
		3br/3ba	\$2,000 to \$2,720	2,061 to 2,081	\$0.97 to \$1.31	
Kales Building Lofts (1914; 2005) 76 West Adams Street 18-story building	117		<i>Waiting list.</i>			100% occupancy High rise. Fitness facility, business center. garage.
		1br/1ba	\$799 to \$1,100	582 to 1,125	\$0.98 to \$1.37	
		2br/2ba	\$1,050 to \$1,750	1,005 to 1,180	\$1.04 to \$1.48	
Clark Lofts (1922; 1999) 35 West Grand River Avenue	4	loft/1ba	\$900 to \$2,500	600 to 3,000	\$0.83 to \$1.50	100% occupancy
Broadway Lofts (1916; 2008) 1323 Broadway Street	18	2br/1ba	\$1,250	1,443	\$0.87	78% occupancy Mid-rise.
		2br/2ba	\$1,300 to \$1,800	1,787 to	\$0.73 to \$1.01	
		Penthouse	\$2,600	1,787	\$1.45	
The Eureka Lofts (1917; 2000s) 1521 Broadway Street 5-story building	4	1br/1ba	\$1,250 to \$1,300	1,290 to 1,400	\$0.93 to \$0.97	75% occupancy 24-hour security, high-speed internet.
		2br/2ba	\$1,485	1,560	\$0.95	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties*Greater Downtown Detroit, Michigan***June, 2010**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. <i>Downtown (continued).</i>						
Library Lofts (1907; 1999) 1250 Library Avenue 6-story building	4	Loft/1ba	\$1,400 to \$1,800	1,400 to 1,900	\$0.95 to \$1.00	100% occupancy Historic building.
Fort Shelby Apartments (1927; 2009) 527 West Lafayette Boulevard 22-story building	56	1br/1ba 2br/1ba 2br/2ba 2br/3ba 3br/2ba	\$1,629 to \$2,203 \$2,513 \$2,155 to \$2,665 \$4,120 to \$4,354 \$3,184 to \$3,284	939 to 1,173 1,350 1,223 to 1,428 2,097 to 2,231 1,848	\$1.73 to \$1.88 \$1.86 \$1.76 to \$1.87 \$1.95 to \$1.96 \$1.72 to \$1.78	n/a High-rise. Concierge services, pool, fitness center, business center, WiFi.
. <i>Midtown</i>						
The Beethoven (June 2010) 4474 Third Street	28	1br/1ba 2br/2ba	\$625 to \$775 \$1,125 to \$1,275	520 to 700 1,100 to 1,200	\$1.11 to \$1.20 \$1.02 to \$1.06	In lease-up. 50% leased. Rooftop deck.
The Lofts at Garfield (1920; 1998) 4600 Woodward Avenue	56	Studio 1br/1ba 2br/1ba	\$625 to \$900 \$680 to \$950 \$1,100 to \$1,150	572 to 926 590 to 940 1,025	\$0.97 to \$1.09 \$1.01 to \$1.15 \$1.07 to \$1.12	90% occupancy Elevator. Laundry room.

Summary Of Selected Rental Properties*Greater Downtown Detroit, Michigan***June, 2010**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>	
<i>. Midtown continued)</i>							
Addison Apartments (1912; 2001) 3101 Woodward Avenue	40	1br/1ba 2br/1ba 2br/2ba 3br/1.5ba PH	\$735 \$895 to \$1,180 \$1,160 \$1,625	600 750 to 1,100 1,035 1,350	\$1.23 \$1.07 to \$1.19 \$1.12 \$1.20	90% occupancy <i>Fitness room.</i>	
55 West Canfield (2007) 55 West Canfield Avenue	28	Loft/1ba	\$799 to \$1,612	733 to 1,433	\$1.09 to \$1.12	64% occupancy <i>Original prices: \$150,000-\$215,000</i>	
Studio One (2008) 4501 Woodward Avenue	124	1br/1ba 2br/1ba 2br/2ba	<i>Waiting list.</i>		\$870 to \$895 \$1,145 \$1,245 to \$1,395	646 to 804 936 907 to 1,008	100% occupancy <i>Fitness center: \$15/month Parking: \$65/month</i>
The Park Shelton (2006) 15 East Kirby Street	67	Studio 1br/1ba 1br/2ba 2br/2ba	\$800 \$950 to \$1,150 \$1,200 \$1,500 to \$1,600	600 819 to 900 1,000 1,470 to 1,600	\$1.33 \$1.16 to \$1.28 \$1.20 \$1.02 to \$1.00	98% occupancy <i>Clubhouse, fitness center.</i>	
Crystal Lofts (1920; 2002) 3100 Woodward Avenue	13	1br/1ba 2br/2ba	\$1,300 \$2,150	890 1,860	\$1.46 \$1.16	63% occupancy <i>17 units; 1 sold. Original prices: \$200,000 and up</i>	

Summary Of Selected Rental Properties*Greater Downtown Detroit, Michigan***June, 2010**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>..... New Center</i>						
Graphic Arts Lofts (1926; 2006) <i>41 Burroughs Street</i>	39	Studio	\$650 to \$850	644 to 800	\$1.01 \$1.06	82% occupancy <i>High speed internet.</i>
		1br/1ba	\$1,100 to \$1,250	1,030 to 1,150	\$1.07 to \$1.09	
		2br/1ba	\$1,100 to \$1,555	1,030 to 1,360	\$1.07 to \$1.14	
<i>..... Eastern Market</i>						
Rocky Lofts (1980s) <i>1363 East Fisher Freeway</i> 2-story building	9	Loft/1ba	\$550 to \$1,000	550 to 1,750	\$0.57 to \$1.00	78% occupancy
E & B Brewery (1891; 2002) <i>1551 Winder Street</i> 5-story building <i>Original pricing from \$149,000 to \$550,000</i>	35	Loft/1ba	\$700 to \$1,600	745 to 1,615	\$0.94 to \$0.99	50% occupancy under renovation
Knitting Mill Lofts (1908; 2007) <i>1410 Gratiot Street</i> 3-story building	4	Loft/1ba	<i>Remaining unit.</i>		\$860 1,200	75% occupancy
FD Lofts at Eastern Market (1917; 2005) <i>3434 Russell Street</i> 2-story building	33	Loft/1ba	\$1,050 to \$1,600	900 to 1,600	\$1.00 to \$1.17	87% occupancy
	5	office only*	\$700 to \$750	600 to 700	\$1.07 to \$1.17	
Detroit Candy Company (1907; 2007) <i>1528 Gratiot Street</i> 4-story building	4	2br/2ba	\$1,200 to \$1,500	1,500 1,800	\$0.80 to \$0.83	75% occupancy

* office only - no kitchen, no bath.

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties*Greater Downtown Detroit, Michigan***June, 2010**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Riverfront West</i>						
Riverfront Apts (1991) <i>100 Riverfront Drive</i> High-rise building	555	1br/1ba	\$890 to \$1,089	553 to 725	\$1.50 to \$1.61	94% occupancy <i>Pool, patio, clubhouse, fitness room, spa, tennis court.</i>
		2br/1ba	\$1,090 to \$1,300	1,020	\$1.07 to \$1.27	
		2br/2ba	\$1,100 to \$1,880	1,019 to 1,450	\$1.08 to \$1.30	
		3br/2ba	\$2,900 to \$3,100	2,400	\$1.21 to \$1.29	
<i>..... Riverfront East</i>						
River Park Lofts/ Iron Street Lofts (1905; 1990s) <i>227 Iron Street</i> 4-story building	55	1br/1ba	\$550 to	550 to 650	\$0.85 to \$1.00	85% occupancy
		Split-level	\$550 to \$1,200	550 to 2,000	\$0.60 to \$1.00	
Garden Court (1915; 2001) <i>2900 East Jefferson Avenue</i>	65	Studio/1ba	\$815 to \$950	937	\$0.87 to \$1.01	14 rented <i>20 units sold.</i> <i>Other units for sale.</i> <i>Laundry room, fitness room.</i>
		2br/2ba	\$2,000	2,063	\$0.97	
		3br/3.5a	\$3,500	3,700	\$0.95	

Summary Of Selected Rental Properties

Greater Downtown Detroit, Michigan

June, 2010

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>		
. Riverfront East (continued)								
River Place (1923; 1991-1994) 500 River Place Drive 5-6-story building	180 apts.	1br/1ba	\$815 to \$960	600 to 960	\$1.00 to \$1.36	87% occupancy under renovation. High speed internet,		
		2br/1ba	\$965 to \$1,240	800 to 1,290	\$0.96 to \$1.21			
		2br/2ba	\$1,050 to \$1,340	905 to 1,345	\$1.00 to \$1.16			
	75 brownstones	1br/1ba	\$985 to \$1,395	980 to 915	\$1.52 to \$1.01			
		2br/1.5ba	\$1,030 to \$1,250	1,050 to 1,470	\$0.85 to \$0.98			
		2br/2ba	\$1,285 to \$1,460	970 to 1,560	\$0.94 to \$1.32			
	54 penthouses	2br/1ba	\$1,095 to \$1,215	1,112 to 1,162	\$0.98 to \$1.05			
		2br/2.5ba	\$1,260 to \$1,360	1,308 to 1,935	\$0.70 to \$0.96			
		3br/2ba	\$1,300 to \$1,400	1,182 to 1,262	\$1.10 to \$1.11			
	Harbortown (1988; renovating since 2003) 3400 East Jefferson Avenue High-rise building	95	1br/1ba	\$840 to \$1,150	740 to 800		\$1.14 to \$1.44	98% occupancy 63-slip marina. 24-hr gatehouse, pools, community room, health club, tennis,
			2br/2ba	\$1,100 to \$1,500	1,090 to 1,300		\$1.01 to \$1.15	
			3br/2ba	\$1,675 to \$2,500	1,590 to 1,590		\$1.05 to \$1.57	

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

Zimmerman/Volk Associates has assembled data from the same sources, including the Downtown Detroit Partnership, the University Cultural Center Association, the Detroit News, Crain's Detroit Business, the Multiple Listing Service, among others, as well as on-site field investigation, on 16 benchmark for-sale properties, representing more than 1,050 for-sale apartments, lofts and townhouses in and around Greater Downtown Detroit. (See Table 4.) The 16 properties include both adaptive re-use of former commercial buildings as well as new construction; development size ranges from just nine units to more than 200 units. Those for-sale properties that were either introduced or had not completed sales in 2007 or later, have been severely affected by the collapse of the housing market, as numerous buyers cancelled their reservations or were unable to get mortgages. In response, a number of existing properties have discontinued marketing or are leasing unsold units, and several planned properties have not commenced construction.

The following information includes, per submarket, the number of properties surveyed, the approximate number of units, and the general unit sizes and price ranges:

Downtown:

- 1 Property
- 67 Units
- 965 to 4,470 square feet
- \$159,900 to \$1,200,000

Corktown:

- 1 Property
- 34 Units
- 1,201 to 1,802 square feet
- \$159,000 to \$359,900

Midtown:

- 10 Properties
- 561 Units
- 644 to 2,950 square feet
- \$79,000 to \$595,000

East Riverfront:

- 3 Properties
- 288 Units
- 700 to 3,400 square feet
- \$95,000 to \$765,000

New Center:

- 1 Property
- 104 Units
- 1,547 square feet
- \$179,900

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

The development of the Westin Hotel and **Residences at the Westin Book Cadillac** is a signature achievement in Downtown Detroit. Pre-sales began in 2006, and all 67 units were reserved in the first year. However, the housing collapse and ensuing restrictive mortgage financing resulted in the loss of all deposits; sales were recommenced in 2009, with 21 of the 67 units sold by June, 2010 (an average sales pace of approximately 1.2 units per month). Current pricing ranges from \$159,900 for a 965-square-foot one-bedroom/one-and-a-half bath apartment to \$1.2 million for the 4,470-square-foot three-story penthouse. Prices per square foot fall between \$166 and \$325. A number of unsold units are being leased for \$1,400 to \$1,600 per month.

Ten for-sale properties are located in Midtown, where base prices range from just under \$80,000 to approximately \$600,000 for condominium townhouses and apartments created through new construction and/or adaptive reuse of existing buildings. The price-per-square-foot ranges from \$88 to \$500, although most of the units fall between \$125 and \$175. Like the **Residences at Westin Book Cadillac**, sales have been difficult to achieve since 2007, and properties that would have sold out quickly four years ago are now leasing unsold units. With the exception of the **Park Shelton**, which is averaging sales of 3.2 units per month, sales paces have averaged considerably less than one unit per month. Buyers at several of the properties qualify for the Neighborhood Enterprise Zone 15-year tax abatement program, and down-payment assistance is also available at a number of the properties. The most recent project under construction, **The Mack at Brush Park**, is marketing a first phase of nine 681- to 1,585-square-foot condominiums currently priced from \$99,000 to more than \$225,000 (\$138 to \$149 per square foot).

Only two units remain unsold at Crosswinds Communities' 104-unit **Lofts at New Center**. Two floorplans were available for the three-story condominium townhouses; the two remaining units contain 1,547 square feet configured as two bedrooms, two baths, living/dining area, family room, and a two-car garage, and are priced at \$179,900 (\$116 per square foot). The property, which opened for sales in 2002, averaged slightly less than one sale per month since opening.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

Twenty of the 34 condominium lofts had been sold at the **Grinnell Place Lofts** in Corktown since opening for sales in 2006. Prices of the remaining units range between \$159,000 and \$359,900 for 1,200- to 1,800-square-foot two-bedroom/two-bath lofts (\$132 to \$200 per square foot). Several of the unsold units are currently being leased.

Base prices at the **Garden Court** located in Riverfront East range between \$95,000 for a 778-square-foot, one-bedroom/one-bath unit to \$765,000 for a 3,400-square-foot, five-bedroom/three-bath unit. Twenty of the 65 units have been sold since the property started sales in 2005, for an average sales pace of approximately one unit every two months; some of the unsold units are currently being leased. Marketing has been sporadic at the **Lofts at Rivertown**, where base prices range from \$120,000 to \$700,000 for condominiums containing between 700 and 2,000 square feet (\$131 to \$350 per square foot). The last unit at **200 River Place Lofts** was recently sold; the most recently prices for the two-bedroom/two-bath units ranged between \$245,000 and \$285,000 for 2,035 to 2,092 square feet of living space (\$120 to \$136 per square foot). This property also averaged sales of one unit every two months.

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Developments**

Greater Downtown Detroit, Wayne County, Michigan

June, 2010

<u>Development (Date Opened)</u> <u>Address</u>	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
. . . . Downtown							
The Residences at Westin Book Cadillac (1924: 2006: 2009) 1114 Washington Boulevard	CO	1br/1.5ba	\$159,900	965	\$166	67	21 (1.2)
		2br/2ba	\$229,000 to	1,156 to	\$198 to		
			\$309,900	1,434	\$216		
		3br/2.5ba	\$559,900 to	2,100 to	\$267 to		
Rental Units:			\$569,000		\$271		
\$1,400 to \$1,600/mo.	3br/2.5ba -Penthouse		\$790,200 to	2,625 to	\$301 to		
			\$1,130,000	3,478	\$325		
	3br/2.5ba - 3-story Penthouse		\$1,200,000	4,470	\$268		
. . . . Midtown							
Brush Park Village North {2008} 204-242 Erskine	CO	Studio/1ba	\$79,000 to	834 to	\$95 to	9	1 (0.1) <i>Phase 1</i>
			\$89,000	866	\$103		
		2br/2.5ba TH	\$150,000 to	1,712 to	\$88 to		
		3br/2.5ba TH	\$214,000	1,827	\$117		
		2br/3.5ba DUP	\$260,000	1,908	\$136		
		3br/3.5ba DUP	\$290,000	2,020	\$144		
Garden Lofts at Woodward Place (05/07) NE corner of Woodward	CO	1br/1ba	\$85,000 to	836 to	\$101 to	62	14 (0.4)
		2br/2ba	\$146,000	1,441	\$102		
The Mack at Brush Park (2010) 248 Mack Avenue	CO	1br/1br	\$99,000 to	681 to	\$144 to	9	1 <i>Pre-Sales only</i>
			\$114,900	800	\$145		
		1br/1.5br	\$138,900	975	\$142		
		2br/1.5br	\$153,900	1,113	\$138		
		2br/2br	\$161,900	1,100	\$147		
		2br/2.5br	\$179,900	1,296	\$139		
		3br/2.5br	\$207,900 to	1,400 to	\$143 to		
			\$226,900	1,585	\$149		

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Developments**

Greater Downtown Detroit, Wayne County, Michigan

June, 2010

<u>Development (Date Opened)</u> <u>Address</u>	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
. . . . Midtown (continued)							
Willys Overland Lofts (1915: 2006) 444 Willis Avenue	CO	1br/1br	\$115,000 to \$240,000	918 to 1,505	\$125 to \$159	75 {plus 2 contracts}	12 (0.8)
		2br/2ba	\$170,000 to \$350,000	1,436 to 2,238	\$118 to \$156		
		3br/2ba	\$370,000 to \$595,000	2,585 to 2,950	\$143 to \$202		
The Park Shelton (2006) 15 East Kirby Street	CO	1br/1br	\$119,000 to \$140,000	644 to 1,126	\$124 to \$185	226	152 (3.2)
		2br/2ba	\$180,000 to \$350,000	1,470 to 1,667	\$122 to \$210		
Carlton Lofts (1996) 2915 John R Street	CO	studio 1br, 2br	\$140,000 to \$400,000	706 to 800	\$198 to \$500	50	17
Springfield Lofts (1930: 2006) 627 W. Alexandrine Street	TH	1br/1ba 2br/2ba	\$229,000 to \$255,000	1,750 to 1,757	\$131 to \$145	10	7 (0.1)
The Ellington (2006) 3670 Woodward Avenue	CO	2br/2ba 2br/2ba 2br/2ba	\$239,000 \$245,000 \$265,000	1,211 1,420 1,420	\$197 \$173 \$187	55 also leasing units.	45 (0.1)
Crystal Lofts (1920; 2002) 3100 Woodward Avenue	CO	1br/1ba 3br/2ba	\$250,000 to \$370,000	1,300 to 2,000	\$192 to \$185	17 16 leased units. \$1,500 to \$1,700	1
Centurion Place (2006) 514 East Ferry Street	TH	2br/2.5ba den	\$319,900 to \$374,900	1,536 to 1,905	\$197 to \$208	48 8 in 1st phase	

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Developments**

Greater Downtown Detroit, Wayne County, Michigan

June, 2010

<u>Development (Date Opened)</u> Developer/Builder	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
. . . . New Center							
The Lofts @ New Center {2002} 55 Pallister Street	TH	2br/2ba w/ Family Room	\$179,900	1,547	\$116	104	102 (0.9)
. . . . Corktown							
Grinnell Place Lofts (1921; 2006) 2003 Brooklyn Street	CO	<i>Remaining Units</i> 2br/2ba 2br/1.5ba	\$159,000 to \$359,900 \$210,000	1,201 to 1,802 1,200	\$132 to \$200 \$175	34 <i>Some units leased.</i>	20 (0.5)
. . . . Riverfront East							
Garden Court (1915;2005) 2900 East Jefferson Avenue Albert Kahn Building	CO	1br/1ba 2br/1ba 3br/3ba 4br/3ba 5br/3ba	\$95,000 to \$180,000 \$185,000 to \$330,000 \$313,000 \$390,000 \$765,000	778 to 937 1,354 to 2,800 2,905 2,952 3,401	\$122 to \$192 \$118 to \$137 \$108 \$132 \$225	65 <i>Some units leased.</i>	20 (0.4)
The Lofts at Rivertown (1899; 2003) 6533 East Jefferson	CO		\$120,000 \$700,000	700 to 2,000	\$171 to \$350	175	n/a
200 River Place Lofts (1903; 2002) 200 River Place	CO	2br/2ba 2br/2ba	\$245,000 \$285,000	2,035 2,092	\$120 \$136	48	48 (0.5)

OVERVIEW OF GREATER DOWNTOWN DETROIT

As noted in the INTRODUCTION, for the purposes of this study, the Greater Downtown Detroit study area encompasses the Central Business District, Midtown, the New Center, and the East and West Riverfront. Woodward Avenue serves as the spine of Greater Downtown, running roughly north from Hart Plaza on the Detroit River through Highland Park and beyond the Detroit city limits. The proposed M1 light rail line will run on Woodward with 12 stations located in Greater Downtown.

There has been significant investment in Greater Downtown since 2002 when this firm undertook the study for Downtown Detroit. Recent investment exceeds \$5 billion: \$572 million in residential development; \$1.72 billion in institutional uses; \$1.08 billion in commercial development; and \$2.1 billion in entertainment facilities and venues.

The Central Business District (CBD) is bounded by the Detroit River, Michigan Route 10, Interstate Route 75, and Interstate Route 375. The CBD includes the Financial District, the Entertainment District—featuring several theaters, including the historic Fox Theatre; the Detroit Opera House; the Center for Performing Arts; the Detroit Lions' Ford Field and the Detroit Tigers' Comerica Park—as well as the Greektown and Bricktown neighborhoods. Two casinos—the MGM Grand and the Greektown Casino/Hotel—are also located in Downtown. An elevated “people mover” provides transit within the CBD on a loop with 13 stops, with the northernmost station at Grand Circus Park and Woodward, running to the Renaissance Center in the southeast CBD and Joe Lewis Arena—home of the Detroit Red Wings—in the southwest CBD.

Approximately 67,000 people work in the CBD; the City of Detroit is currently the largest single employer, with more than 13,100 employees. General Motors, the second-largest Downtown employer, has 4,650 workers. Recent investment in the CBD has totaled approximately \$3.6 billion, with \$60 million in residential, \$384 million in institutional, \$1.02 billion in commercial, and \$2.1 billion in entertainment uses. Campus Martius Park, which opened in 2004 on the site of an historic military drill ground and the location of the “point of origin” for the original survey

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

of Detroit's streets, is the central pedestrian attraction of the Downtown Detroit, with ice-skating in the colder months, and the Woodward Fountain and a wide variety of performance events in warmer months. The Central Business District includes three other important parks: Grand Circus Park; Capitol Park; and Hart Plaza, at the terminus of Woodward Avenue, anchoring the Detroit Riverwalk which extends along the banks of the Detroit River into the east and west Riverfront areas.

Five stations for the proposed M-1 light rail line are planned in the Central Business District: Jefferson Street/Hart Plaza; the Financial District; Campus Martius; Grand Circus Park; and the Entertainment District.

Midtown is bounded by on the south and east by Interstate Route 75, on the west by Michigan Route 10, and on the north by Interstate Route 94. Two major institutions—the Detroit Medical Center and Wayne State University—anchor the northern Midtown area, which also includes multiple museums—the Detroit Institute of Arts, the Children's Museum, Detroit Historical Museum, the Wright Museum of African American History, and the Detroit Science Center—as well as the College for Creative Studies, the Detroit Film Theater, the International Institute of Metropolitan Detroit, the historic Detroit Public Library, and the Detroit Symphony Orchestra Hall (the Cultural District).

The southern Midtown area, south of MLK/Myrtle/Mack Streets, includes the Brush Park and Lower Cass neighborhoods. Brush Park has been the location of significant new residential development, with additional new projects still being planned, including the redevelopment of Brewster Homes, a former public housing property. A number of vacant city-owned parcels lie west of Woodward Avenue in the Lower Cass area. Cass Technical High School, one of four magnet schools in Detroit, opened its new facilities on Second Avenue in 2005.

An estimated 35,000 persons work in Midtown, including 8,500 in the Detroit Medical Center, and another 10,600 at Wayne State University. Recent investment in Midtown reached nearly \$1.2 billion: \$391 million in residential, \$792 million in institutional, and \$7.5 million in commercial development. Midtown area parks include two large playing fields, Tolan on the east and Wigle

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

on the west, and two formal neighborhood parks: Cass Park in the southwest and Peck Park in the northeast.

Five stations for the proposed light rail line are planned in Midtown: Brush Park/Temple; Orchestra Place; Detroit Medical Center; Wayne State University; and the Cultural Center.

New Center is bounded by Interstate Route 75, Interstate Route 94, Michigan Route 10, and on the north by Euclid Street west of Woodward Avenue and Holbrook Street east of Woodward. The New Center area includes Wayne State's urban research and technology park, Techtown, and the North End neighborhood; however, the New Center itself dates from 1923 when General Motors opened its headquarters there. The Fisher Theatre, which presents major musical and theatrical performances, is located in the Fisher Building, the historic Art Deco building designed by the architect Albert Kahn.

Just under 21,000 persons work in New Center, 8,500 with the Henry Ford Health Systems, another major institution in Greater Downtown, and 4,900 with the State of Michigan. Recent investment in New Center has exceeded \$373 million: \$121 million in residential, \$194 million in institutional, and \$58 million in commercial development.

Over the past decade, the University Preparatory Academy charter school system has built new facilities in New Center, including the Mark Murray University Prep Elementary School, which opened in 2008, following the Ellen Thompson Elementary School, which opened in 2005; and the University Prep High School, which opened in 2003. The University Prep Middle School, the first school in the University Preparatory Academy system, opened in 2000 in a church basement, moving to its current location in Midtown in 2001. The most significant park in the New Center area is New Center Park, where substantial renovations were completed this year. The park will include special programs five days a week, ranging from Wednesday movie nights to children-oriented activities on Saturdays.

Two stations for the proposed light rail line are planned in New Center: Amtrak Station/Techtown and New Center.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

The East Riverfront area is bounded by Jefferson Avenue, East Grand Street/Douglas MacArthur Belle Isle Bridge, and the Detroit River, and the West Riverfront area is bounded by the Detroit River, Rosa Parks Boulevard, and Fort Street. The riverfront is largely distinguished by the Detroit Riverwalk, which currently extends along most of the length of the Detroit River from the Joe Lewis Arena in the west to Gabriel Richard Park just beyond the Belle Isle Bridge. The Riverwalk ties together a number of waterfront parks, each with a slightly different character, from the carousel at Rivard Plaza to the butterfly gardens at Gabriel Richard Park. The first phase of the Dequindre Cut Greenway trail, which connects with the Riverwalk, starts at the Detroit River and extends north to Gratiot Avenue.

Most of the residential development has occurred in the West Riverfront adjacent to Downtown, and in the Harbortown and Rivertown Warehouse District areas of the East Riverfront. However, both the East and West Riverfront currently contain large parcels of vacant land, as well as a number of vacant or poorly-maintained buildings.

Multiple eating establishments, bars, coffee shops, and cafes are located throughout the Greater Downtown study area, ranging from the four-star rated Coach Insignia Steakhouse at the top of the Renaissance Center to the charming and well-reviewed Good Girls Go to Paris crêperie on Woodward Avenue in Midtown. Monroe Street in Greektown is home to a variety of restaurants, offering American as well as Greek cuisine.

There are few national credit tenant retailers in Greater Downtown Detroit, although there are several CVS pharmacies located throughout the study area. Most of the shopping is concentrated in small and unique shops and boutiques located along Woodward Avenue in the Central Business District and along Woodward and Cass in Midtown and New Center. Detroit lost its last major grocery store when the Farm Jack chain closed down in 2007; there are currently two Aldi's located within the city limits, but outside the Greater Downtown study area. However, the Eastern Market area, directly to the east of Midtown, is home to more than 250 vendors and merchants, including the Saturday Market, held in a six-block, 119-year-old public market with open-air stalls, where all kinds of fresh food and food products are sold. Several restaurants, including a McDonald's, are also located in the Eastern Market area.

MARKET-RATE RENT AND PRICE RANGES: GREATER DOWNTOWN DETROIT_____

From the perspective of the housing consumer, the three major challenges to new residential development in the Greater Downtown Detroit study area include:

- Safety concerns: There is a continuing local perception that Downtown and surrounding in-town neighborhoods are not safe, even though the actual crime rate in the study area is lower than the perception.
- Neglected or vacant properties: Derelict and vacant properties are a deterrent to potential urban residents, as they contribute to the perception that downtown and the surrounding areas are neglected, and/or dangerous neighborhoods.
- High costs: The high costs of materials and labor, in addition to the typically high cost of adaptive re-use, are, without incentives or subsidies, likely to drive rents and prices beyond the reach of many potential residents.

From the perspective of the housing consumer, the existing assets of the Greater Downtown Detroit study area that make it an attractive place to live include:

- Historic buildings: There are numerous civic, commercial, and residential buildings that are architecturally and historically significant and that provide a distinctive identity for the city.
- Employment: Downtown, Midtown, and the New Center are significant regional employment centers.
- Culture and Entertainment: Nearly all of the major cultural, entertainment and sports venues of the city are located in Greater Downtown.
- Walkability: Each of the subareas of Greater Downtown is compact enough to walk from one end to the other, although, due to the number of open parking lots, the quality of the pedestrian experience could be improved significantly.
- Parks: Greater Downtown contains several neighborhood parks, as well as major public open spaces such as Grand Circus Park, the Riverwalk, the Dequindre Cut Greenway, which currently links the Detroit River to Gratiot Avenue, and the award-winning Campus Martius Park. These parks are important assets for city residents.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

- The Detroit River: The Detroit River is adjacent to Downtown and the East and West Riverfronts, providing significant opportunities for both public access and private development.
- Tourism: Venues such as the museums, theaters, sports arenas/stadiums not only bring thousands of tourists to Greater Downtown but are also great assets to Greater Downtown residents.

Although it is still in the planning stages, when constructed, the M1 light-rail line will be viewed as a significant asset by the potential market, allowing many households to lower transportation costs by giving up a second car, or even foregoing automobile ownership altogether, and to apply the resulting savings to improved housing.

Greater Downtown Detroit
 City of Detroit, Wayne County, Michigan
 November, 2010

What is the market currently able to pay?

—General Rent and Price Ranges—

Based on the tenure preferences of draw area households and their income and financial capabilities, the general range of rents and prices for newly-developed market-rate residential units that could currently be sustained by the market is as follows (*see also* Table 5):

**General Rent, Price and Size Ranges
 Newly-Created Housing (Adaptive Re-Use and New Construction)
 GREATER DOWNTOWN DETROIT
 City of Detroit, Wayne County, Michigan**

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Hard Lofts *	\$650–\$1,350/month	550–1,200 sf	\$1.13–\$1.18 psf
Soft Lofts †	\$800–\$1,700/month	650–1,400 sf	\$1.21–\$1.23 psf
Luxury Apartments	\$1,500–\$3,000/month	950–2,000 sf	\$1.50–\$1.58 psf
FOR-SALE (MULTI-FAMILY)—			
Hard Lofts *	\$150,000–\$225,000	850–1,350 sf	\$167–\$176 psf
Soft Lofts †	\$185,000–\$300,000	900–1,500 sf	\$200–\$206 psf
Luxury Condominiums	\$325,000–\$600,000	1,300–2,500 sf	\$240–\$250 psf
FOR-SALE (SINGLE-FAMILY ATTACHED)—			
Townhouses	\$200,000–\$325,000	1,050–1,750 sf	\$186–\$190 psf
FOR-SALE (SINGLE-FAMILY DETACHED)—			
Urban Houses	\$235,000–\$350,000	1,250–2,000 sf	\$175–\$188 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., 2010.

Table 5

Optimum Market Position--Market-Rate Dwelling Units
Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
June, 2010

<i>Percent of Units</i>	<i>Housing Type</i>	<i>Base Rent/Price Range*</i>	<i>Base Unit Size Range</i>	<i>Base Rent/Price Per Sq. Ft.*</i>	<i>Annual Market Capture</i>
55.0%	Multi-Family For-Rent				657 to 986 units
	Hard Lofts {Adaptive Re-Use} <i>Open Floorplans/1ba</i>	\$650 to \$1,350	550 to 1,200	\$1.13 to \$1.18	
	Soft Lofts {Adaptive Re-Use} <i>Studios to Two-Bedrooms</i>	\$800 to \$1,700	650 to 1,400	\$1.21 to \$1.23	
	Luxury Apartments {New Construction} <i>One- to Three-Bedrooms</i>	\$1,500 to \$3,000	950 to 2,000	\$1.50 to \$1.58	
25.7%	Multi-Family For-Sale				153 to 230 units
	Hard Lofts {Adaptive Re-Use} <i>Open Floorplans/1ba</i>	\$150,000 to \$225,000	850 to 1,350	\$167 to \$176	
	Soft Lofts {Adaptive Re-Use} <i>One- and Two-Bedrooms</i>	\$185,000 to \$300,000	900 to 1,500	\$200 to \$206	
	Luxury Condominiums {New Construction} <i>Two- and Three-Bedrooms</i>	\$325,000 to \$600,000	1,300 to 2,500	\$240 to \$250	
12.1%	Single-Family Attached For-Sale				73 to 109 units
	Townhouses <i>Two- and Three-Bedrooms</i>	\$200,000 to \$325,000	1,050 to 1,750	\$186 to \$190	
7.2%	Single-Family Detached For-Sale				43 to 65 units
	Urban Houses <i>Three-Bedrooms</i>	\$235,000 to \$350,000	1,250 to 2,000	\$175 to \$188	

NOTE: Base rents/prices in year 2010 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

The aforementioned rents and prices are in year 2010 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 Greater Downtown Detroit. With the exception of single-family units, parking is not included in the rents or prices; single-family prices include a one-car garage. For the most part (and depending on location), these rents and prices cannot be achieved by the development of one or two infill units, but require that projects be of sufficient size to achieve development efficiency and to support a high-impact marketing campaign. Location will also 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.

How fast will the units lease or sell?

—Market Capture—

As noted previously in this study, the current constrained market is characterized in many locations by reduced housing prices, high levels of unsold units, high levels of mortgage delinquencies and foreclosures, and restrictive mortgage underwriting and development finance. As also noted previously, these market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, they reduce the initial percentage of the potential market able to overcome those constraints.

After more than 22 years' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, over the near term, those households that prefer new construction, rather than previously lived-in units, currently represent between five and 10 percent of the potential market, given the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation.)

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

Based on a 10 percent capture of the potential market for new rental housing, and a five percent capture of the potential market for new for-sale housing units, the Greater Downtown Detroit study area—including the CBD, Midtown, New Center, and East and West Riverfront—should be able to support up to 926 new market-rate housing units in per year prior to the construction of the M1 light rail, as follows:

**Annual Capture of Market Potential
 Non –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)	6,570	10%	657
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	3,060	5%	153
For-Sale Single-Family Attached (townhouses/live-work, fee-simple ownership)	1,450	5%	73
For-Sale Single-Family Detached (urban houses, fee-simple ownership)	<u>860</u>	5%	<u>43</u>
Total	11,940		926

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Over five years, these capture rates support the creation of over 4,600 new dwelling units within the Greater Detroit Downtown Study Area.

However, once the light-rail line is constructed from Downtown through New Center, absorption of units at properties located within a quarter-mile walking distance of any of the 10 stations proposed for the Greater Downtown Study Area is likely to achieve higher capture rates than those outlined above, due to improved transportation cost efficiency and convenience, enabling the study area to achieve overall capture rates of 7.5 to 15 percent of the potential market per year.

Therefore, based on a 15 percent capture of the potential market for new rental housing, and a 7.5 percent capture of the potential market for new for-sale housing units, the Greater Downtown Detroit study area would be able to support up to 1,390 new market-rate housing units per year

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

(with the additional 463 absorbed units per year directly attributable to proximity to one of the 10 light rail stations) as follows:

**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)	6,570	15%	986
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	3,060	7.5%	230
For-Sale Single-Family Attached (townhouses/live-work, fee-simple ownership)	1,450	7.5%	109
For-Sale Single-Family Detached (urban houses, fee-simple ownership)	<u>860</u>	7.5%	<u>65</u>
Total	11,940		1,390

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Over five years, absorption of over 2,300 additional units would be directly attributable to locations within a quarter-mile walking distance of the light rail stations in Greater Downtown Detroit.

These capture rates do not include the impact of a completed light rail line that connects Greater Downtown with cities to the north, and with the airport and Ann Arbor to the west. At that point, and based on the experience of other cities—for example, Minneapolis and Dallas—that have constructed light rail lines, housing located along the completed line will rise in value and the transit “benefit” will extent to locations within a half-mile walk of a transit station.

These capture rates also do not include the impact of significant new location-specific incentives for employees and staff of the Detroit Medical Center and the Henry Ford Health System and for employees, staff and students of Wayne State University. These types of incentives could have a significant positive influence on capture rates of the potential market in locations within walking

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

distance of these institutions. However, the impact of these incentives will also depend on their structure, timing and marketing.

These capture rates of five 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.

This analysis examines market potential over the near term. Because of the dramatic changes in the composition of American households that has occurred since the 1990s (*see again* TARGET MARKET ANALYSIS *above*), and the likelihood that significant changes will continue, both the depth and breadth of the potential market for downtown and in-town living is likely to increase. The experience of other American cities has been that, once the downtown residential alternative has been securely established, the percentage of households that will consider downtown and in-town housing typically increases.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

—*Rental Distribution*—

The market-rate rent range covers leases by households with annual incomes ranging primarily between \$35,000 and \$85,000. A single-person household with an income of \$35,000 per year, paying no more than 25 percent of gross income for rent and utilities—the national standard for affordability is 30 percent—would qualify for a rent of \$650 per month. A two- or three-person household, with an income of \$150,000 per year, paying no more than 25 percent of gross income for rent and utilities, would qualify for a rent of \$3,000 per month.

Based on the target household mix for new market-rate rental units (*shown on* Table 6), and the incomes of the target households, the distribution by rent range of the 657 new rental units that could be absorbed each year over the near term in Greater Downtown Detroit is as follows:

Loft/Apartment Distribution by Rent Range
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

MONTHLY RENT RANGE	UNITS PER YEAR	PERCENTAGE
\$500–\$750	93	14.2%
\$750–\$1,000	96	14.6%
\$1,000–\$1,250	111	16.8%
\$1,250–\$1,500	105	16.0%
\$1,500–\$1,750	76	11.6%
\$1,750–\$2,000	54	8.2%
\$2,000–\$2,250	52	7.9%
\$2,250–\$2,500	36	5.5%
\$2,500 and up	<u>34</u>	<u>5.2%</u>
Total:	657	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

More than 45 percent of the market—predominantly younger singles and couples—for newly-created market-rate lofts/apartments in the Greater Downtown would be able to support monthly rents of up to \$1,250. In contrast, just over 18 percent of the market—mostly affluent older and younger singles and couples—would support monthly rents of \$2,000 or more.

Table 6

**Target Groups For New Multi-Family For-Rent
Greater Downtown Detroit**

City of Detroit, Wayne County, Michigan

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Share of Households</i>
Urban Establishment	250	3.8%
Cosmopolitan Elite	30	0.5%
Affluent Empty Nesters	10	0.2%
Suburban Establishment	30	0.5%
Cosmopolitan Couples	140	2.1%
Mainstream Retirees	30	0.5%
Middle-Class Move-Downs	180	2.7%
Middle-American Retirees	50	0.8%
Multi-Ethnic Retirees	210	3.2%
Subtotal:	930	14.2%
Traditional & Non-Traditional Families		
Unibox Transferees	10	0.2%
Late-Nest Suburbanites	10	0.2%
Full-Nest Suburbanites	20	0.3%
Full-Nest Urbanites	80	1.2%
Multi-Ethnic Families	50	0.8%
Blue-Collar Button-Downs	50	0.8%
Multi-Cultural Families	270	4.1%
Subtotal:	490	7.5%
Younger Singles & Couples		
The Entrepreneurs	70	1.1%
e-Types	280	4.3%
Fast-Track Professionals	160	2.4%
The VIPs	200	3.0%
Upscale Suburban Couples	210	3.2%
New Bohemians	720	11.0%
No-Nest Suburbanites	320	4.9%
Twentysomethings	400	6.1%
Suburban Achievers	440	6.7%
Urban Achievers	1,960	29.8%
Small-City Singles	390	5.9%
Subtotal:	5,150	78.4%
Total Households:	6,570	100.0%

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

—*For-Sale Distribution*—

The market-rate price range covers purchases by households with annual incomes ranging between \$50,000 and \$150,000 or more. A single-person household with an income of \$50,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest, taxes, insurance and utilities, would qualify for a mortgage of \$135,000 at 5.5 percent interest rates and 10 percent down, on a purchase price of \$150,000. A two- or three-person household with an income of \$150,000 per year under the same criteria would qualify for a mortgage of up to \$540,000.

Based on the target household mix for new for-sale lofts and apartments (*shown on* Table 7), and the incomes of the target households, the distribution by price range of the 153 market-rate for-sale lofts and apartments that could be absorbed each year over the near term in Greater Downtown Detroit is as follows:

Loft/Apartment Distribution by Price Range
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

PRICE RANGE	UNITS PER YEAR	PERCENTAGE
\$150,000–\$225,000	43	28.1%
\$225,000–\$300,000	43	28.1%
\$300,000–\$375,000	24	15.7%
\$375,000–\$450,000	16	10.5%
\$450,000–\$525,000	10	6.5%
\$525,000–\$600,000	9	5.9%
\$600,000 and up	<u>8</u>	<u>5.2%</u>
Total:	153	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Younger singles and couples comprise over 68 percent of the market for condominiums or lofts priced at \$300,000 or less; older couples 23 percent and compact families the remaining nine percent. Seven percent of the most expensive luxury apartments, priced at \$525,000 or more, are likely to be purchased by empty nesters and retirees, with 30 percent likely to be purchased by affluent younger couples.

Table 7

Target Groups For New Multi-Family For-Sale
Greater Downtown Detroit
City of Detroit, Wayne County, Michigan

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Share of Households</i>
Old Money	30	1.0%
Urban Establishment	320	10.5%
Cosmopolitan Elite	60	2.0%
Affluent Empty Nesters	30	1.0%
Suburban Establishment	20	0.7%
Cosmopolitan Couples	130	4.2%
Mainstream Retirees	20	0.7%
Middle-Class Move-Downs	90	2.9%
Middle-American Retirees	30	1.0%
Multi-Ethnic Retirees	110	3.6%
Subtotal:	840	27.5%
Traditional & Non-Traditional Families		
Unibox Transferees	10	0.3%
Full-Nest Urbanites	30	1.0%
Multi-Ethnic Families	10	0.3%
Blue-Collar Button-Downs	10	0.3%
Multi-Cultural Families	70	2.3%
Subtotal:	130	4.2%
Younger Singles & Couples		
The Entrepreneurs	120	3.9%
e-Types	140	4.6%
Fast-Track Professionals	110	3.6%
The VIPs	150	4.9%
Upscale Suburban Couples	120	3.9%
New Bohemians	210	6.9%
No-Nest Suburbanites	40	1.3%
Twentysomethings	140	4.6%
Suburban Achievers	610	19.9%
Urban Achievers	330	10.8%
Small-City Singles	120	3.9%
Subtotal:	2,090	68.3%
Total Households:	3,060	100.0%

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

Based on the target household mix for new townhouses (*shown on* Table 8) and the incomes of the target households, the distribution by price range of the 73 market-rate townhouse units that could be absorbed each year over the near term in Greater Downtown Detroit is as follows:

Townhouse Distribution by Price Range
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$200,000-\$225,000	20	27.4%
\$225,000-\$250,000	18	24.7%
\$250,000-\$275,000	15	20.5%
\$275,000-\$300,000	12	16.4%
\$300,000 and up	<u>8</u>	<u>11.0%</u>
Total:	73	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

In this case, younger singles and couples account for 45 percent of the market for townhouses priced at \$250,000 or less; empty nesters and retirees 37 percent; and small family households the remaining 18 percent. Of the townhouses priced at \$275,000 or more, 90 percent are likely to be purchased by an equal mix of empty nesters and retirees and affluent younger singles and couples, and the remainder by families.

Table 8

Target Groups For New Single-Family Attached For-Sale
Greater Downtown Detroit
City of Detroit, Wayne County, Michigan

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Share of Households</i>
Old Money	30	2.1%
Urban Establishment	140	9.7%
Cosmopolitan Elite	50	3.4%
Affluent Empty Nesters	20	1.4%
Suburban Establishment	30	2.1%
Cosmopolitan Couples	120	8.3%
Mainstream Retirees	10	0.7%
Middle-Class Move-Downs	50	3.4%
Middle-American Retirees	20	1.4%
Multi-Ethnic Retirees	90	6.2%
Subtotal:	560	38.6%
Traditional & Non-Traditional Families		
Unibox Transferees	20	1.4%
Late-Nest Suburbanites	10	0.7%
Full-Nest Suburbanites	10	0.7%
Full-Nest Urbanites	40	2.8%
Multi-Ethnic Families	10	0.7%
Blue-Collar Button-Downs	10	0.7%
Multi-Cultural Families	70	4.8%
Subtotal:	170	11.7%
Younger Singles & Couples		
The Entrepreneurs	120	8.3%
e-Types	60	4.1%
Fast-Track Professionals	80	5.5%
The VIPs	100	6.9%
Upscale Suburban Couples	60	4.1%
New Bohemians	50	3.4%
No-Nest Suburbanites	20	1.4%
Twentysomethings	50	3.4%
Suburban Achievers	90	6.2%
Urban Achievers	50	3.4%
Small-City Singles	40	2.8%
Subtotal:	720	49.7%
Total Households:	1,450	100.0%

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

Based on the target household mix for new urban houses (*shown on* Table 9) and the incomes of the target households, the distribution by price range of the 43 market-rate single-family detached units that could be absorbed each year over the near term in Greater Downtown Detroit is as follows:

Detached House Distribution by Price Range
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$200,000-\$225,000	7	15.3%
\$225,000-\$250,000	9	20.9%
\$250,000-\$275,000	9	20.9%
\$275,000-\$300,000	8	18.6%
\$300,000-\$325,000	6	14.0%
\$325,000 and up	<u>4</u>	<u>9.3%</u>
Total:	43	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

Younger households account for half the market for detached houses priced at \$250,000 or less; empty nesters and retirees and small family households evenly split the remaining 50 percent. Of the detached houses priced at \$300,000 or more, half are likely to be purchased by affluent younger singles and couples; 40 percent by older singles and couples, and the remaining 10 percent by families. Within the \$250,000-to-\$300,000 price band, older households represent a 47 percent plurality of the market.

Table 9

Target Groups For New Urban Single-Family Detached For-Sale
Greater Downtown Detroit
City of Detroit, Wayne County, Michigan

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Share of Households</i>
Old Money	30	3.5%
Urban Establishment	120	14.0%
Cosmopolitan Elite	40	4.7%
Affluent Empty Nesters	20	2.3%
Suburban Establishment	30	3.5%
Cosmopolitan Couples	60	7.0%
Middle-Class Move-Downs	90	10.5%
Subtotal:	390	45.3%
Traditional & Non-Traditional Families		
Unibox Transferees	20	2.3%
Late-Nest Suburbanites	20	2.3%
Full-Nest Suburbanites	10	1.2%
Full-Nest Urbanites	50	5.8%
Multi-Ethnic Families	20	2.3%
Blue-Collar Button-Downs	30	3.5%
Subtotal:	150	17.4%
Younger Singles & Couples		
The Entrepreneurs	40	4.7%
Fast-Track Professionals	20	2.3%
The VIPs	50	5.8%
Upscale Suburban Couples	70	8.1%
No-Nest Suburbanites	30	3.5%
Twentysomethings	40	4.7%
Suburban Achievers	70	8.1%
Subtotal:	320	37.2%
Total Households:	860	100.0%

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

GREATER DOWNTOWN HOUSING TYPES

Building and unit types most appropriate for Greater Downtown Detroit include:

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

The building's apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price.

- **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.

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

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

The building's loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. (Loft apartments can

also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

- **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.
- **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.
- **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.

- **Townhouse**: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from

an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.

- 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.

- Urban House: A two- to three-story single-family detached house on a narrow lot. The garage is located to the rear of the house and accessed from an alley or auto court. Urban houses also conform to the pattern of streets, typically with shallow front-yard setbacks or dooryards.

GREATER DOWNTOWN AMENITIES

Since the diversity, and social and cultural amenities of the city are one of the attractions of urban living, successful urban housing is not necessarily dependent upon the creation of extensive (and expensive) recreational amenities.

However, 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.

The lifestyle affinities and purchase propensities of the target household groups for Greater Downtown Detroit support the idea that extensive community amenities are not required. Most of the activities in which the potential market demonstrates the highest participation rates are natural for households with a propensity for urban living. In aggregate, although the prospective residents have lifestyles that do not include high participation rates in activities such as playing golf or tennis, they do have very strong interests in those activities that are typically only available in a downtown. Relevant activities in which these groups participate at rates at least 25 percent higher than the national average are, in order:

- Belong to health club (51 percent higher than the national average)
- Belong to an environmental organization (42 percent higher)
- Belong to a business club (39 percent higher)
- Attend live theater (39 percent higher)
- Belong to an arts association (35 percent higher)
- Go to concerts (35 percent higher)
- Go to the movies three to five times a month (33 percent higher)
- Go to museums (33 percent higher)
- Go bicycling (31 percent higher)

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.

The impact of the growth of urban bicycling should not be overlooked. Bicycle infrastructure ranges from well-designed bike lanes on key thoroughfares to physically-separated bike lanes in both urban and park/waterfront locations. 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. Transit, both bus and rail, should also accommodate bicycles.

—BUILDING AMENITIES—

Over 45 percent of the households that represent the target groups for the site currently either do not own a car or own only one car. However, potential purchasers are likely to own more cars than potential renters; therefore, from the perspective of the cost of providing parking, the higher percentage of rental units preferred by the market should enhance development efficiency. For maximum efficiency, parking cost in multi-family structures should be de-coupled from price or rent.

It is quite possible that, after the M1 light rail line is operational, values will have risen to the point where structured parking, particularly some form of robotic parking, can be supported for new residential buildings. However, it is also possible that demand for parking will be reduced with the successful introduction of light rail.

It is recommended that residents of Greater Downtown be surveyed for interest in Zipcar, CityCar, or another urban car share service, which can also reduce the parking requirements.

Bicycle parking should also be accommodated, with one space for every 10 units for short-term/visitor parking, and convenient secure storage for one bike for every five bedrooms for residents.

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.

All units should be wired for cable television and high-speed internet or, if practical, be served by a building-wide Wi-Fi system covered in the monthly fees.

Ceiling heights should be a minimum of nine feet (10 feet in the condominiums). The size and quality of windows will be important, particularly for those units with the potential for Detroit River views. One challenge will be to provide expansive views without adding to the HVAC load; calculated balcony overhangs could reduce afternoon cooling requirements on west-facing units.

Studios should have a sleeping alcove, or a sleeping area separated by partitions that run only partially to the ceiling.

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.

GREATER DOWNTOWN HOUSING STRATEGIES

As in 2002, an effective housing strategy to attract the target households includes both preservation of the built environment through adaptive re-use of existing buildings, and new residential construction to create housing and unit types under-represented in the Greater Downtown. Two key areas in the CBD—Grand Circus Park and Woodward Avenue between Grand Circus Park and Campus Martius Park—were cited as critical to the establishment of Downtown Detroit as a 24-hour city. In 2010, both areas have become attractive residential addresses, although a number of buildings fronting Grand Circus Park or along Woodward Avenue in the CBD remain undeveloped. A key priority should be to complete the redevelopment of these two critically important areas in the Central Business District through the conversion of remaining vacant buildings and new construction on vacant lots.

New priority areas within each subarea of Greater Downtown can be established by evaluating their potential relative to the four basic criteria for successful urban housing development or redevelopment: advantageous adjacency, building and/or land availability, potential for expansion, and anchors/linkage.

From the perspective of the potential market, three new priority areas would include:

- The Capitol Park area;
- Redevelopment of buildings/new construction around each proposed station area, particularly in the Lower Cass area of Midtown; and
- New development in the East Riverfront.

1. Advantageous adjacency: As noted in the 2002 study, it is critical to “build on strength,” not only to provide maximum support for any proposed housing initiatives, but also, conversely, so that housing initiatives will reinforce existing or proposed adjacent developments (commercial, retail, or residential).

The Capitol Park area: As the site of the original Michigan state capitol building, the Capitol Park and surrounding area is an historic district; until recently, the park had been the location of the downtown bus terminal, which has now been moved, and the park is now being improved.

The improved park will be a significant amenity for residents of adjacent buildings. The Griswold Building, which faces the park, is already a seniors apartment building. Three other buildings that face the park—the United Way Building, the Capital Park Building, and the Farwell Building—have been purchased by the Downtown Development Authority and the Michigan State Land Bank and represent opportunities for residential redevelopment.

Light rail station areas, particularly the Lower Cass area of Midtown: The market advantages of adjacency to transit are significant, typically yielding higher values and/or faster absorption.

East Riverfront: From the market perspective, the potential for Detroit River views all along the East Riverfront, as well as easy access to the Riverwalk and riverfront parks, make these areas highly desirable for residential development.

2. Building and/or land availability:

The Capitol Park area: As noted above, three buildings that face Capitol Park—the United Way Building, the Capital Park Building, and the Farwell Building—have been purchased by the Downtown Development Authority and the Michigan State Land Bank and represent opportunities for residential redevelopment.

Light rail station areas, particularly the Lower Cass area of Midtown: There are numerous city-owned vacant parcels along Woodward Avenue in the Lower Cass area of Midtown within a quarter-mile walking distance of transit.

East Riverfront: Multiple parcels are vacant or contain vacant buildings along the East Riverfront.

3. Potential for expansion:

The Capitol Park area: There will be at least three buildings available for redevelopment.

Light rail station areas, particularly Midtown: Again, there are numerous city-owned vacant parcels along Woodward Avenue in Midtown within a quarter-mile walking distance of transit, which means there is potential for expansion of redevelopment to adjacent/nearby blocks.

East Riverfront: Again, the number of parcels that are vacant or contain vacant buildings means there is significant potential for expansion.

4. Anchors/linkage:

The Capitol Park area: The Capitol Park area is situated between Washington Boulevard, location of the redeveloped Book Cadillac, and Woodward Avenue, where several residential redevelopments have been successful over the past several years. A thriving Capitol Park area will strengthen the west side of Downtown.

Light rail station areas, particularly the Lower Cass area of Midtown: New residential development on the west side of Woodward Avenue will support and enhance the residential development that has already occurred in Brush Park, as well as provide new housing opportunities for the students, employees and staff of Wayne State University, and the employees and staff of the Detroit Medical Center and the Henry Ford Health System.

East Riverfront: New residential development within the East Riverfront will anchor the neighborhood by providing “eyes on the street” and higher activity levels along the Riverwalk; new residential development will also serve to connect the existing residential areas of Rivertown and Harbortown with Downtown by filling in what are now empty blocks.

METHODOLOGY

The technical analysis of market potential for Greater Downtown Detroit included delineation of the draw areas and physical evaluation of the area and the surrounding context.

The delineation of the draw areas for housing within the City of Detroit was based on the most recent migration data for Wayne County, and incorporating additional data from the 2008 American Community Survey estimates for the City of Detroit, and other market dynamics.

The evaluation of market potential for the study area was derived from 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).

NOTE: The Appendix Tables referenced here are provided in a separate document.

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation 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 2008 American Community Survey for the City of Detroit.

Analysis of the current residences of the employees and staff of the Detroit Medical Center and Henry Ford Hospital, and the employees and students of Wayne State University undertaken by U3 Ventures of Philadelphia provides additional support for the conclusions of the migration analysis. Of the 46,630 employees and students included in the analysis, 31.8 percent currently live in the City of Detroit, 26.7 percent currently live in the balance of Wayne County, 25.9 percent currently live in Oakland County, and 15.6 percent currently live in Macomb County. If

the 26,548 WSU students are excluded from the analysis, the results are remarkably similar: 30.8 percent of all employees/staff currently live in Detroit, 26.6 percent currently live in the balance of Wayne County, 27.8 percent in Oakland County, and 14.9 percent in Macomb 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 2003 through 2007—shows that the county continued to experience significant out-migration throughout the study period, with net migration ranging from a loss of 9,815 households in 2003 to a loss of 15,155 households in 2007. (See Appendix One, Table 1.)

Annual in-migration into Wayne County held fairly steady over the study period, ranging from 20,290 households in 2006, (the lowest in-migrating total over the five years) to 21,865 households in 2003 (the highest in-migrating total). More than 54 percent of the county's in-migration is from the four adjacent counties of Oakland, Macomb, Washtenaw and Monroe. Annual out-migration from Wayne County has increased steadily from the low of 31,680 households in 2003 to the high of more than 36,500 households in 2007. Approximately half of the out-migration is to one of the four adjacent counties. Collectively, the majority of out-migration is to other counties in Michigan, the Midwest, or the South.

However, even though 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 migration data, then, the draw areas for the City of Detroit and the Greater Downtown Detroit study area have been delineated as follows:

- The primary draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, currently living within the Detroit city limits.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

- The local draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, currently living in the balance of Wayne County.
- The regional draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units and with the potential to move to the City of Detroit from Oakland, Macomb, Washtenaw and Monroe Counties.
- The national draw area, covering households with the financial capacities to rent or purchase market-rate dwelling units 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).

Anecdotal information obtained from real estate brokers, sales persons, leasing agents, and other knowledgeable sources corresponded to the migration data.

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.

TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. 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

Of the estimated 317,110 households living in the City of Detroit in 2009, 58.0 percent, or 183,840 households, had the capacity to rent or buy market-rate housing. (*Reference Appendix*

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

One, Table 2.) Median income within the city was estimated at \$31,400, approximately 39 percent lower than the national median of \$51,400. Median home value within the city was estimated at \$70,600, just 41 percent of the national median of \$172,400. More than 58 percent of the city's "market-rate" households could be characterized as traditional and non-traditional families, another 33.6 percent are empty nesters and retirees, and 7.8 percent are younger singles and couples.

Nearly 71 percent, or 509,600 households, of the estimated 721,175 households living in Wayne County in 2009 had the capacity to rent or buy market-rate housing. (*Reference* Appendix One, Table 3.) Median income within the county was estimated at \$43,600, approximately 15 percent below the national median. Median home value within the county was estimated at \$110,300, approximately 36 percent lower than the national median. Nearly 42 percent of Wayne County's "market-rate" households could be characterized as traditional and non-traditional families, another 39.6 percent are empty nesters and retiree, and the remaining 18.8 percent are younger singles and couples.

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 conventional 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 and lifestyle choices. Zimmerman/Volk Associates has refined the analysis of these

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

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. The most affluent of the 41 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.

DETERMINATION OF THE POTENTIAL MARKET FOR THE CITY OF DETROIT (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Detroit in the year 2011. The total number from each county is derived from historic 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, combined with Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

Using these data, Zimmerman/Volk Associates has determined that up to 18,940 households living in the City of Detroit, and with the capacity to rent or purchase market-rate housing, have the potential to move from one residence to another within the city in 2011. Over 62 percent of these households are likely to be family-oriented households (as characterized within six Zimmerman/Volk Associates' target market groups); another 26.8 percent are likely to be younger singles and couples (in eight market groups); and the remaining 11 percent are likely to be empty nesters and retirees (in five market groups).

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. Using these data, up to 12,080 households, currently living in the balance of Wayne County and with the capacity to rent or purchase market-rate housing, have the potential to move from a residence in the county to a residence in the City of Detroit in 2011. Approximately 49 percent of these households are likely to be younger singles and couples (in 12 market groups); 32 percent are likely to be traditional and non-traditional families (in nine groups); and the remaining 18.6 percent are likely to be empty nesters and retirees (in 11 groups).

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 number of households in each target market group living in each draw area county that is likely to move to the City of Detroit in 2011 (through a correlation of Claritas 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 in the year 2011 originating from households currently living in the draw areas. Up to 36,610 households with the potential to

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

rent or purchase market-rate housing have the potential to move within or to the City of Detroit in 2011. Compact traditional and non-traditional families (in 10 groups) are likely to account for 46.4 percent of these households, younger singles and couples (in 13 groups) another 40 percent, and with the remaining 13.7 percent likely to be empty nesters and retirees (in 12 groups).

The 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):	51.7%
Balance of Wayne County (Local Draw Area):	33.0%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	9.3%
Balance of US (National Draw Area):	<u>6.0%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

DETERMINATION OF THE POTENTIAL MARKET FOR GREATER DOWNTOWN DETROIT—

The total potential market for new market-rate housing units to be developed within existing buildings or new construction within Greater Downtown Detroit also includes the primary, local, regional, and national draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to the study area in a given year.

Appendix One, Tables 9 through 11.

Market Potential for Greater Downtown Detroit—

As derived by the target market methodology, more than 14,500 of the 36,610 households that represent the market for new and existing market-rate housing units in the City of Detroit are a market for new market-rate housing units within the Greater Downtown study area. (*See* Appendix One, Table 9.) Almost 64 percent of these households are likely to be younger singles and couples (in 11 market groups); another 26.7 percent are likely to be empty nesters and retirees (in 10 groups); and 9.5 percent are likely to be traditional and non-traditional family households (in eight groups).

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
 November, 2010

The distribution of the draw areas as a percentage of the market for Greater Downtown Detroit is:

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

City of Detroit (Primary Draw Area):	38.9%
Balance of Wayne County (Local Draw Area):	30.1%
Oakland, Macomb, Washtenaw and Monroe Counties (Regional Draw Area):	16.5%
Balance of US (National Draw Area):	<u>14.5%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2010.

The 14,510 draw area households that have the potential to move within or to the Greater Downtown study area in 2011 have been categorized by tenure propensities to determine renter/owner ratios. Approximately 45 percent of these households (or 6,570 households) comprise the potential market for new market-rate rentals. The remaining 55 percent (or 7,940 households) comprise the market for new market-rate for-sale (ownership) housing units. (*See Appendix One, Table 10.*)

Of these 7,940 households, 38.5 percent (or 3,060 households) comprise the market for market-rate multi-family for-sale units (condominium apartments and lofts); and another 18.3 percent (1,450 households) comprise the market for market-rate attached single-family (townhouse/live-work) units. The remaining 43.2 percent (or 3,430 households) comprise the market for all ranges and densities of market-rate single-family detached houses. (*See Appendix One, Table 11.*)

—Target Market Data—

Target market data are based on the 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 demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

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, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, 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

Greater Downtown Detroit
City of Detroit, Wayne County, Michigan
November, 2010

household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 “behaviors.”

Over the past 20 years, Zimmerman/Volk Associates has augmented the PRIZM cluster system 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 household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.



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ASSUMPTIONS AND LIMITATIONS—

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

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

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



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Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

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

