Residential Market Analysis

Conventional Market Studies

Supply/Demand Analysis

Consumer Surveys

Visual Preference Surveys

Focus Groups

The Drill-Down

Supply-Demand Analysis

- Rear-view mirror analysis
- Dependency on "comps"
- Housing preferences are challenging to discern

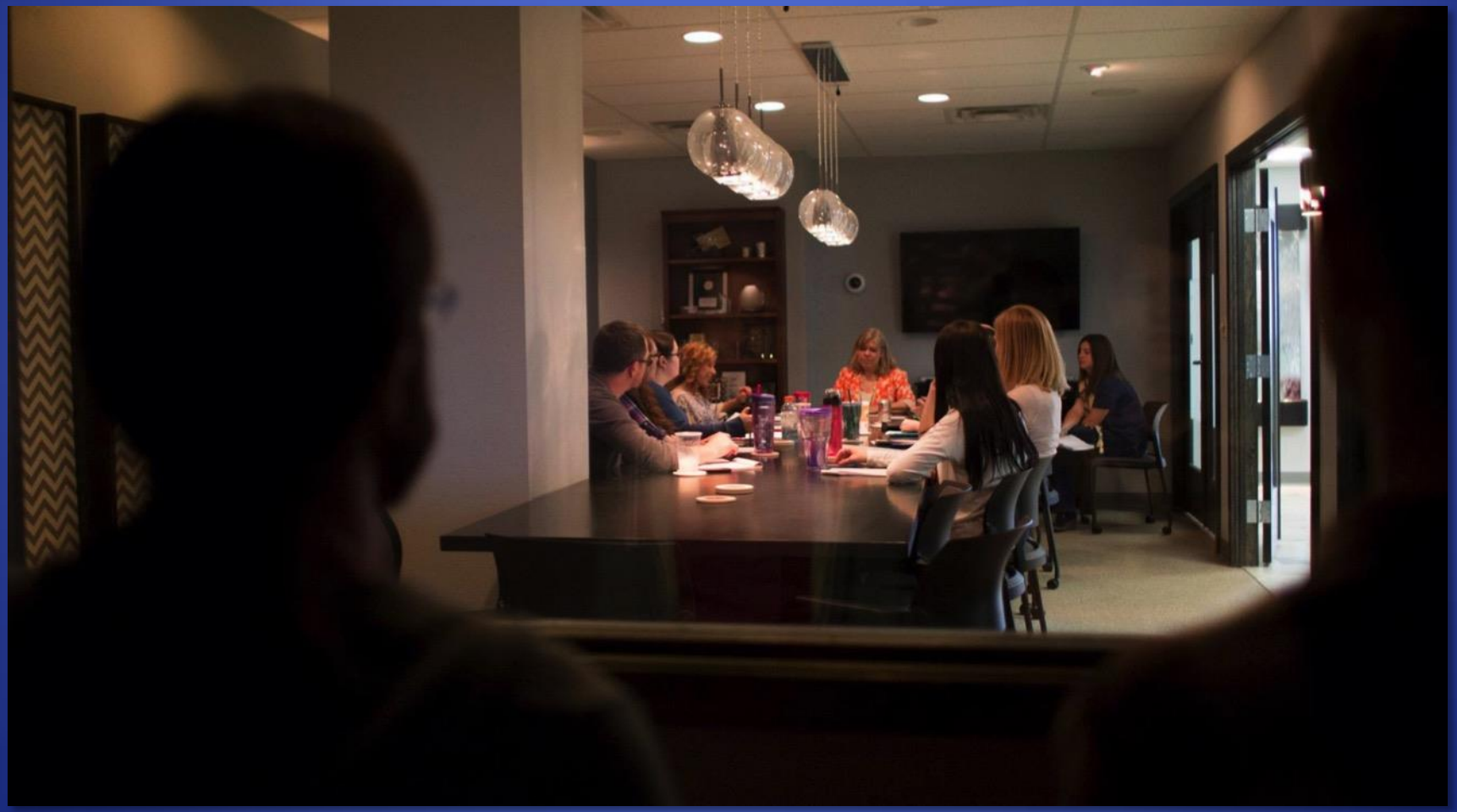
Consumer Surveys

Only as good as the survey format and the questions that are posed.

- NAHB survey
- NAR survey

Visual Preference Surveys

Focus Groups



The "Drill Down"

Neighborhood data
at the block group level.

Target Market Methodology

Market Segmentation

Target Market

2-person household
25 to 34 years old
$50 to 75,000 annual income

Couple Nº 1

Dual-income,
dual-career.
Renters.

Live in city.
Goal: Stay in city;
no kids;
no maintenance.

Couple Nº 2

Dual-income,
save her salary.
Renters.

Live in city.
Goal: Buy a house;
have kids.

Couple Nº 3

Dual-income, dual-career. Renters.

Live in city
Goal: Buy a country place.

Couple Nº 4

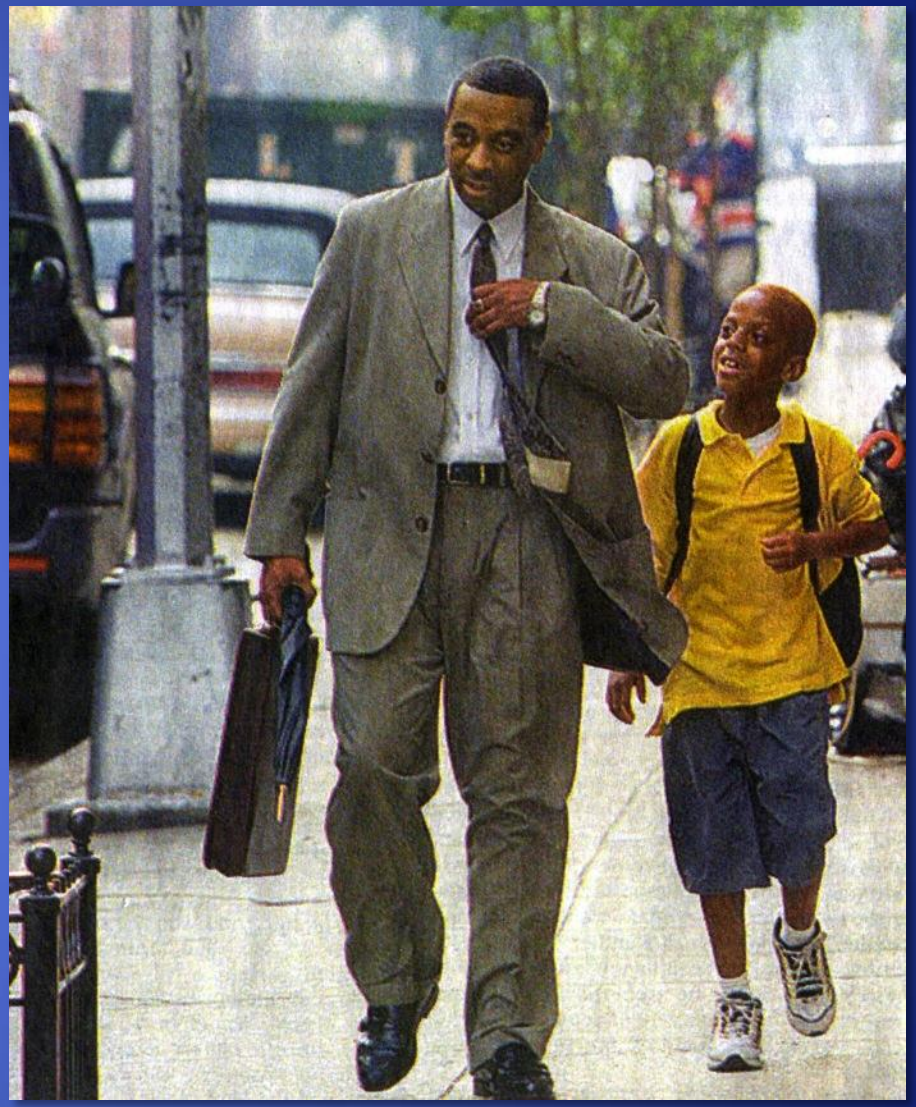
Single income, single mom. Renters.

Live in city. Goal: Buy a townhouse in the city.

Couple Nº 5

Single income,
older sibling/
younger sibling.
Owners.

Live in city.
Goal: Buy a house
closer to work.



Couple Nº 6

He's an actor;
she's a painter.
Renters.

Live in city
Goal: Move to
a bigger loft.

Target Market Methodology

Market Potential, Not Demand.

Beyond Demographics.

Science and art.

Target Market Methodology

Where does the potential market live now?

How many are likely to move to the neighborhood?

What are their housing preferences?

Who are they?

How fast will they rent or buy the dwelling units?

What are they able to pay?

Science:
Where does the potential market currently live?

Migration Analysis

Sources: Internal Revenue Service,
American Community Survey

Gross Annual Household In-Migration

Jackson County, Missouri

2006, 2007, 2008, 2009, 2010

County of Origin	2006 Number	2006 Share	2007 Number	2007 Share	2008 Number	2008 Share	2009 Number	2009 Share	2010 Number	2010 Share
Johnson, KS	2,560	16.8%	2,555	15.8%	2,605	15.9%	2,595	17.2%	2,350	16.2%
Clay	1,460	9.6%	1,655	10.2%	1,700	10.4%	1,670	11.1%	1,585	10.9%
Cass	930	6.1%	1,040	6.4%	1,065	6.5%	1,020	6.8%	1,040	7.2%
Wyandotte, KS	790	5.2%	835	5.2%	890	5.4%	730	4.8%	760	5.3%
Platte	505	3.3%	575	3.6%	580	3.6%	530	3.5%	515	3.6%
Johnson	340	2.2%	355	2.2%	330	2.0%	340	2.3%	315	2.2%
Lafayette	360	2.4%	375	2.3%	375	2.3%	310	2.1%	285	2.0%
Boone	205	1.3%	210	1.3%	220	1.3%	220	1.5%	225	1.6%
St Louis	215	1.4%	205	1.3%	220	1.3%	185	1.2%	215	1.5%
Greene	195	1.3%	185	1.1%	225	1.4%	195	1.3%	170	1.2%
Douglas, KS	175	1.1%	210	1.3%	205	1.3%	160	1.1%	165	1.1%
Sedgwick, KS	115	0.8%	135	0.8%	120	0.7%	115	0.8%	140	1.0%
Cook, IL	135	0.9%	140	0.9%	145	0.9%	145	1.0%	135	0.9%
Buchanan	125	0.8%	125	0.8%	120	0.7%	125	0.8%	110	0.8%
Los Angeles, CA	145	0.9%	135	0.8%	110	0.7%	120	0.8%	100	0.7%
Douglas, NE	95	0.6%	100	0.6%	85	0.5%	85	0.6%	90	0.6%
Maricopa, AZ	110	0.7%	115	0.7%	125	0.8%	100	0.7%	90	0.6%
Shawnee, KS	100	0.7%	110	0.7%	120	0.7%	85	0.6%	80	0.6%
Cole	80	0.5%	60	0.4%	65	0.4%	65	0.4%	70	0.5%
Total In-Migration	15,205	100.0%	16,130	100.0%	16,355	100.0%	15,085	100.0%	14,475	100.0%

Science:
How Many Are Likely To Move To The Area?

Mobility Analysis

Sources: American Community Survey, Nielsen PRIZM

Annual Average Number Of Households With The Potential
To Move Within/To The Paseo Gateway Study Area Each Year Over The Next Five Years
Summary: Appendix One, Tables 5 Through 10
Paseo Gateway Study Area; Balance of the City of Kansas City; Balance of Jackson County; Balance of Clay, Cass, and Platte Counties; Johnson and Wyandotte Counties, Kansas; and Balance of the United States

Household Type / Geographic Designation	*Study Area*	*Balance of Kansas City*	*Balance of Jackson*	*Balance of Cass, Clay, and Platte*	*Johnson and Wyandotte*	*Balance of U.S.*	Total
Empty Nesters & Retirees	**15**	**250**	**30**	**0**	**0**	**50**	**345**
Metropolitan Cities	0	0	0	0	0	10	10
Small Cities/Satellite Cities	15	140	15	0	0	10	180
Metropolitan Suburbs	0	100	15	0	0	5	120
Town & Country/Exurbs	0	10	0	0	0	25	35
Traditional & Non-Traditional Families	**75**	**405**	**70**	**30**	**35**	**110**	**725**
Metropolitan Cities	0	0	0	0	0	30	30
Small Cities/Satellite Cities	75	230	40	15	20	25	405
Metropolitan Suburbs	0	110	15	0	15	15	155
Town & Country/Exurbs	0	65	15	15	0	40	135
Younger Singles & Couples	**240**	**1,325**	**125**	**70**	**70**	**140**	**1,970**
Metropolitan Cities	205	295	20	5	5	45	575
Small Cities/Satellite Cities	35	595	65	30	20	35	780
Metropolitan Suburbs	0	400	30	25	45	35	535
Town & Country/Exurbs	0	35	10	10	0	25	80
Total:	**330**	**1,980**	**225**	**100**	**105**	**300**	**3,040**
Percent:	**10.9%**	**65.0%**	**7.4%**	**3.3%**	**3.5%**	**9.9%**	**100.0%**

Science:

What Are The Housing Preferences Of The Target Households?

Household Cluster Analysis

Source: Nielsen PRIZM

Lifestyle and Housing Preferences

—Annual Market Potential for the Paseo Gateway Study Area—

As determined by the migration and mobility analyses, up to 3,040 households represent the annual potential market for new and existing housing units in the Paseo Gateway Study Area each year over the next five years. The tenure and housing preferences of those 3,040 draw area households are shown on the following table (*see also* Table 1 *following the text*):

Tenure/Housing Type Propensities
Annual Average Market Potential For New and Existing Housing Units
The Paseo Gateway Study Area
City of Kansas City, Jackson County, Missouri

Housing Type	Number of Households	Percent of Total
Multi-family for-rent (lofts/apartments, leaseholder)	1,725	56.7%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	295	9.7%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	370	12.2%
Single-family detached for-sale (houses, fee-simple ownership)	650	21.4%
Total	3,040	100.0%

The financial capabilities of the 3,040 target households, combined with their tenure and housing type propensities are detailed on the following table:

Zimmerman/Volk Associates, Inc.

Science:

Who Are The Target Households?

Target Market Analysis

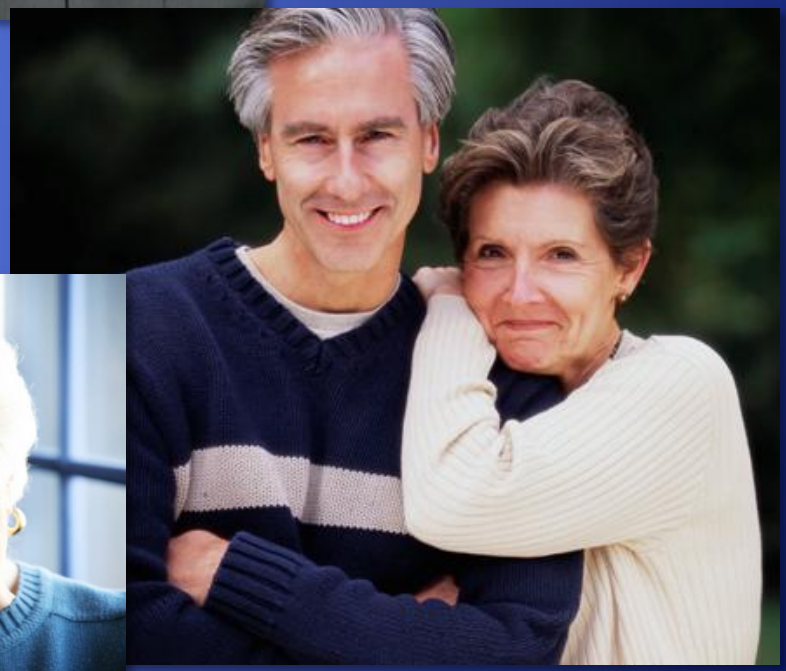
Source: Nielsen PRIZM

Lifestyle and Housing Preferences,

U.S. Census Bureau

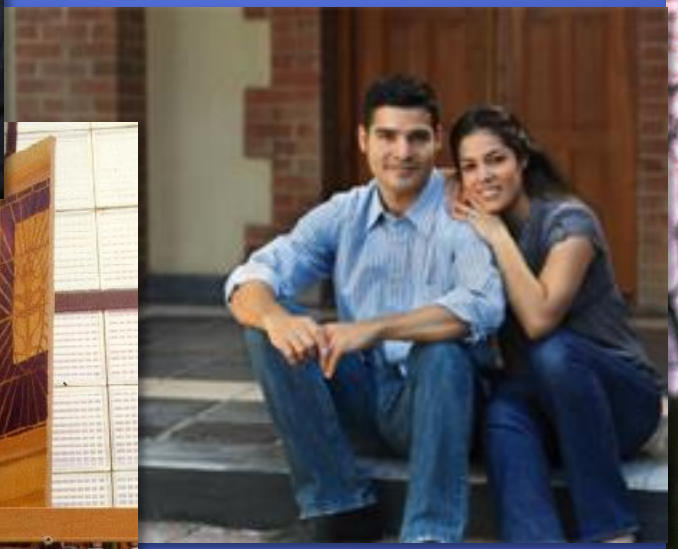
Target Markets by Lifestage

Empty Nesters & Retirees



Traditional & Non-Traditional Families

Younger Singles & Couples



Target Markets by Geography

Exurban Households

- Small-Town Establishment
- New Empty Nesters
- RV Retirees
- Blue-Collar Empty Nesters
- Exurban Suburbanites
- Heartland Empty Nesters
- Country Couples
- Small-Town Seniors
- Rural Singles
- Back Country Seniors
- Rural Seniors
- Struggling Retirees

Suburban Households

- Old Money
- Suburban Establishment
- Affluent Empty Nesters
- Mainstream Retirees
- No-Nest Suburbanites
- Middle-American Retirees
- Suburban Retirees
- Suburban Seniors

Urban Households

- Urban Establishment
- Cosmopolitan Elite
- Cosmopolitan Couples
- Multi-Ethnic Retirees
- Middle-Class Move-Downs
- Downtown Retirees
- Multi-Ethnic Seniors
- Blue-Collar Retirees
- Hometown Retirees
- Second-City Seniors

Empty Nesters & Retirees

Exurban Households

- Ex-Urban Elite
- Full-Nest Exurbanites
- New Town Families
- Small Town Families
- Kids ‘r’ Us
- Rustic Families
- Subsistence Families

Suburban Households

- The Social Register
- Nouveau Money
- Late-Nest Suburbanites
- Full-Nest Suburbanites
- Blue-Collar Button-Downs
- Working-Class Families

Urban Households

- Full-Nest Urbanites
- Multi-Cultural Families
- Unibox Transferees
- Multi-Ethnic Families
- Inner-City Families
- Single-Parent Families
- In-Town Families

Traditional & Non-Traditional Families

Exurban Households

- Ex-Urban Power Couples
- Cross-Training Couples
- Small-Town Singles

Suburban Households

- The Entrepreneurs
- Fast-Track Professionals
- Upscale Suburban Couples
- Suburban Achievers
- Working-Class Singles

Urban Households

- eTypes
- The VIPs
- New Bohemians
- Twentysomethings
- Urban Achievers
- Small-City Singles
- Blue-Collar Singles
- Soul City Singles

Younger Singles & Couples

Target Markets by Income and Housing Preferences

Household Type / Geographic Designation	Ownership Income Bands: Below 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 100% AMI	Above 100% AMI	Total
Empty Nesters & Retirees	**30**	**30**	**35**	**30**	**85**	**210**
Metropolitan Cities	0	0	0	0	5	5
Small Cities/Satellite Cities	15	20	10	15	25	85
Metropolitan Suburbs	10	10	20	5	40	85
Town & Country/Exurbs	5	0	5	10	15	35
Traditional & Non-Traditional Families	**85**	**60**	**70**	**65**	**135**	**415**
Metropolitan Cities	0	0	5	0	0	5
Small Cities/Satellite Cities	50	35	35	40	35	195
Metropolitan Suburbs	10	15	20	15	50	110
Town & Country/Exurbs	25	10	10	10	50	105
Younger Singles & Couples	**110**	**95**	**115**	**115**	**255**	**690**
Metropolitan Cities	25	15	15	15	5	75
Small Cities/Satellite Cities	55	50	60	60	130	355
Metropolitan Suburbs	25	25	30	35	100	215
Town & Country/Exurbs	5	5	10	5	20	45
Total:	**225**	**185**	**220**	**210**	**475**	**1,315**
Percent:	**17.1%**	**14.1%**	**16.7%**	**16.0%**	**36.1%**	**100.0%**

Annual Market Potential For New And Existing Housing Units

Distribution Of Annual Average Number Of Draw Area Households With The Potential
To Move Within/To The Paseo Gateway Study Area Each Year Over The Next Five Years
Based On Housing Preferences And Income Levels

The Paseo Gateway Study Area

City of Kansas City, Missouri

Paseo Gateway Study Area; Balance of the City of Kansas City; Balance of Jackson County;
Balance of Class, Cass, and Platte Counties; Johnson and Wyandotte Counties, Kansas; and Balance of the United States
Draw Areas

Annual Number Of Target Market Households
With Potential To Rent/Purchase Within
The Paseo Gateway Study Area 3,040

Annual Market Potential

	Below 30% AMI	*30% to 50% AMI*	*50% to 80% AMI*	*80% to 100% AMI*	*Above 100% AMI*	*Subtotal*
Multi-Family For-Rent:	425	300	300	290	410	**1,725**
Multi-Family For-Sale:	20	30	50	65	130	**295**
Single-Family Attached For-Sale:	60	50	65	65	130	**370**
Single-Family Detached For-Sale:	145	105	105	80	215	**650**
Total:	**650**	**485**	**520**	**500**	**885**	**3,040**
Percent:	**21.4%**	**16.0%**	**17.1%**	**16.4%**	**29.1%**	**100.0%**

How Fast Will They Buy Or Rent The New Dwelling Units?

ZVA Capture Rate Technique

Based on the forecast absorption paces outlined above, the resulting capture rates of the annual potential market for each housing type within the Paseo Gateway Study Area would be as follows:

Capture Rates of the Potential Market
Based on Forecast Absorption
The Paseo Gateway Study Area
City of Kansas City, Jackson County, Missouri

HOUSING TYPE	ANNUAL MARKET POTENTIAL (HHS)	FORECAST ANNUAL ABSORPTION (UNITS)	CAPTURE RATE
Multi-family for-rent	700	66 to 70	9.4% to 10%
Multi-family for-sale	195	12 to 14	6.2% to 7.2%
Single-family attached for-sale	195	12 to 14	6.2% to 7.2%
Single-family detached	295	14 to 16	4.7% to 5.4%

SOURCE: Zimmerman/Volk Associates, Inc., 2015.

These housing type-specific capture rates are well within the parameters required for feasible development. The target market capture rates of the potential renter/purchaser pools 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 by the number of households that have the potential to move to the site 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

What Are They Able/Willing To Pay?

Income, Wealth, Lifestyle

Sources: Nielsen PRIZM,

American Community Survey

The 1,725 renter households have been grouped by income based on the Kansas City, MO-KS HMFA area median family income (AMI), which, as determined by the U.S. Department of Housing and Urban Development (HUD) in 2015, is $73,300, for a family of four. (*Reference* Appendix One, Table 13.)

Renter Households By Income
The Paseo Gateway Study Area
City of Kansas City, Jackson County, Missouri

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	425	24.6%
Between 30% and 60% AMI	300	17.4%
Between 60% and 80% AMI	300	17.4%
Between 80% and 100% AMI	290	16.8%
Over 100% AMI	410	23.8%
Total:	1,725	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2015.

The income limits for multifamily tax subsidized projects in Kansas City by household size and percent of median family income (AMI) are shown on the table on the following page:

Fiscal Year 2015 Income Limits
Multi-Family Tax Subsidized Projects
City of Kansas City, Missouri

NUMBER OF PERSONS IN HOUSEHOLD	EXTREMELY LOW 30% OF MEDIAN*	VERY LOW 50% OF MEDIAN	LOW 80% OF MEDIAN
One	$15,400	$25,700	$41,100

The remaining 43.3 percent of the average annual potential market (or 1,315 households) comprise the market for new for-sale (ownership) housing units. These households have also been grouped by income, as detailed on the following table. (*Reference* Appendix One, Table 14.)

Owner Households By Income
The Paseo Gateway Study Area
City of Kansas City, Jackson County, Missouri

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	225	17.1%
Between 30% and 60% AMI	185	14.1%
Between 60% and 80% AMI	220	16.7%
Between 80% and 100% AMI	210	16.0%
Over 100% AMI	475	36.1%
Total:	1,315	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2015.

Of the 1,315 potential owner households, 295 households (22.4 percent) comprise the market for multi-family for-sale units (condominium/cooperative lofts/apartments) and have also been grouped by income as shown on the following table: (*Reference* Appendix One, Table 15.)

Multi-Family Owner Households By Income
The Paseo Gateway Study Area
City of Kansas City, Jackson County, Missouri

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	20	6.8%

Art:

Site/Neighborhood/Area Evaluation

Data Interpretation

Understanding
of the Target Markets
and Neighborhood Context

Optimum Market Position:

Income mix by housing type.

Mix of tenure, housing, and unit types.

Unit sizes and configurations.

Market-based rents and prices.

Absorption forecasts.

Optimum Market Position: 350 Market-Rate Dwelling Units

The Paseo Gateway Study Area

City of Kansas City, Jackson County, Missouri

July, 2015

Percent of Units	*Housing Type*	*Unit Mix*	*Base Rent/Price Range**	*Base Unit Size Range*	*Base Rent/Price Per Sq. Ft.**	*Annual Market Capture*
50.5%	**Multi-Family For-Rent**					**66**
177	New Apartments and Lofts					to
	Studio/1 bath	25%	$875	550	$1.59	**70**
	1 bedroom/1 bath	30%	$1,175	750	$1.57	units
	2 bedrooms/1 bath	20%	$1,450	950	$1.53	
	2 bedrooms/2 baths	25%	$1,800	1,200	$1.50	
	Weighted Averages:		$1,311	853	$1.54	
14.1%	**Multi-Family For-Sale**					**12**
49	New View Condominiums					to
	1 bedroom/1.5 baths	25%	$175,000	850	$206	**14**
	2 bedrooms/2 baths	45%	$235,000	1,150	$204	units
	2 bedrooms/2.5 baths	30%	$285,000	1,400	$204	
	Weighted Averages:		$235,000	1,150	$204	
14.1%	**Single-Family Attached For-Sale**					**12**
49	New Townhouses					to
	2 bedrooms/1.5 baths	30%	$165,000	1,100	$150	**14**
	2 bedrooms/2.5 baths	35%	$190,000	1,300	$146	units
	3 bedrooms/2.5 baths	35%	$230,000	1,600	$144	
	Weighted Averages:		$196,500	1,345	$146	

Benefits:

Reach beyond the status quo.

Increase housing choice.

Attract new households.

Retain existing residents.

Lessons Learned

Appropriate tenure and unit mix should be based on market preferences, not a rule of thumb.

Tenure (Rental/Ownership)

Yonkers, NY: 75%/25%

Cincinnati, OH: 65%/35%

Chattanooga, TN: 50%/50%

Wheeling, WV: 40%/60%

Assisted/Market

Baltimore, MD: 30%/70%.

Macon, GA: 35%/65%.

Durham, NC: 50%/50%.

Chattanooga, TN: 55%/45%.

Lessons Learned

The occupant's income level or tenure should not be discernible from the street.

Park du Valle, Louisville, KY

Lessons Learned

Market-rate and assisted units should be interspersed.

First Ward, Charlotte, NC

Lessons Learned

Buildings must be designed to enhance
the public realm,
with well-designed walkable streets
that provide
"eyes on the street."

City West, Cincinnati, OH

Lessons Learned

New construction
that matches market preferences,
has the power to change
neighborhood perceptions.