AN UPDATE OF RESIDENTIAL MARKET POTENTIAL

Greater Downtown Detroit and the Central Business District

The City of Detroit, Wayne County, Michigan

May, 2017

INTRODUCTION

The purpose of this analysis is to update the depth and breadth of the potential market for new market-rate and affordable housing units within Greater Downtown Detroit, City of Detroit, Wayne County, Michigan. The most recent Downtown updates were published in April 2015, which included affordable as well as market-rate potential, and in May 2014, following the November 2010 update.

The neighborhoods included within the Greater Downtown Detroit Study Area remain the same as those outlined in 2015, 2014 and 2010, encompassing the Central Business District, the neighborhoods of Corktown, Rivertown, Lafayette Park, Eastern Market, Midtown (including Cass Park, Brush Park, North Cass, Detroit Medical Center, Wayne State University, and Art Center), Woodbridge, TechTown, and New Center. The Central Business District is bounded by Interstate 75 to the north, Interstate 375 to the east, the Detroit River to the south, and the John C. Lodge Freeway to the west.

The depth and breadth of the potential market for new housing units within the Greater Downtown Detroit Study Area have been updated using Zimmerman/Volk Associates' proprietary target market methodology. The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, life stage, lifestyle patterns, and household compatibility issues.

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

- Where the potential renters and buyers of new and existing housing units in the City of Detroit and the Greater Downtown Detroit Study Area are likely to move from (the draw areas);
- How many households have the potential to move within and to the city and the Study Area each year if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- Who the households are that represent the potential market for new units in the Study Area (the target markets);
- What their range of affordability is by housing type (income qualifications);
- What the market is currently able to pay to rent or purchase new dwelling units in the Greater Downtown Detroit Study Area (market-rate rent and price ranges); and
- How quickly the new units will lease or sell (absorption forecasts).

The target market methodology is described in detail in the METHODOLOGY AND TARGET MARKET TABLES document, provided separately.

ANNUAL MARKET POTENTIAL FOR THE CITY OF DETROIT

The extent and characteristics of the potential market for new residential units within the City of Detroit and the Downtown have been re-examined through detailed analysis of households living within the appropriate draw areas. These draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2015 American Community Survey for the City of Detroit.

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

Analysis of Wayne County migration and mobility patterns from 2010 through 2014—the most recent data available from the Internal Revenue Service—shows that although the county continued to experience significant loss of households throughout the study period, those losses have fallen from the largest loss of 15,155 households in 2007, as noted in the 2014 update, to a loss of just over 4,000 households in 2014, a steep decline of over 73.5 percent. (*Reference* Appendix One, Table 1.)

The number of households moving *into* the county peaked at 32,555 households in 2011, then fell substantially by 2014, to 21,020 households. Over the study period, annual *out*-migration from Wayne County has dropped to just over 25,000 households in 2014, the lowest number of out-migrating households over the study period.

Based on the updated migration and mobility data, the draw areas for the City of Detroit, the Greater Downtown Study Area and the Central Business District have been confirmed as follows:

- The primary draw area, covering all households currently living within the Detroit city limits.
- The local draw area, covering all households currently living in the balance of Wayne County.
- The regional draw area, covering all households that are likely to move to the City of Detroit from Oakland, Macomb, and Washtenaw Counties.
- The national draw area, covering all households with the potential to move to the City of Detroit from all other U.S. counties (primarily counties in Michigan and the Midwest).

As derived from the updated migration and mobility analyses, then, the draw area distribution of all households with the potential to move within or to the City of Detroit each year over the next five years is as follows (*see also* Appendix One, Table 8):

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

City of Detroit (Primary Draw Area):	53.4%
Balance of Wayne County (Local Draw Area):	26.8%
Oakland, Macomb, and Washtenaw Counties (Regional Draw Area):	10.0%
Balance of US (National Draw Area):	9.8%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

How many households have the potential to move within and to the city each year?

As determined by the target market methodology, which accounts for household mobility within the City of Detroit, as well as migration and mobility patterns for households currently living in all other counties, an average of 66,400 households (up from 64,920 households in 2015) represent the annual potential market for new and existing housing units within the city each year over the next five years.

ANNUAL MARKET POTENTIAL FOR THE GREATER DOWNTOWN DETROIT STUDY AREA

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

As in the previous updates, the target market methodology identifies those households with a preference for living in downtowns and in-town neighborhoods. After discounting for those segments of the city's potential market that typically choose suburban and/or rural locations, the distribution of draw area market potential for new and existing dwelling units within Greater Downtown Detroit in general and the Central Business District in specific would be as follows (*see also* Appendix One, Table 9):

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

City of Detroit (Primary Draw Area):	27.6%
Balance of Wayne County (Local Draw Area):	37.6%
Oakland, Macomb, and Washtenaw Counties (Regional Draw Area):	17.1%
Balance of US (National Draw Area):	17.7%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Approximately 73 percent of the target households will be moving to the Study Area from outside the Detroit city limits.

How many households have the potential to move within and to the Greater Downtown Detroit Study Area each year?

Based on the updated analysis, which accounts for household mobility within the City of Detroit and the balance of Wayne County, as well as migration and mobility patterns for households currently living in all other cities and counties, an annual average of 22,020 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families of all incomes represent the potential market for new and existing housing units within Greater Downtown Detroit each year over the next five years, a 5.25 percent increase in the size of the annual potential market.

What are their housing preferences in aggregate?

The protracted ownership housing slump since 2008 has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households, yielding a higher share of consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical less than a decade ago. At the same time, there continues to be a significant shift in preferences from suburban subdivisions toward mixed-use, walkable neighborhoods.

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

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)	12,550	57.0%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	3,790	17.2%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	2,950	13.4%
Single-family detached for-sale (houses, fee-simple ownership)	2,730	12.4%
Total	22,020	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Approximately 57 percent of the 22,020 target households comprise the market for rental dwelling units; some are renters by choice; many, however, would prefer to own but cannot afford the type of housing they want in neighborhoods where they would consider living. Younger people in particular are challenged by the burden of significant education debt as well as lack of an adequate down payment.

The remaining 43 percent of the market would choose some form of ownership housing (nearly eight percentage points below the current estimated homeownership rate in the city of 50.8 percent). Just under 29 percent of the annual potential ownership market would prefer single-family detached units—currently, an estimated 65.2 percent of Detroit's housing stock is comprised of single-family detached houses. The remaining 71 percent of the ownership market would choose for-sale single-family attached (duplexes/townhouses/live-work units) or multi-family units (condominium/co-operative units).

What is their range of affordability by housing type?

The 22,020 households that represent the annual potential market for new and existing housing units in Greater Downtown Detroit have also been segmented by income, based on the Detroit-Warren-Livonia HMFA median family income (AMI), which, for fiscal year 2017 is $68,600 for a family of four; this study examines affordability based on the following general income groupings:

- Households with incomes below 30 percent AMI (the majority of these households typically qualify only for public housing or older existing units);
- Households with incomes between 30 and 60 percent of AMI (these households typically qualify for low-income housing tax credit units, existing affordable rental housing, or heavily subsidized ownership housing);
- Households with incomes between 60 and 80 percent of AMI (these households typically qualify for new workforce or affordable rental housing or subsidized ownership housing);
- Households with incomes between 80 and 100 percent AMI (these households typically qualify for existing market-rate rentals or new workforce or affordable for-sale housing); and
- Households with incomes above 100 percent AMI (these households generally have sufficient incomes to rent or purchase market-rate housing).

The combined tenure and housing type preferences and financial capabilities of the 20,935 target households are shown on the table on the following page (*reference again* Table 1):

Tenure/Housing Type Propensities by Income
Annual Average Market Potential For New and Existing Housing Units
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

Housing Type	Households Number	Households Percent
Multi-family for-rent (lofts/apartments, leaseholder)	12,550	57.0%
< 30% AMI	1,280	5.8%
30% to 60% AMI	1,410	6.4%
60% to 80% AMI	1,670	7.6%
80% to 100% AMI	3,060	13.9%
> 100% AMI	5,130	23.3%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	3,790	17.2%
< 30% AMI	150	0.7%
30% to 60% AMI	200	0.9%
60% to 80% AMI	355	1.6%
80% to 100% AMI	760	3.5%
> 100% AMI	2,325	10.5%
Single-family attached for-sale (townhouses, fee-simple ownership)	2,950	13.4%
< 30% AMI	205	0.9%
30% to 60% AMI	190	0.8%
60% to 80% AMI	365	1.7%
80% to 100% AMI	615	2.8%
> 100% AMI	1,575	7.2%
Single-family detached for-sale (houses, fee-simple ownership)	2,730	12.4%
< 30% AMI	75	0.3%
30% to 60% AMI	230	1.0%
60% to 80% AMI	430	2.0%
80% to 100% AMI	725	3.3%
> 100% AMI	1,270	5.8%
Total	22,020	

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Summarizing the incomes and financial capabilities of the 22,020 target households that represent the annual potential market for new units in Greater Downtown Detroit, 7.8 percent (1,710 households) have incomes at 30 percent or less than the AMI; 9.2 percent (2,030 households) have incomes between 30 and 60 percent AMI; 12.8 percent (2,820 households) have incomes between 60 and 80 percent AMI; 23.4 percent (5,160 households) have incomes between 80 and 100 percent AMI; and 46.8 percent (10,300 households) have incomes above 100 percent AMI.

What is the market currently able to pay to rent or purchase new dwelling units in the Greater Downtown Detroit Study Area?

Because of the significant subsidies required to enable households with incomes below 30 percent AMI to rent or own newly-constructed housing, those households have not been included in the more detailed analysis of the potential market which follows. Limited to households with incomes above 30 percent AMI, then, an annual average of 20,310 households currently living in the defined draw areas represents the pool of potential renters/buyers of new and existing housing units within Greater Downtown Detroit each year over the next five years.

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

Therefore, this analysis has determined that, focusing only on households in groups with median incomes at or above 30 percent AMI <u>and</u> with a preference for multi-family rental and for-sale units, an annual average of 14,910 households currently living in the defined draw areas represent the pool of potential renters/buyers of new (new construction and/or adaptive re-use of non-residential structures) and existing housing units within Greater Downtown Detroit each year over the next five years. As derived from the tenure preferences of those draw area households, the distribution of rental and for-sale multi-family housing types would be as shown on the table on the following page:

Annual Potential Market for New and Existing Housing Units
Incomes At or Above 30 Percent AMI
Multi-Family 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)	11,270	75.6%
30% to 80% AMI	3,080	20.7%
> 80% AMI (market-rate)	8,190	54.9%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	3,640	24.4%
30% to 80% AMI	555	3.7%
> 80% AMI (market-rate)	3,085	20.7%
Total	14,910	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Approximately 24.4 percent (3,685 households) of the target households have incomes between 30 and 80 percent AMI, and 75.6 percent (11,275 households) have incomes above 80 percent AMI.

—Multi-Family For-Rent Distribution by Rent Range—

The rents and price points for new market-rate housing units that could be developed in the Greater Downtown Detroit Study Area are derived from the income and financial capabilities of those target households with incomes at or above 80 percent of AMI. Households with incomes below that threshold typically qualify for income-qualified or subsidized units.

The number of households falling within the specified rent ranges detailed on the tables below was determined by calculating a monthly rental payment—excluding utilities and not exceeding 25 percent of annual gross income—for each of the 8,190 households with incomes above 80 percent of the AMI that represent the annual potential market and for each of the 3,080 households with incomes between 30 percent and 80 percent AMI. It is likely that many younger households will pay up to 40 percent of annual gross incomes in rent.

An annual total of 8,190 households with incomes above 80 percent of the AMI represent the target markets for newly-constructed *market-rate* rental housing units in Greater Downtown Detroit (*as shown on* Table 2). The distribution by rent range of the rents those 8,190 households could support are summarized as follows:

New Multi-Family For Rent
Distribution by Rent Range
Households with Incomes At or Above 80 Percent AMI
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$750–$1,000	830	10.1%
$1,000–$1,250	1,250	15.3%
$1,250–$1,500	1,705	20.8%
$1,500–$1,750	1,675	20.5%
$1,750–$2,000	965	11.8%
$2,000–$2,250	665	8.1%
$2,250–$2,500	520	6.3%
$2,500–$2,750	335	4.1%
$2,750 and up	245	3.0%
Total:	8,190	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

- The largest group of households that represent the market for new market-rate rental units in the Greater Downtown Detroit Study Area are younger singles and couples at more than 77 percent of the market. Approximately 12.5 percent would be able to afford rents at or above $2,250 per month; over 45 percent of these households represent the market for units with rents between $1,500 and $2,250 per month; and the remaining 54.6 percent would require rents between $750 and $1,500 per month.
- Empty nesters and retirees represent 15.7 percent of the market for new market-rate rental units. Approximately one quarter of these households could afford new units with rents above $2,250 per month and 44 percent could afford new units with rents between $1,500 and $2,250 per month. The remaining 31 percent represent the market for units with rents between $750 and $1,500 per month.
- Traditional and non-traditional families comprise approximately seven percent of the market for new market-rate rental units. Just over 11 percent of the family market can afford rents greater than $2,250 per month; a third can afford rents between $1,500 and $2,250 per month; and 56 percent would require rents between $750 and $1,500 per month.

A total of 3,080 households with incomes between 30 and 80 percent of the AMI represent the target markets for newly-constructed *affordable* rental housing units in the Greater Downtown

Detroit Study Area (*see again* Table 2). The distribution by rent range of the rents those 3,080 households could support would be summarized as follows:

Distribution by Rent Range
Target Groups for New Multi-Family For Rent
Households with Incomes Between 30 Percent and 80 Percent AMI
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

MONTHLY RENT RANGE	UNITS PER YEAR	PERCENTAGE
$350–$400	465	15.1%
$400–$550	600	19.5%
$550–$700	755	24.5%
$700–$850	860	27.9%
$850-$1,000	400	13.0%
Total:	3,080	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

- At a 76.7 percent share, younger singles and couples represent the largest market for newly-constructed affordable rental units in the Greater Downtown Detroit Study Area. Approximately 12.6 percent would be able to afford rents over $850 per month; the majority, nearly 55 percent, would represent the market for units with rents between $550 and $850 per month; and the remaining 32.6 percent would require rents between $350 and $550 per month.
- Empty nesters and retirees represent the second largest market, at 12.5 percent, for new affordable rental units in Greater Downtown Detroit. Just over 23 percent of the empty nester and retiree market could afford rents over $850 per month; another 26 percent could pay rents $550 and $850 per month; and the majority, nearly 51 percent, would require rents between $350 and $550 per month.
- At 10.7 percent of the market, traditional and non-traditional families are the smallest market for new affordable rentals in Greater Downtown Detroit. Just three percent of these households can afford rents over $850 per month; nearly two-thirds can afford rents can afford rents between $550 and $850 per month, and the remaining 30 percent can only afford rents between $350 and $550 per month.

—Multi-Family For-Sale Distribution by Price Range—

For the for-sale distribution of multi-family units (condominiums), the number of households by price range was determined by assuming a down payment (subsidized or otherwise) of 20 percent and then calculating monthly mortgage payments, including taxes and utilities, that would not exceed 30 percent of the annual gross income of the target households.

The realization of the full market potential for new for-sale multi-family units is still challenging over the short term, given continued restrictive development financing and mortgage underwriting for condominiums by financial institutions; the disinterest of many younger households in becoming owners; the fact that some otherwise-qualified households, particularly current renters, lack the funds for a down payment; and the inability of many older owner households to sell their existing homes even at reduced prices.

A total of 3,085 households with incomes above 80 percent of the AMI represent the target markets for newly-constructed *market-rate* multi-family for-sale (condominium) housing units in Greater Downtown Detroit (*as shown on* Table 3). The distribution by price range of the prices those 3,085 households could support would be summarized as follows:

Distribution by Price Range
Target Groups for New Multi-Family For Sale
Households with Incomes At or Above 80 Percent AMI
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$100,000–$150,000	305	9.9%
$150,000–$200,000	580	18.8%
$200,000–$250,000	705	22.9%
$250,000–$300,000	600	19.4%
$300,000–$350,000	425	13.8%
$350,000–$400,000	265	8.6%
$400,000–$450,000	145	4.7%
$450,000 and up	60	1.9%
Total:	3,085	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

- Younger singles and couples are also the largest segment of the market for new multi-family for-sale units (condominiums), at 62.7 percent of the market. Just 7.5 percent have the capacity to purchase new condominiums with base prices above $400,000. Another 42.9 percent would be able to purchase condominiums priced between $250,000 and $400,000. Just under half of this segment are younger households who would only be able to afford units priced between $100,000 and $250,000.
- The next largest group, empty nesters and retirees, comprises slightly less than a third of the market for this housing type. Nearly 41 percent of the empty nester and retiree market would be in the market for new condominiums with base prices between $250,000 and $400,000, but only 3.7 percent could afford new units priced above $400,000. The majority of this market, 55.6 percent, would be limited to condominium units priced between $100,000 and $250,000.
- Family households—predominantly non-traditional families—represent 4.4 percent of the market for new market-rate multi-family for-sale units. Nearly 41 percent of the family market would be in the market for new condominiums with base prices between $250,000 and $400,000, but only 3.7 percent could afford units priced above $400,000. The remaining 56 percent could only afford condominium units priced between $100,000 and $250,000.

Just 555 households with incomes between 30 percent and 80 percent of the AMI represent the target markets for newly-constructed *affordable* multi-family for-sale (condominium) housing units in the Greater Downtown Detroit Study Area (*see again* Table 3). For these units, the assumption is that the 20 percent down payment would be subsidized. The distribution by price range of the prices those 555 households could support would therefore be summarized as follows:

Distribution by Price Range
Target Groups for New Multi-Family For Sale
Households with Incomes Between 30 Percent and 80 Percent AMI
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
$50,000–$75,000	110	19.8%
$75,000–$100,000	90	16.2%

$100,000–$125,000	195	35.2%
$125,000–$150,000	95	17.1%
$150,000–$175,000	65	11.7%
Total:	555	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

- Younger singles and couples are also the largest segment of the market for newly-constructed affordable multi-family for-sale units (condominiums) in Greater Downtown Detroit, at 58.6 percent of the market. Approximately 31 percent of this market could only afford to purchase condominiums priced between $50,000 and $100,000; just 7.7 percent would be able to afford units priced between $150,000 and $175,000. The largest segment of the market, 61.5 percent, are younger households who could afford to pay for condominiums priced between $100,000 and $150,000.
- The next largest group, empty nesters and retirees, comprises just under 30 percent of the market for newly-constructed affordable condominiums in the Greater Downtown Detroit Study Area. Approximately 36 percent of this segment would be limited to new affordable condominiums with base prices between $50,000 and $100,000, and another 24 percent could afford new units priced between $150,000 and $175,000. The remaining 39 percent could afford new condominium units priced between $100,000 and $150,000.
- Family households—predominantly non-traditional families—represent 11.7 percent of the market for newly-constructed affordable multi-family for-sale units. Approximately 62 percent of these households could only afford newly-constructed affordable condominium units priced between $50,000 and $100,000, and the remaining 38 percent would be able to purchase new units between $100,000 and $150,000.

TARGET MARKET ANALYSIS

Who are the households that represent the potential market for new units in the Study Area?

As determined by the target market analysis, the general market segments, by life stage and household type, that represent the potential market for new and existing housing units in the Greater Downtown Detroit Study Area include (*see also* Table 4):

- Younger singles and childless couples—including young professionals, office, government and retail workers, knowledge workers, as well as students and other young college, university and hospital-related employees (65.8 percent);

- Empty nesters and retirees, some with incomes from social security alone, others who also have pensions, savings and investments, and the remainder who are still working (24.5 percent); and

- Traditional and non-traditional family households, of which a significant number are single parents with one or two children, as well as traditional family household heads who are government employees, including small business owners and private-sector employees, or affiliated with one of the hospitals or educational/cultural institutions located in the city (9.7 percent).

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

Affordability continues to be a challenge for the influx of young people that are just entering the job market and are living on their own for the first time. This challenge can be addressed in part by the introduction of smaller, less expensive units.

Just over seven percent of the younger singles and couples that comprise the target markets for the Greater Downtown Study Area have incomes that fall below 30 percent of AMI. If they are employed, these households, for the most part *Working-Class Singles, Blue-Collar Singles* and *Soul City Singles*, work in part-time or lower-paying jobs, including entry-level retail, such as store clerks, and service occupations, such as waiters and waitresses; many are students.

Another 22.6 percent of the households in this market segment have incomes that fall within the 30-to-60 percent and 60-to-80 percent income bands. These include young artists and artisans, recent college graduates just beginning their white-collar careers, lower-level medical personnel, and general office workers in the target groups of *New Bohemians*, *Urban Achievers*, *Suburban Achievers*, and *Small-City Singles* as well as *Working-Class Singles, Blue-Collar Singles* and *Soul City Singles*, who have full-time or higher-paying employment.

The remaining 70 percent of the younger singles and couples have incomes that are above 80 percent of the AMI. These include the target groups of *e-Types, The Entrepreneurs, The VIPs, Fast-Track Professionals, Twentysomethings,* and *Upscale Suburban Couples*, as well as more affluent *New Bohemians,* who are engaged in a variety of freelance entrepreneurships; mid- and upper-level office workers; academic and hospital affiliates, including graduate students at Wayne State University as well as employees of the Detroit Medical Center and Henry Ford Health System; and more established artists and artisans.

Approximately 23.1 percent of the younger singles and couples moving to the Study Area would be moving from elsewhere in the city; 38.4 percent would be moving from elsewhere in Wayne County; 20.1 percent would be moving from Oakland, Washtenaw or Macomb Counties, and the remaining 18.3 percent would be moving from elsewhere in the U.S.

The next largest general market segment, at 24.5 percent of the annual potential market, is comprised of older households (empty nesters and retirees). A significant number of these target households have grown children who have recently moved out of the family home; another large percentage are retired.

In this general market segment, approximately 5.5 percent have incomes below 30 percent of AMI: older singles and couples struggling on limited incomes, mostly from social security, nearly all of whom are living in substandard housing. These households include *Downtown Retirees*, *Multi-Ethnic Seniors* and *Second City Seniors*.

Another 18.7 percent of the older target households have incomes between 30 and 80 percent of the area median. These households, including *Multi-Ethnic Retirees*, *No-Nest Suburbanites, Blue-Collar Retirees, Suburban Retirees,* and *Blue-Collar Empty Nesters*, will move to dwelling units that require less upkeep and maintenance expense, but if given appropriate housing options, will choose to remain in their current neighborhoods.

Older households with incomes above 80 percent of AMI comprise almost 76 percent of the target empty nester and retiree market segment. These older singles and couples are enthusiastic participants in community life—*Urban Establishment, Cosmopolitan Elite, Old Money*, and *Suburban Establishment*—and most are still actively involved in well-paying careers in the medical, legal, financial professions as well as academia—*Affluent Empty Nesters, Mainstream Retirees, Cosmopolitan Couples* and *Middle-Class Move-Downs*.

Just under a third of the empty nesters and retirees would be moving from elsewhere within the City of Detroit; another 44.9 percent would be moving from elsewhere in Wayne County; 14.2 percent would be moving from the region; and the remaining 7.8 percent would be moving from elsewhere in the U.S.

Family-oriented households represent just under 10 percent of the market for new housing units within the Greater Downtown Detroit Study Area. An increasing percentage of family-oriented households are non-traditional families, notably single parents with one to three children. Non-traditional families, which, starting in the 1990s, have become an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single mother or father with one or more children, an adult taking care of younger siblings, a grandparent responsible for grandchildren, to an unrelated couple of the same gender with children. In the 1950s, the "traditional family household" comprised more than 65 percent of all American households. That demographic has now fallen to less than 22 percent of all American households (approximately 10 percent in Detroit). Households with children are now increasingly diverse and, in some areas, are largely non-traditional families. Nearly 54 percent of the family households that are the target markets for the Greater Downtown are renters, not homeowners.

Just under 16 percent of the family households that comprise the annual potential market for the Greater Downtown Detroit Study Area have incomes below 30 percent of AMI and are typically spending more than 40 percent of their incomes on housing costs. Many of these households are single-parent families—*Inner-City Families*, *Single-Parent Families, In-Town Families* and the less affluent of the *Working-Class Families*—struggling to make ends meet.

Another 26.9 percent of the family-oriented households have incomes that fall within the 30-to-60 and 60-to-80 percent income bands, including the *Blue-Collar Button-Downs, Multi-Ethnic Families*, and *Multi-Cultural Families* market groups. A significant number of the heads of household in these family groups are automotive workers, or hold other production and blue-collar employment.

The remaining 57.4 percent of the traditional and non-traditional families have incomes above 80 percent of AMI. These households are, in large part, dual-income households, with medical careers; academic positions; middle- to upper-middle management jobs; and professionals in the financial and legal sectors. These households include *Full-Nest Urbanites*, *Unibox Transferees, Nouveau Money, Late-Nest Suburbanites*, and *Full-Nest Suburbanites* moving into the Study Area to be closer to employment.

Nearly 45 percent of these households are already living in the City of Detroit, and just under 14 percent are currently living elsewhere in Wayne County. Another 3.7 percent would be moving to the Study Area from the region, and the remaining 37.9 percent would be moving to Greater Downtown Detroit from elsewhere in the U.S., particularly other counties dominated by a large city, including Cook County, Illinois (Chicago); Maricopa County, Arizona (Phoenix); Los Angeles County, California; and Fulton County, Georgia (Atlanta) among many others.

The primary target groups, their median and range of incomes, and median home values, in 2017 dollars, are:

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

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
Old Money	$145,900	$100,000–$250,000	$371,200
Urban Establishment	$112,000	$75,000–$150,000	$292,500
Cosmopolitan Elite	$100,800	$75,000–$140,000	$170,900
Suburban Establishment	$90,800	$65,000–$135,000	$158,500
Affluent Empty Nesters	$89,500	$60,000–$140,000	$168,600
Cosmopolitan Couples	$73,200	$55,000–$110,000	$163,600
Middle-Class Move-Downs	$66,800	$45,000–$105,000	$106,300
Mainstream Retirees	$66,300	$50,000–$100,000	$123,600
No-Nest Suburbanites	$63,700	$45,000–$90,000	$99,100
Middle-American Retirees	$62,300	$40,000–$90,000	$84,800
Multi-Ethnic Retirees	$53,300	$40,000–$75,000	$87,000
Blue-Collar Retirees	$50,800	$40,000–$65,000	$78,600
Suburban Retirees	$43,900	$35,000–$55,000	$66,200
Hometown Retirees	$36,300	$25,000–$50,000	$73,100
Second City Seniors	$34,300	$25,000–$45,000	$55,200
Downtown Retirees	$26,000	$15,000–$40,000	$59,100
Multi-Ethnic Seniors	$23,500	$15,000–$35,000	$52,600
Suburban Seniors	$22,600	$12,500–$30,000	$51,100
Traditional & Non-Traditional Families			
Nouveau Money	$138,500	$90,000–$175,000	$274,600
Unibox Transferees	$108,700	$80,000–$165,000	$167,800
Late-Nest Suburbanites	$104,000	$75,000–$135,000	$156,700
Full-Nest Suburbanites	$90,400	$60,000–$130,000	$128,100
Full-Nest Urbanites	$90,200	$65,000–$125,000	$154,100
Multi-Ethnic Families	$67,500	$50,000–$95,000	$97,900
Blue-Cotton Button-Downs	$64,000	$55,000–$90,000	$95,100
Multi-Cultural Families	$46,000	$35,000–$65,000	$132,600
Working-Class Families	$43,500	$30,000–$60,000	$66,400
In-Town Families	$41,300	$25,000–$55,000	$66,200
Inner-City Families	$39,500	$25,000–$55,000	$95,900

Single-Parent Families	$22,400	$10,000–$40,000	$56,400

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Household Type	Median Income	Broad Income Range	Median Home Value (if owned)
Younger Singles & Couples			
The Entrepreneurs	$129,500	$75,000–$195,000	$234,600
e-Types	$113,400	$60,000–$165,000	$237,800
The VIPs	$95,400	$55,000–$155,000	$161,900
Fast-Track Professionals	$93,800	$55,000–$150,000	$178,100
Upscale Suburban Couples	$85,500	$50,000–$120,000	$127,000
New Bohemians	$90,800	$45,000–$140,000	$237,800
Twentysomethings	$66,300	$50,000–$105,000	$114,800
Suburban Achievers	$61,900	$40,000–$95,000	$86,400
Small-City Singles	$51,400	$35,000–$70,000	$87,100
Urban Achievers	$46,800	$35,000–$65,000	$160,900
Working-Class Singles	$40,500	$35,000–$65,000	$79,000
Blue-Collar Singles	$37,600	$25,000–$45,000	$65,100
Soul City Singles	$31,700	$15,000–$40,000	$86,200

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., 2017.

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

THE CURRENT CONTEXT

What are the alternatives?
—Multi-Family Rental Properties—

In March and April 2017, Zimmerman/Volk Associates compiled data from a variety of sources, including telephone interviews, individual property and rental websites, the Downtown Detroit Partnership and Midtown Detroit, Inc., on 72 benchmark rental properties, representing just under 8,450 rental apartments and lofts in and around Greater Downtown Detroit. (*See* Table 5 *and* Maps 1 *through* 6 *following the text*.) Many of these properties are investment-grade assets. Most were built, renovated or created through adaptive re-use of commercial buildings since 2002, although new construction is becoming more prevalent as existing buildings are converted. Property size ranges from just four units to approximately 850 units. Nearly all are at functional full occupancy, at 95 percent or more occupied. It is clear the rental market continues to be extremely strong, and rents have increased significantly in just three years.

Construction of new units has still lagged behind absorption forecasts. In the 2014 update, and based on a capture rate of 12 percent of the annual rental market, it was projected that, at minimum, up to 884 new rental units per year could be absorbed in the Greater Downtown Study Area over a five-year period, of which an annual 310 units could be absorbed in the core Downtown, another annual 310 units could be absorbed in Midtown, and an annual 264 units could be absorbed in the other neighborhoods of Greater Downtown. At those annual absorption paces, over three years, 930 units could be absorbed in both Downtown and Midtown and 792 in the other neighborhoods.

Based on the findings of this survey, since the 2014 update, just under 760 rental units have been introduced to the market in the core Downtown (between 170 and 200 units less than the forecast). In addition to the new 530 rental units included in the Midtown survey (approximately 400 units less than the forecast), another 770 new units of student housing, affordable housing, and other restricted units have been developed since 2014. More than 460 units have been developed in other Greater Downtown neighborhoods (approximately 330 units less than the forecast), or approximately 750 to 1,000 rental units less than the forecast for Greater Downtown.

In terms of pricing, the more than 1,600 new market-rate rental units that have been introduced since 2014 cover a broad rent range (*see individual submarket discussion on the following pages for greater detail*), ranging from $725 per month for a studio (at 25 percent of annual income, affordable to a single person earning $34,800 per year, below the HUD fiscal limit of $37,450 for a single person at 80 percent AMI) to almost $3,700 for a three-bedroom apartment, which, based on the same criteria, would require an annual income of more than $175,000.

With the exception of the microloft component (with rents proposed for between $600 and $900 per month), the rents of the newly-introduced Downtown units follow the 2014 optimum market position pricing (proposed between $750 and $3,500 per month) almost precisely. In general, the number of units produced in each configuration and rent range also reflect the 2014 optimum market position.

When the affordable housing units, student units, and other specialized or restricted units that have been developed since 2014 are included in the total, approximately 76 percent of all the new units are market-rate and 24 percent are affordable or restricted units.

Currently, nearly 7,400 new dwelling units have been proposed for development over the next few years within the Greater Downtown Study Area. Of these, more than 880 are additions to Wayne State University student housing, and approximately 150 are proposed as for-sale housing, leaving just under 6,350 new market-rate and affordable rental units in the pipeline for development.

Based on the market capture forecasts in this study (see MARKET CAPTURE following this section), now that the QLINE is in operation, Greater Downtown Detroit should be able to absorb up to 1,947 new market-rate rental and for-sale multi-family units and up to 672 new *workforce/affordable* multi-family and single-family attached and detached housing units per year over the next five years—more than 2,600 total units per year.

The absorption forecast of 2,600 units per year indicates that 7,400 new dwelling units, developed within the Greater Downtown Study Area, could be absorbed in just under three years. Based on current plans, approximately 76 percent of the proposed new units are likely to be market-rate and 24 percent are likely to be affordable or restricted units.

Walk Score, a number between 0 and 100 denoting the walkability of a specific address or neighborhood, has grown in importance as a value criterion. Walk Scores above 90 indicate a "Walker's Paradise," where daily errands do not require a car. Walk Scores between 70 and 90 are considered to be very walkable, where most errands can be accomplished on foot. Walk Scores below 50 indicate that most or almost all errands require an automobile.

The Walk Scores of the surveyed rental properties in Downtown Detroit range between 90 and 99, with several properties registering a Walk Score of 99. Midtown properties also score very well, with a range of 77 to 98.

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

Downtown:
- 25 Properties
- 2,621 Units
- 350 to 2,231 square feet
- $600 to $3,699 per month
- $0.72 to $4.76 (corporate apt.) per square foot

Corktown:
- 2 Properties
- 113 Units
- 550 to 1,200 square feet
- $650 to $1,370 per month
- $1.08 to $1.31 per square foot

Rivertown (East and West Riverfront):
- 7 Properties
- 1,650 Units
- 550 to 5,075 square feet
- $600 to $10,927 per month
- $0.63 to $3.07 per square foot

Lafayette Park:
- 8 Properties
- 1,928 Units
- 414 to 1,800 square feet
- $720 to $2,330 per month
- $0.87 to $1.83 per square foot

Midtown:
- 21 Properties
- 1,545 Units
- 330 to 2,200 square feet
- $525 to $2,924 per month
- $0.89 to $3.97 per square foot

New Center:
- 7 Properties
- 492 Units
- 336 to 1,400 square feet
- $400 to $2,500 per month
- $0.57 to $2.00 per square foot

Eastern Market:
- 1 Property
- 50 Units
- 745 to 3,300 square feet
- $775 to $3,850 per month
- $1.04 to $1.48 per square foot

Research Park West/Woodbridge:
- 1 Property
- 42 Units
- 700 square feet
- $875 per month
- $1.25 per square foot

Twenty-five properties included in the survey are located in the Central Business District. Since 2014, eight new projects have been developed or renovated since the last study—the Town Residences on First Street, Briggs Houze on West Adams, The Ashley on Centre Street, the Capitol Park Lofts, Detroit Savings Bank, Griswold Capitol Park, the Malcomson Building on Griswold, and the Farwell Building, which is currently being renovated and is also on Griswold. Five are still in the initial lease-up phase. All are adaptive re-use of existing older buildings, adding 714 new residential units to the CBD.

Even with the addition of more than 700 new housing units in three years, only a very few units are available at any one time, and several of the properties continue to have waiting lists.

Rents for studios at the eight new properties currently range from $725 per month for a 400-square-foot flat ($1.81 per square foot) at the Town Residences, which is leasing units as they are renovated, to $1,243 per month for a 606-square-foot studio ($1.97) at Detroit Savings Bank. The rent range for one-bedroom apartments starts at $940 per month for 425 square feet of living space ($2.21 per square foot) at the Ashley, and reaches $2,146 for 794 square feet ($2.70 per square foot) at Griswold Capitol Park.

The least expensive two-bedroom apartment is also at the Ashley, starting at $1,075 per month for a 625-square-foot unit ($1.72), and the most expensive is a two-bedroom apartment, also at Griswold Capitol Park, which leases for $3,357 per month for 1,314 square feet ($2.55 per square foot). Only Griswold Capitol Park and the Malcomson contain three bedroom apartments. Three-bedroom rents at Griswold Capitol Park range between $3,542 and $3,699 per month for 1,552 square feet ($2.28 to $2.38 per square foot). At the Malcomson, the three-bedroom units contain 950 square feet and lease for $1,810 per month ($1.91 per square foot).

In Corktown, the 63-unit Coat Factory Lofts on West Fort Street were introduced in 2010. The loft units range in size from approximately 600 to 1,200 square feet, and lease for approximately $1.14 to $1.31 per square foot, or $786 to $1,370 per month. At the time of the survey, one unit had just been vacated, resulting in a 98 percent occupancy rate.

Two new construction rental properties have been introduced along the Detroit riverfront since 2014—Orleans Landing on Orleans Street and Waters Edge, part of the Harbortown development, on East Jefferson Avenue. Orleans Landing is still in the initial lease-up phase, and is the only property renting live-work units, which contain 1,237 square feet of live-work space and lease for $2,530 per month ($2.05 per square foot). Rents for one-bedroom apartments range from $1,430 per month for 661 square feet to $1,635 per month for 670 square feet (($2.16 to $2.44 per square foot). Two-bedroom flats lease for $1,800 per month for 987 square feet of living space ($1.82 per square foot), and two-bedroom/two-and-a-half bath townhouses range in size from 1,514 to 1,544 square feet renting for $2,950 to $3,320 per month ($1.95 to $2.15).

The 134 apartments at Waters Edge include one-, two-, and three-bedroom units; only five units were unoccupied at the time of the survey. One-bedroom apartments are priced at $1,532 to $1,725 per month for 850 to 1,015 square feet of living space ($1.70 to $1.80 per square foot); two-bedroom/two-bath units contain 1,175 square feet and lease for $1,703 to $1,924 per month ($1.45 to $1.64 per square foot). The three-bedroom/two-bath apartments contain between 1,470 and 1,660 square feet and rent for $2,058 and up per month ($1.40 per square foot).

One new rental property—DuCharme Place, on East Lafayette Street in Lafayette Park—is also new construction and has recently begun leasing its 185 units. Studios rent for $1,075 and up, and contain 640 to 674 square feet of living space ($1.59 to $1.68). Rents for one-bedroom apartments range between $1,275 and $1,390 per month for 796 to 885 square feet of living space ($1.57 to $1.60 per square foot). Two-bedroom apartments with one bath contain 897 to 1,018 square feet and are leasing for $1,575 to $1.785 per month ($1.75 to $1.76 per square foot). Two bedroom apartments with two baths are slightly larger and slightly more expensive, with asking rents ranging between $1,685 and $1,895 to 975 to 1,162-square-foot units ($1.63 to $1.73 per square foot).

Of the 21 apartment communities included in the survey and located in the Midtown area, eight—Kirby Center Lofts on East Kirby Street, the Brentwood on Prentis Street, Finn Apartments on Selden Street, the Scott at Brush Park on Woodward Avenue, Rainer Court on West Alexandrine Street, Forest Arms on Second Avenue, the Strathmore, also on West Alexandrine Street, and Williamson House on West Forest—have been introduced since 2014. Nearly all are fully occupied.

Rents for studios at the eight new properties currently range from $750 per month for a 500-square-foot flat ($1.50 per square foot) at the Kirby Center Lofts to $1,024 per month for a 797-square-foot studio ($1.28) at the Scott at Brush Park. The rent range for one-bedroom apartments starts at $800 per month for 575 square feet of living space ($1.39 per square foot) at the Brentwood, and reaches $2,800 for 705 square feet ($3.97 per square foot) at the Scott.

The least expensive two-bedroom apartment is at Forest Arms, starting at $1,300 per month for a 700-square-foot unit with one bath ($1.86), and the most expensive is a two-bedroom/two-bath apartment, at the Scott, which leases for $2,643 per month for 1,360 square feet ($1.94 per square foot). Only the Scott contains three bedroom apartments, which range between $2,765 and $2,924 per month for 1,090 to 1,126 square feet ($2.54 to $2.60 per square foot).

New Center is the location of seven surveyed properties, one of which—Regis Houze on West Grand Avenue—began leasing in 2016. Only one unit was unoccupied at the time of the survey. Rents at

Regis Houze average $2.00 per square foot and include $620 to $730 per month for 310-to 365-square-foot studios; $998 to $1,140 per month for 500- to 600-square-foot one-bedrooms, and $1,740 per month for an 870-square-foot two-bedroom apartment.

Two rental properties, one located in Eastern Market and one in Research Park West/Woodbridge, were also included in the 2014 survey; both are at 100 percent occupancy.

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

In contrast to the booming rental market, for-sale units that are currently on the market in April 2017 are largely re-sales with a limited number of new development projects recently introduced to the market. (*See* Table 6 *following the text.*) Financing challenges, from both the developer and consumer perspectives, following the housing collapse of the Great Recession, continues to be the principal reason for the lack of for-sale activity. In 2010, 41 individual for-sale apartments, lofts and townhouses in 16 properties located in and around Greater Downtown Detroit were on the market. In 2017, 77 individual units in 25 separate properties were listed by the Multiple Listing Service in and around Greater Downtown.

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

Downtown:

- 1 Property
- 1 listed penthouse unit
- 2,625 square feet
- $2,495,000
- $950 per square foot

Lafayette Park/Elmwood Park:

- 5 Properties
- 22 listed units
- 739 and 1,700 square feet
- $47,995 to $374,900
- $41 to $268 per square foot

Rivertown (East and West Riverfront):

- 8 Properties (one new project)
- 19 listed units
- 713 to 4,000 square feet
- $12,000 to $1,400,000
- $9 to $350 per square foot

Midtown/New Center:

- 13 Properties (two new properties)
- 24 listed units
- 800 to 4,371 square feet
- $154,900 to $675,000
- $146 to $363 per square foot

The only unit listed on the Multiple Listing Service and located in Downtown is at the Residences at the Westin Book Cadillac, where the penthouse is on the market for $2,495,000 for 2,625 square feet of living space with three bedrooms and two-and-a-half baths. The asking price per square foot is $950.

Nineteen units are currently listed through Multiple Listing Service in Rivertown (Riverfront East and West). Four of the 19 condominiums are for sale at Garden Court, 2900 East Jefferson Avenue, for prices ranging between $175,000 for a 764-square-foot one-bedroom apartment to $375,000 for a 2,883-square-foot two-bedroom/two-and-a-half bath unit (a range of $117 to $229 per square foot).

Three one-bedroom condominiums are for sale at The Lofts at Rivertown, at 6533 East Jefferson, priced between $154,900 for 782 square feet of living space ($198 per square foot) and $275,000 for a unit containing 1,146 square feet ($240 per square foot).

Just two units are advertised at Harbortown, both two-bedrooms—one is priced at $210,000 for 1,090 square feet of living space ($193 per square foot) and the other at $249,900 containing 1,100 square feet ($227 per square foot).

Franklin Lofts is a new development located at 2987 Franklin Street marketing six lofts, with unit sizes ranging from just over 2,100 to 4,000 square feet. Asking prices start at $485,000 with the largest unit priced at $1.4 million ($230 to $350 per square foot). At the time of the survey, none of the condominiums had been sold.

Four other properties each have just one unit on the market. A 713-square-foot one-bedroom condominium is priced at $249,000 ($349 per square foot) at 1001 West Jefferson; a two-bedroom/two-bath unit containing 1,150 square feet has an asking price of $340,000 at 300 Riverfront Drive ($303 per square foot); a two-bedroom/two-and-a-half bath townhouse at 675 St. Maron Street contains 1,305 square feet and is priced at $12,000 ($9 per square foot); and a 2,070-square-foot, two-bedroom/two-bath unit at 200 River Place Lofts is on the market for $599,00 ($289 per square foot).

Five properties in Lafayette Park/Elmwood Park have a total of 22 individual listings as of April 2017. Thirteen of the listings are located at 1300 East Lafayette in Lafayette Park, with asking prices ranging from $47,995 for a one-bedroom/one-bath unit to $195,000 for a three-bedroom/two-bath model ($41 to $174 per square foot). Four Mies van der Rohe townhouses, also in Lafayette Park, are on the market; all have 1,400 square feet of living space, and asking prices range between $320,000 and $374,900 ($229 to $268 per square foot).

Five townhouses in Elmwood Park are on the market, priced between just $29,900 for a 1,200-square-foot two-bedroom/one-and-a-half bath townhouse in the Hyde Park Condominiums, to $198,000 for 1,700 square feet of living space for a 1,700-square-foot townhouse located in the Bradby of Elmwood Park development on Village Drive.

Thirty-five condominiums are on the market at 14 properties in Midtown/New Center. The majority of the condominiums for sale are single re-sale listings, with a range of asking prices starting at $175,000 (three bedrooms and one bath) in New Center to $394,500 for a one-bedroom/one-bath penthouse unit containing 1,087 square feet in the Canfield Lofts (a general range of $146 to $363 per square foot).

Two units are currently available in Brush Park—an 890-square-foot one-bedroom priced at $199,000 ($224 per square foot), and a 1,250-square-foot two-bedroom/one-and-a-half bath unit priced at $219,900 ($169 per square foot), and Carola Condominiums—a 900-square-foot one-bedroom priced at $209,900 ($233 per square foot), and a 1,300-square-foot one-bedroom/one-bath unit priced at $219,900 ($169 per square foot).

Two units each are also on the market at Carlton Lofts, Garden Lofts at Woodward Place, Stuber Stone Lofts, a mansion in Brush Park, and 3148 John R. These range in price between $342,100 for just over a thousand square feet of living space (one bedroom, one-and-a-half bath) and $470,000 for more than 1,700 square feet (two bedrooms, two-and-a-half baths), with asking prices per square foot at $266 to $363.

A newly-opened condominium property, the renovated Milwaukee Lofts in New Center, contains four lofts with the smallest unit a one-bedroom/one bath loft containing just under 1,000 square feet and priced at $249,900 ($264 per square foot), and the largest a two-bedroom/two-and-a-half bath unit priced at $499,000 for 2,428 square feet of living space. None of the units had been sold as of April 2017.

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

How fast will new units lease or sell?

In the context of the target market methodology, and given the considerable momentum in Greater Downtown Detroit, new rental development (including adaptive re-use of existing non-residential buildings as well as new construction) in Greater Downtown Detroit should now be able to achieve an annual capture of 12 to 15 percent of the potential renter households over the next five years.

Given current economic conditions, and the relatively unchanged market for new for-sale housing over the near term, Zimmerman/Volk Associates has determined that an annual capture of approximately eight to nine percent of the potential owner households is still achievable in Greater Downtown Detroit over the next five years. (Nationally, prior to the housing collapse in 2008, new dwelling units represented 15 percent of all units sold; over the past year, new dwelling units have represented approximately 10 percent of all units sold.)

—Market Capture of Households With Incomes at or Above 80 Percent AMI—

Based on a 12 to 15 percent capture of the potential market for new rental housing, and an eight to nine percent capture of the potential market for new for-sale housing units, Greater Downtown Detroit should be able to absorb between 1,230 and 1,507 new market-rate multi-family rental and for-sale housing units per year over the next five years, as follows:

Annual Capture of Market Potential
Households With Incomes At Or Above 80 Percent AMI
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)	8,190	12 – 15%	983 – 1,229
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	3,085	8 – 9%	247 – 278
Total	11,275		1,230 – 1,507

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Over five years, these capture rates support the construction and absorption of between 6,150 and 7,535 new market-rate multi-family dwelling units within the Greater Detroit Downtown Study Area.

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

Annual Capture of Market Potential
Households With Incomes At Or Above 80 Percent AMI
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

Housing Type	Number of New Units	Capture Rate	Number of New Units
Rental Multi-Family (lofts/apartments, leaseholder)	983 – 1,229	35%	344 – 430
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	247 – 278	35%	86 – 97
Total	1,230 – 1,507		430 – 527

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Over five years, these capture rates support the construction and absorption of between 2,150 and 2,635 new market-rate multi-family housing units within the core Downtown (Central Business District).

Midtown should also capture approximately 35 percent of the annual market potential (between 344 and 430 rental units and between 86 and 97 condominiums), with 30 percent (between 370 and 453 total units per year, or between 295 and 369 rental units and 75 and 84 condominiums) captured by the remaining neighborhoods of Greater Downtown.

Once the QLINE (formerly known as the M-1 Streetcar) is fully operational from the core Downtown to New Center, properties located within a quarter-mile walking distance of any of the 20 stations proposed for the initial 3.3 mile line are likely to achieve higher capture rates than those outlined above, due to improved transportation cost efficiency and convenience for potential residents.

Given the value placed upon access to transit by potential residents, a 20 percent capture of the potential market for new multi-family rental housing, and a 10 percent capture of the potential market for new multi-family for-sale housing units, is achievable. The Greater Downtown Detroit study area would be able to absorb up to 1,947 new market-rate multi-family rental and for-sale housing units per year (with the additional 440 to 717 absorbed units per year directly attributable to proximity to one of the 20 QLINE rail stations along Woodward Avenue) as shown on the following table:

Annual Capture of Market Potential
Transit-Oriented Development
Households With Incomes At Or Above 80 Percent AMI
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)	8,190	20%	1,638
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	3,085	10%	309
Total	11,275		1,947

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Over five years, absorption of the additional 440 to 717 units per year requires situating multi-family buildings within a half-mile walking distance of the QLINE rail stations in Greater Downtown Detroit. Because the QLINE runs through the core Downtown (Central Business District), Midtown, and New Center, those areas are likely to capture most of the transit-oriented market potential, with Downtown and Midtown each capturing 35 percent, and New Center 20 percent. The annual capture for Downtown Detroit is therefore forecast as follows:

Annual Capture of Market Potential
Households With Incomes At Or Above 80 Percent AMI
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

Housing Type	Number of New Units	Capture Rate	Number of New Units
Rental Multi-Family (lofts/apartments, leaseholder)	1,638	35%	573
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	309	35%	108
Total	1,947		681

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

The 35 per cent market share, due to transit proximity, supports the construction and absorption of an additional 154 to 251 new multi-family housing units per year over the next five years within the core Downtown (an additional 770 to 1,255 new multi-family housing units over a five-year timeframe).

Due to its transit proximity, Midtown should also capture an additional 154 to 251 new multi-family housing units per year over the next five years (an additional 770 to 1,255 new multi-family housing units over a five-year timeframe).

At a 20 percent market share, and due to its transit proximity, New Center should capture an additional 88 to 144 new multi-family housing units per year over the next five years (an additional 440 to 720 new multi-family housing units over a five-year timeframe). At a 10 percent market share, because of its significantly lower transit proximity, the remaining neighborhoods of Greater Downtown should capture an additional 44 to 72 new multi-family housing units per year over the next five years (an additional 220 to 360 new multi-family housing units over a five-year timeframe).

—Market Capture of Households With Incomes Between 30 and 80 Percent AMI—

Based on those same capture rates—12 to 15 percent for new rental units, and eight to nine percent for new for-sale units—the Greater Downtown should be able to absorb an annual average of between 315 and 416 new *workforce/affordable* multi-family and single-family attached and detached housing units per year over the next five years, as shown on the table on the following page:

Annual Capture of Market Potential
Households With Incomes Between 30 and 80 Percent AMI
GREATER DOWNTOWN DETROIT
City of Detroit, Wayne County, Michigan

Housing Type	Number of Households	Capture Rate	Number of New Units
Multi-family for-rent (lofts/apartments, leaseholder)	3,080	12% - 15%	370 - 462
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	555	8% - 9%	44 - 50
Total	3,635		414 - 512

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Over five years, these capture rates support the construction and absorption of between 2,070 and 2,560 new workforce/affordable multi-family dwelling units within the Greater Detroit Downtown Study Area.

As with the market-rate potential, the core Downtown (Central Business District) is likely to capture at least 35 percent of that annual workforce/affordable absorption, as follows:

Annual Capture of Market Potential
Households With Incomes Between 30 and 80 Percent AMI
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	NUMBER OF NEW UNITS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	370 – 462	35%	130 – 162
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	44 – 50	35%	15 – 18
Total	414 – 512		145 – 180

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Over five years, these capture rates support the construction and absorption of between 725 and 900 new *workforce/affordable* multi-family housing units within the core Downtown (Central Business District).

Again, Midtown should also capture approximately 35 percent of the annual market potential (between 130 and 162 rental units and between 15 and 18 condominiums), with the remaining 30 percent (between 124 and 152 total units per year, or between 110 and 138 rental units and 14 condominiums) captured each year by the remaining neighborhoods of Greater Downtown.

The 20 percent capture of the potential market for new workforce/affordable multi-family rental housing, and the 10 percent capture of the potential market for new workforce/affordable multi-family for-sale housing units, is also achievable. The Greater Downtown Detroit study area would be able to absorb up to 672 new workforce/affordable multi-family rental and for-sale housing units per year (with the additional 160 to 258 absorbed units per year directly attributable to proximity to one of the 20 QLINE rail stations along Woodward Avenue) as shown on the table following this page:

Annual Capture of Market Potential
Transit-Oriented Development
Households With Incomes Between 30 and 80 Percent AMI
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)	3,080	20%	616
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	555	10%	56
Total	3,635		672

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

Because the QLINE runs through the core Downtown (Central Business District), Midtown, and New Center, those areas are likely to capture most of the transit-oriented market potential, with Downtown and Midtown each capturing 35 percent, and New Center 20 percent. The annual capture for Downtown Detroit is therefore forecast as follows:

Annual Capture of Market Potential
Households With Incomes Between 30 and 80 Percent AMI
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

Housing Type	Number of New Units	Capture Rate	Number of New Units
Rental Multi-Family (lofts/apartments, leaseholder)	616	35%	216
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	56	35%	20
Total	672		236

SOURCE: Zimmerman/Volk Associates, Inc., 2017.

The 35 per cent market share, due to transit proximity, supports the construction and absorption of an <u>additional</u> 56 to 91 new workforce/affordable multi-family housing units per year over the next five years within the core Downtown (an <u>additional</u> 280 to 455 new workforce/affordable multi-family housing units over a five-year timeframe).

Due to its transit proximity, Midtown should also capture an additional 56 to 91 new workforce/affordable multi-family housing units per year over the next five years (an additional 280 to 455 new workforce/affordable multi-family housing units over a five-year timeframe).

At a 20 percent market share, and due to its transit proximity, New Center should capture an additional 32 to 52 new workforce/affordable multi-family housing units per year over the next five years (an additional 160 to 258 new workforce/affordable multi-family housing units over a five-year timeframe). At a 10 percent market share, because of its significantly lower transit proximity, the remaining neighborhoods of Greater Downtown should capture an additional 16 to 26 new workforce/affordable multi-family housing units per year over the next five years (an additional 80 to 129 new workforce/affordable multi-family housing units over a five-year timeframe).

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

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

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

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

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

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

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

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

- The Live Downtown/Midtown incentive program, which ended in 2016: Employees of several businesses—Blue Cross Blue Shield of Michigan, Compuware, DTE Energy, Marketing Associates, Quicken Loans and Strategic Staffing Solutions—were eligible for financial incentives to live near their work.

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

  As of the end of the five-year program, more than 2,000 people benefitted from one of the incentives. A citywide program is being launched in 2018.

- Major employment growth: Downtown Detroit is now home to 85,000 employees; more than 13,000 employees were added to the Downtown workforce between 2010 and 2014.

- New 45-block entertainment district: In February 2014, the Detroit City Council transferred all city-owned land within the district—which comprises a largely vacant and dilapidated portion of the lower Cass Corridor—to the Downtown Development Authority, which, in partnership with Olympia Development of Michigan, is building a $450 million entertainment complex anchored by a new hockey arena.

- The QLINE: Groundbreaking began in 2014 on the rebuilding of 3.3 miles of Woodward Avenue, from Adams Street in Downtown past West Grand Boulevard in New Center, to accommodate the new streetcars. The 20 stations along Woodward Avenue enhance opportunities for transit-oriented development in Downtown, Midtown and New Center.

- New retail/shopping opportunities: Since 2010, numerous restaurants and shops have opened in Greater Downtown Detroit. One of the most important was the opening of the 21,000-square-foot Whole Foods Market at the corner of Woodward and Mack in

June 2013. A grocery store is one of the most highly desired amenities of Downtown residents, and sales at the store have exceeded expectations.

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

What is the market currently able to pay?
—Market-Rate Rent and Price Ranges—

The optimum market position for new market-rate rental and for-sale multi-family housing units in Downtown Detroit has been updated based on the tenure preferences of draw area households and their income and financial capabilities. The updated optimum market position for 3,400 newly-developed market-rate multi-family residential units is as follows (*see also* Table 7):

Rent, Price and Size Ranges: 3,400 Dwelling Units
Newly-Created Housing (Adaptive Re-Use and New Construction)
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Microlofts	$750–$1,050/month	300–450 sf	$2.33–$2.50 psf
Open Lofts *	$850–$1,600/month	500–1,000 sf	$1.60–$1.70 psf
Apartments {Soft lofts†}	$1,150–$2,200/month	550–1,350 sf	$1.63–$2.09 psf
Luxury Apartments	$1,950–$4,000/month	750–1,800 sf	$2.22–$2.60 psf
FOR-SALE (MULTI-FAMILY)—			
Open Lofts *	$165,000–$250,000	750–1,350 sf	$185–$220 psf
Apartments {Soft lofts†}	$225,000–$325,000	900–1,450 sf	$224–$250 psf
Luxury Condominiums	$385,000–$650,000	1,200–2,100 sf	$310–$321 psf

* Unit interiors of industrial 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., 2017.

The aforementioned rents and prices are in year 2017 dollars, are exclusive of consumer options and upgrades, or floor or location premiums, and cover a broad range of rents and prices for newly-developed units *currently* sustainable by the market in Downtown Detroit (Central Business District). The base rents represent increases of seven to 25 percent over the proposed rents detailed in the 2014 update and the base prices represent no change up to a 15 percent increase over 2014 values. It continues to be likely that, over the study period, rents and prices will change from the 2017 values; barring another Great Recession, the changes will most likely to be continued escalation of values. To capture the broadest market, it becomes very important to provide workforce/affordable units as well as market-rate units.

As in 2010 and 2014, location will have a significant impact on rents and prices; projects situated within a short walking distance of high-value amenities, such as restaurants, theaters, shops, and especially, 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, or in close proximity to the interstates, are likely to command rent and prices at the lower end of values.

Based on the unit types, sizes, and rents/prices outlined in the optimum market position above, the 2017 weighted average rents and prices for each of the housing types are shown on the following table:

Weighted Average Base Rents, Prices and Size Ranges
DOWNTOWN DETROIT (CENTRAL BUSINESS DISTRICT)
City of Detroit, Wayne County, Michigan

HOUSING TYPE	WEIGHTED AVERAGE BASE RENT/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENT/PRICES PER SQ. FT.
Multi-family for-rent	$1,703 per month	862 sf	$1.98
Multi-family for-sale	$338,263	1,273 sf	$266

Due to higher values, an adjusted unit mix, and several unit configurations that are smaller than in 2014, based on changes in target market financial capabilities and preferences, the 2017 weighted average of rents and prices represent an increase of just under 13 percent for the rentals and just under five percent for the condominiums.

DOWNTOWN AMENITIES

As noted in previous studies, the diversity and social and cultural amenities of the city are among the attractions of urban living. To repeat, locations that are within walking distance of transit, parks and greenways, and entertainment venues—such as theaters, clubs and restaurants, as well as providing 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. Since the last update, Downtown has been enhanced by many of these amenities.

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

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

Since 2010, urban bicycling has become even more important as the Millennials—who as a generation are delaying obtaining driver's licenses or purchasing automobiles—are relying on bicycle transportation as much as possible. Bicycle infrastructure, ranging from well-designed bike lanes on key thoroughfares to physically-separated bike lanes in both urban and park/waterfront locations, has become as critical an issue as automobile parking. Bike racks—both utilitarian and those designed as civic art—should be plentiful; ideally, bicycle parking should be mandated at all public and private parking facilities and in newly-constructed commercial buildings.

BUILDING AMENITIES

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

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

GREATER DOWNTOWN HOUSING STRATEGIES

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

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

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

Based on the annual market capture rates detailed earlier in this analysis, an annual average of between 527 to 681 market-rate units a year could be absorbed in Downtown Detroit (Central Business District), now that the QLINE is operational. Continued absorption at that pace would mean that the core Downtown alone could account for almost 5,300 to over 6,800 market-rate units over 10 years, leaving an average of between just 144 and 398 units a year to be absorbed in the District Centers of Midtown and New Center.