

T1



T2



T3



T4



T5



T6



DUANY PLATER-ZYBERK & CO.

Residential Market Potential

*for New Traditional Neighborhoods,
Neighborhood Centers,
Town Centers,
Urban Centers,
and The Urban Core*

Kent and Ottawa Counties, Michigan
October 2004
Conducted by
Zimmerman/Volk Associates Inc.
Clinton, New Jersey

An Executive Summary

Commissioned by:
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Research & Strategic Analysis

EXECUTIVE SUMMARY AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

Within

The Urban Core, Urban Centers, Town Centers

And

Neighborhood Centers/New Traditional Neighborhoods

Kent and Ottawa Counties, Michigan

October, 2004

INTRODUCTION

This study was undertaken on behalf of the Grand Valley Metro Council to determine the depth and breadth of the market for newly-introduced market-rate housing units—created both through the adaptive re-use of existing non-residential buildings as well as through new construction—to be leased or sold within traditional town and neighborhood centers within seven subregional planning associations in Kent and Ottawa Counties, Michigan (the Study Area).

For purposes of this study, traditional town and neighborhood centers will be defined as four types of compact development on the urban-to-rural transect: the urban core, urban centers, town centers and neighborhood centers/new traditional neighborhoods. T6, in this study, refers to the Urban Core—specifically, Downtown Grand Rapids. T5 refers to Urban Centers—specifically, medium-density, mixed-use neighborhoods surrounding the urban core. T4 refers to Town Centers—specifically, the medium- to low-density, mixed-use downtowns of smaller cities and towns located within rural and suburbanizing areas. T3 refers to Neighborhood Centers and New Traditional Neighborhoods—specifically, newly-constructed medium- to lower-density, mixed-use neighborhoods that could be located within rural and suburbanizing areas.

The Urban Core, Urban Centers, Town Centers, and
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REGIONAL MARKET POTENTIAL

From the market perspective, considerable demand exists for new housing within more compact forms of development. This analysis identifies those households with a preference for living in compact urban neighborhoods—ranging from Downtown Grand Rapids to new traditional neighborhoods—as distinguished from those segments of the region’s potential market that have preferences for low-density suburban and/or rural locations.

The depth and breadth of the regional potential market have been determined as follows:

- Approximately 78 percent of the market for new and existing market-rate housing units in the region are currently living in Kent and Ottawa Counties; the remainder of the potential market will be moving from Allegan and Muskegon Counties (four percent), or from elsewhere in the nation (18 percent).
- More than 33,300 households currently living in the defined draw areas comprise the annual potential market for new and existing market-rate housing units within the Grand Valley Metro Council Study Area.

The household groups that comprise the potential market are:

- Traditional and non-traditional families (the largest market segment), comprising 63 percent of the market for new and existing housing units in the region;
- Empty nesters and retirees (the second largest segment), representing between 23 percent of the market for new and existing housing units in the region; and
- Younger singles and childless couples (the smallest market segment), currently representing 14 percent of the market for new and existing housing units in the region.

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MARKET POTENTIAL FOR EACH OF THE TRANSECT ZONES _____

As determined by the target market methodology, which accounts for household mobility within Kent and Ottawa Counties as well as migration and mobility patterns for households currently living in all other cities and counties, in the year 2004, the number of households that represent the potential market for new and existing market-rate housing units within each of the four transect zones is as follows:

**Annual Housing Market Potential
For New and Existing Market-Rate Housing Units
THE GRAND VALLEY METRO COUNCIL STUDY AREA
*Kent and Ottawa Counties, Michigan***

TRANSECT ZONE	NUMBER
T6: Urban Core—	4,060
T5: Urban Centers—	10,260
T4: Town Centers—	11,210
T3: Neighborhood Centers/ New Traditional Neighborhoods—	8,760

NOTE: These numbers indicate the depth of the potential market for new and existing market-rate housing units in the Study Area, not housing demand. They are not cumulative, as households typically demonstrate preferences for more than one location

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

RESIDENTIAL MIX FOR EACH OF THE TRANSECT ZONES _____

The optimum mix of housing units within the region should be derived from the housing preferences and income levels of households moving from within the defined draw areas. The general housing types reflective of these housing preferences and income levels include:

- Multi-family for-rent (along with multi-family for-sale, the highest-density housing type; multiple rental apartments located within buildings ranging from mansion apartment buildings to mid- and/or high-rise apartment buildings);
- Multi-family for-sale (along with multi-family for-rent, the highest-density housing type; multiple for-sale apartments located within buildings ranging from mansion apartment buildings to mid- and/or high-rise apartment buildings);

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- Single-family attached (a medium-density housing type; duplexes, rowhouses or townhouses; two or more units attached horizontally and sold either fee simple or as condominiums or individually leased);
- Low-range single-family detached houses (the highest-density single-family housing type, typically developed on small lots and sold as fee simple, although in Michigan many are sold within site condominiums);
- Mid-range single-family detached houses (a medium-density single-family housing type); and
- High-range single-family detached houses (the lowest-density single-family housing type).

The housing preferences of the households can be arrayed as follows:

Housing Preferences
New and Existing Market-Rate Housing Units
THE GRAND VALLEY METRO COUNCIL STUDY AREA
Kent and Ottawa Counties, Michigan

AREA	. . . . MULTI-FAMILY		TOWNHOUSES	SINGLE-FAMILY DETACHED	TOTAL
	RENTAL	FOR-SALE			
<i>STUDYAREA</i>	7,660	2,610	2,860	20,180	33,310
<i>T6</i>	1,410	620	500	1,530	4,060
<i>T5</i>	2,900	1,090	1,050	5,220	10,260
<i>T4</i>	2,570	920	930	6,790	11,210
<i>T3</i>	2,000	730	730	5,300	8,760

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

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TARGET RESIDENTIAL MIX FOR EACH OF THE TRANSECT ZONES _____

Each of the development areas has specific characteristics that will affect the composition of the target market households (those who are the most likely renters/buyers) and, therefore, will also affect the appropriate housing types (those housing types that are most likely to attract the potential market).

In addition, these housing types must relate to the neighborhood context of each of the transect zones; for example, the highest densities should be located in T6: Urban Core and the lowest-densities should be located in T3: Neighborhood Centers/New Traditional Neighborhoods. Achieving this objective in each zone requires not only adherence to the target residential mixes and rent/pricing levels, but also excellent urban design and architecture. The critical importance of skillful urban design cannot be overemphasized. The urban design objective should be to establish or re-establish the network of streets and public spaces that not only link any new initiatives with existing assets but that, in themselves, become civic amenities.

**Appropriate Residential Mix
 New and Existing Market-Rate Housing Units
 THE GRAND VALLEY METRO COUNCIL STUDY AREA
*Kent and Ottawa Counties, Michigan***

AREA	. . . . MULTI-FAMILY		TOWNHOUSES	SINGLE-FAMILY	TOTAL
	RENTAL	FOR-SALE		DETACHED	
<i>T6</i>	1,410	620	500	—	2,530
<i>T5</i>	2,900	1,090	1,050	1,830	6,870
<i>T4</i>	2,570	920	930	3,400	7,820
<i>T3</i>	2,000	730	730	5,300	8,760

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MARKET-RATE RENT/PRICE RANGES FOR EACH OF THE TRANSECT ZONES _____

The recommended rent and price ranges and unit size ranges for new market-rate housing units within each transect zone has been placed within the context of the Grand Rapids housing market and has been derived from the housing propensities and economic capacities of the likely residents of each area with the objective of creating and/or supporting compact urban and traditional neighborhoods.

Base rents and prices are in 2004 dollars and have been positioned to fit within the affordability range of a significant number of the target households. However, depending on location, pricing for site-specific projects must strike a balance between velocity of leases/sales and neighborhood quality; market-entry rents/prices should be at levels to ensure immediate absorption, but not so low that the quality of the neighborhood is compromised.

**Rent, Price and Size Ranges
 Newly-Created Housing
 THE GRAND VALLEY METRO COUNCIL STUDY AREA
*Kent and Ottawa Counties, Michigan***

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
T6: THE URBAN CORE			
Rental—			
Hard Lofts*	\$650-\$1,800/month	500-1,500 sf	\$1.20-\$1.30 psf
Soft Lofts†	\$750-\$2,350/month	550-1,800 sf	\$1.31-\$1.36 psf
For-Sale—			
Hard Lofts*	\$110,000-\$225,000	700-1,500 sf	\$150-\$157 psf
Soft Lofts†	\$150,000-\$350,000	800-2,000 sf	\$175-\$188 psf
Rowhouses/Live-Work	\$250,000-\$400,000	1,400-2,400 sf	\$167-\$179 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 more finished than hard lofts, with the interiors partitioned into separate rooms.

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HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
T5: URBAN CENTERS			
Rental—			
Soft Lofts*	\$625-\$1,100/month	550-1,000 sf	\$1.10-\$1.14 psf
Mansion Apartments	\$725-\$1,400/month	625-1,250 sf	\$1.12-\$1.16 psf
For-Sale—			
Soft Lofts*	\$100,000-\$175,000	750-1,400 sf	\$125-\$133 psf
Mansion Apartments	\$125,000-\$195,000	850-1,600 sf	\$130-\$147 psf
Rowhouses/Live-Work	\$150,000-\$225,000	1,000-1,650 sf	\$136-\$150 psf
Urban Houses	\$185,000-\$275,000	1,200-2,000 sf	\$138-\$154 psf

* Unit interiors of “soft lofts” may or may not have high ceilings and are more finished than hard lofts, with the interiors partitioned into separate rooms.

T4: TOWN CENTERS			
Rental—			
Soft Lofts*	\$725-\$1,275/month	650-1,200 sf	\$1.06-\$1.12 psf
Mansion Apartments	\$850-\$1,450/month	750-1,350 sf	\$1.07-\$1.13 psf
For-Sale—			
Soft Lofts*	\$85,000-\$150,000	650-1,200 sf	\$125-\$131 psf
Mansion Apartments	\$135,000-\$185,000	950-1,350 sf	\$137-\$142 psf
Rowhouses/Live-Work	\$160,000-\$245,000	1,100-1,800 sf	\$136-\$145 psf
Urban Houses	\$200,000-\$295,000	1,400-2,200 sf	\$134-\$143 psf

* Unit interiors of “soft lofts” may or may not have high ceilings and are more finished than hard lofts, with the interiors partitioned into separate rooms.

T3: NEIGHBORHOOD CENTERS/NEW TRADITIONAL NEIGHBORHOODS			
Rental—			
Courtyard Apartments	\$800-\$1,600/month	650-1,350 sf	\$1.19-\$1.23 psf
Mansion Apartments	\$1,000-\$1,750/month	800-1,450 sf	\$1.21-\$1.25 psf
For-Sale—			
Mansion Apartments	\$115,000-\$200,000	800-1,450 sf	\$138-\$144 psf
Townhouse Over Flat	\$135,000-\$235,000	900-1,600 sf	\$147-\$150 psf
Rowhouses/Live-Work	\$140,000-\$240,000	950-1,650 sf	\$145-\$147 psf
Low-Range Detached Houses	\$195,000-\$275,000	1,250-1,850 sf	\$149-\$156 psf
Mid-Range Detached Houses	\$250,000-\$350,000	1,600-2,300 sf	\$152-\$156 psf
High-Range Detached Houses	\$375,000-\$500,000	2,400-3,300 sf	\$152-\$156 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

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MARKET CAPTURE FOR EACH OF THE TRANSECT ZONES

After over a decade's experience in cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, depending on housing type, an annual capture of between 10 and 15 percent of the potential market for new housing in each of the transect zone neighborhoods is achievable. Based on a 15 percent capture of the potential market for multi-family units, and a 10 percent capture of for-sale single-family attached and detached units, the number of units that can be supported annually within each of the transect zones is as follows:

Annual Capture of Market Potential
THE GRAND VALLEY METRO COUNCIL STUDY AREA
Kent and Ottawa Counties, Michigan

TRANSECT ZONE	. . . . APTS/LOFTS		ROWHOUSES	SINGLE-FAMILY DETACHED	TOTAL
	RENTAL	FOR-SALE			
<i>T6</i>	212	93	50	–	355
<i>T5</i>	435	164	105	183	887
<i>T4</i>	386	138	93	340	957
<i>T3</i>	300	110	73	530	1,013

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

Based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, more than one-quarter of the annual market potential of 355 new dwelling units in the urban core, or approximately 90 units per year, could be from households moving from outside Kent County. Up to 15 percent of the annual market potential of 887 new dwelling units in urban centers, or more than 130 units per year, could be from households moving from outside Kent County. Up to 20 percent of the annual market potential of 957 new dwelling units in town centers, or more than 190 units per year, could be from households moving from outside Kent County. Up to 25 percent of the annual market potential of 1,013 new dwelling units in neighborhood centers or new traditional neighborhoods, or more than

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250 units per year, could be from households moving from outside Kent County and eastern Ottawa County.

Over 10 years, the realization of that market potential could result in up to 6,600 households , at minimum, living in the urban core, urban centers, town centers, and neighborhood centers/new traditional neighborhoods within the Grand Valley Metro Council Study Area that moved from outside the region.



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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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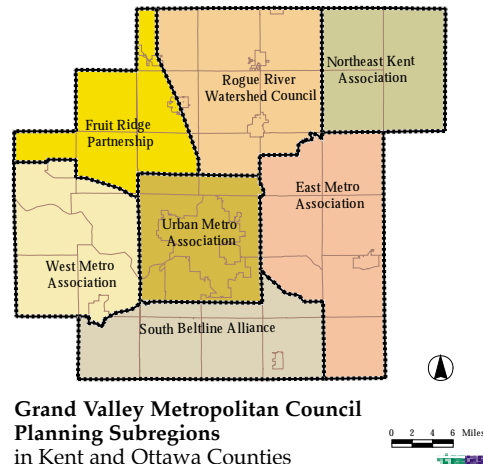
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RIGHTS AND STUDY OWNERSHIP—

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.



Grand Valley Metropolitan Council



**Grand Valley Metropolitan Council
Planning Subregions
in Kent and Ottawa Counties**

Grand Valley Metropolitan Council (GVMC) is an alliance of 33 governmental units in the Grand Rapids, Michigan metropolitan area. The Council is an authority under Section 6 of article IX of the 1963 Michigan Constitution.

Our Mission

The mission of the Grand Valley Metropolitan Council is to advance the current and future well-being of our metropolitan area by bringing together public and private sectors to cooperatively advocate, plan for, and coordinate the provision of services and investments which have environmental, economic and social impact.

- GVMC carries out regional land use and transportation planning in Kent and Eastern Ottawa County. *(All federally funded transportation projects are carried out in furtherance of the transportation and development plans adopted by the Council.)*
- The Council supports utility coordination and environmental efforts through its Regional Environmental Planning Agency.
- Watershed planning is carried out for the Rogue River Watershed Council and the Lower Grand River Watershed Council.
- GVMC is the host of one of the nation's largest cooperative geographic information systems (REGIS).
- The Council presents a united voice for West Michigan communities to the Michigan Legislature and the U.S. Congress.

Metropolitan Framework

Grand Valley Metro Council plans regionally for Kent and eastern Ottawa County through subregional collaboration.

The first result of this collaboration is the Interim Metropolitan Framework. The Framework consensus is for a large proportion of growth to be in form of walkable neighborhoods and towns; and preservation of the best natural lands and farmland. There was a region wide agreement that most growth should occur in the already urbanized areas. At this time the Metropolitan Framework is in a phase of refinement, completion and coordination — especially with transit plans.

Zimmerman/Volk Associates, Inc.

Zimmerman/Volk Associates, Inc. has a national reputation for innovative market analysis based on its proprietary target market methodology. The company specializes in the analysis of compact and sustainable development; mixed-income, mixed-tenure redevelopment; mixed-use urban revitalization; traditional neighborhood developments; and integrated-use master-planned communities.

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