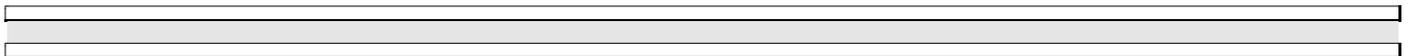
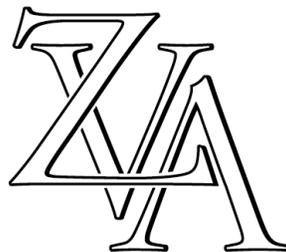

UPDATE
RESIDENTIAL MARKET POTENTIAL

Downtown Mobile Study Area

City of Mobile,
Mobile County, Alabama

December, 2007

Conducted by
ZIMMERMAN / VOLK ASSOCIATES, INC.
P.O. Box 4907
Clinton, New Jersey 08809



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809
908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

STUDY CONTENTS

Update: Residential Market Potential	1
Introduction	1
Market Potential	3
<i>Where will the potential market for housing in the City of Mobile move from?</i>	4
The Draw Areas	4
Market Potential for the Downtown Mobile Study Area	6
<i>Where will the potential market for housing in the Downtown Mobile Study Area move from?</i>	6
<i>How many households are likely to move within or to the Downtown Mobile Study Area?</i>	7
Table 1: Potential Housing Market	10
Target Market Analysis	11
<i>Who is the potential market?</i>	11
The Target Markets	11
Table 2: Downtown Residential Mix By Household Type	13
Downtown Market-Rate Rent and Price Ranges	15
<i>What is the market currently able to pay?</i>	15
Rent and Price Ranges	15
<i>How fast will the units lease or sell?</i>	16
Market Capture	16
Table 3: Summary Of Selected Rental Properties	17
Table 4: Summary Of Selected For-Sale Attached Properties	20
Table 5: Optimum Market Position	22
Rental Distribution	25
Table 6: Annual Market Capture: Target Groups For Multi-Family For-Rent For-Sale Distribution	26
Table 7: Annual Market Capture: Target Groups For Multi-Family For-Sale	27
Table 8: Annual Market Capture: Target Groups For Single-Family Attached For-Sale	29
Table 9: Annual Market Capture: Target Groups For Single-Family Detached For-Sale	31
Table 9: Annual Market Capture: Target Groups For Single-Family Detached For-Sale	33
The Current Context	34

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

Methodology	36
Assumptions and Limitations	46
Rights and Study Ownership	47



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

UPDATE

RESIDENTIAL MARKET POTENTIAL

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama

December, 2007

INTRODUCTION

The purpose of this study is to re-examine the market potential for newly-introduced market-rate housing units—created both through adaptive re-use of existing non-residential buildings as well as through new construction—that could be leased or sold within the Downtown Mobile Study Area. The boundaries of the Downtown Mobile Study Area are the same as those defined for the original analysis, covering the area contained within the Hank Aaron Loop, which follows Beaugard Street in the north, Water Street in the east, Canal Street in the south, and Broad Street in the west. The study area encompasses the Central Business District, the Business Improvement District, the DeTonti Square and Church Street East Historic Districts, the Lower Dauphin Street Commercial District, and the Cathedral Square Arts District.

The depth and breadth of the potential market have been determined using Zimmerman/Volk Associates' proprietary target market methodology. In contrast to conventional supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing preferences and socio-economic characteristics of households in the draw area within the framework of the local housing market context.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

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, lifestyle patterns and household compatibility issues.

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

- Where the potential renters and buyers for new housing units in the Downtown Mobile Study Area are likely to move from (the draw areas);
- Who currently lives in the draw areas and what they are like (the target markets);
- How many have the potential to move to the Study Area 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);
- What their alternatives are (new construction or existing housing stock in Downtown Mobile and in nearby areas of the city);
- What they will pay to live in Downtown Mobile (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

The target market methodology is described in detail in the Methodology section at the end of this study.

NOTE: Tables 1 through 7, included in this document, contain summaries of the market potential and optimum market position for new market-rate housing units created through adaptive re-use of existing buildings and/or new construction within the Downtown Mobile Study Area, City of Mobile, Mobile County, Alabama. Tables 8 and 9, also included in this document, outline the relevant supply-side context. The appendix tables, provided in a separate document, contain migration and target market data covering the appropriate draw areas for the city and for the Downtown Mobile Study Area.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

MARKET POTENTIAL

As noted above, the extent and characteristics of the potential market for new residential units within the Downtown Mobile Study Area have been determined 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 2006 American Community Survey for the City of Mobile.

The most recent data available from the Internal Revenue Service—years 2001 through 2005—shows the indirect impact that Hurricane Katrina had on Mobile County. In 2005, the combined in-migration from Jackson and Harrison Counties, Mississippi and Orleans Parish, Louisiana rose by more than 500 households over the previous year, and overall, nearly 1,200 more households moved to Mobile County in 2005 than in 2004. (*See Appendix One, Table 1.*) This resulted in a net gain of nearly 650 households in 2005, compared to the net losses of prior years that ranged from more than 1,000 households in 2001 to a considerably smaller loss of 325 households in 2004.

Unless there are future hurricanes of the magnitude of Katrina, and unless there is construction of significant numbers of new housing units, it is likely that 2005 will remain an atypical year. Since it is those households likely to move into an area (gross in-migration) that represent an area's external market potential, this analysis is based on the more typical migration patterns in Mobile County. For the county, between nine and 12 percent of in-migration is from Baldwin County; between one-quarter and a third is from other Alabama, Mississippi, and Florida counties; and the remaining 55 to 60 percent is from urban counties elsewhere in the United States.

This study will therefore re-examine the depth and breadth of the potential market for new and existing market-rate housing units within both the City of Mobile and the Downtown Mobile Study Area, focusing on those households already living in the city as well as on those households that are likely to move into the city if appropriate housing options were to be made available.

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

—The Draw Areas—

The depth and breadth of the potential market for new and existing market-rate housing units in the City of Mobile in 2008 were determined through an update of the migration, mobility and target market analyses undertaken in 2006. The draw areas for the City of Mobile and the Downtown Mobile Study are confirmed as follows:

- The primary draw area, covering households currently living within the Mobile city limits. Even in 2005, between 10 and 15 percent of the households living in the city moved to another residence within the city that year.
- The local draw area, covering households currently living in the balance of Mobile County. Including 2005, approximately five percent of the households living in the balance of Mobile County moved to a residence in the city each year.
- The regional draw area, covering households with the potential to move to the City of Mobile from Baldwin County. Households moving from Baldwin continued to comprise more than 10 percent of total Mobile County in-migration.
- The national draw area, covering households with the potential to move to the City of Mobile from all other U.S. counties. Excluding 2005, between approximately 5,000 and 5,200 households moved into Mobile County from elsewhere in the United States each year over the study period; a small additional number moved from outside the United States. In 2005, after Hurricane Katrina, significantly larger numbers of households moved to Mobile from such parishes as Jefferson and Orleans, Louisiana (New Orleans) and counties such as Escambia, Florida (Pensacola) and Harrison, Mississippi (Gulfport/Biloxi).

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

As derived from the updated migration, mobility and target market analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Mobile) would be as follows (*see also* Appendix One, Table 8):

Market Potential by Draw Area
City of Mobile, Mobile County, Alabama

City of Mobile (Primary Draw Area):	41.6%
Balance of Mobile County (Local Draw Area):	20.6%
Baldwin County (Regional Draw Area):	4.8%
Balance of US (National Draw Area):	<u>33.0%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

MARKET POTENTIAL FOR THE DOWNTOWN MOBILE STUDY AREA

According to Claritas, Inc., the preeminent national vendor of demographic and geo-demographic data, the City of Mobile contains an estimated 86,525 housing units in 2007, up from 83,500 at the beginning of 2005; just over 77,800 are occupied. A significant percentage of evacuees from the Louisiana and Mississippi Gulf Coast have returned to their hometowns, returning the vacancy rate in Mobile to more typical levels.

In 2007, median housing value citywide is estimated at \$106,200, an increase of 3.7 percent over 2006. Median income is estimated at \$35,200 \$200 less than in 2006.

Where will the potential market for housing in the Downtown Mobile Study Area move from?

The target market methodology also identifies those households with a preference for living in downtowns and other urban 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 units within the Downtown Mobile Study Area would be as follows (*see also* Appendix One, Table 9):

Market Potential by Draw Area DOWNTOWN MOBILE STUDY AREA *City of Mobile, Mobile County, Alabama*

City of Mobile (Primary Draw Area):	42.1%
Balance of Mobile County (Local Draw Area):	10.7%
Baldwin County (Regional Draw Area):	3.0%
Balance of US (National Draw Area):	<u>44.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

In 2008, households already living in the city are becoming a greater share of the market for downtown housing, increasing from 37.5 percent in 2006 to 42.1 percent. Conversely, households moving to downtown from outside the region are becoming a smaller segment of market potential, from 48.7 percent in 2006 to 44.2 percent in 2008. The share of households moving from the balance of Mobile County or from Baldwin County is remaining relatively unchanged.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

How many households are likely to move within or to the Downtown Mobile Study Area?

Based on the target market analysis, in the year 2008, more than 2,600 younger singles and couples, empty nesters and retirees, and families with children represent the potential market for new and existing housing units within the Downtown Mobile Study Area. The housing preferences of these draw area households—according to tenure (rental or ownership) choices and broad financial capacity—are outlined as follows (*see also* Table 1):

Potential Market for New Housing Units
DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	700	26.8%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	580	22.2%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	490	18.8%
Low-range single-family detached (houses, fee-simple ownership)	260	10.0%
Mid-range single-family detached (houses, fee-simple ownership)	290	11.1%
High-range single-family detached (houses, fee-simple ownership)	<u>290</u>	<u>11.1%</u>
Total	2,610	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

The market potential numbers indicate the depth of the potential market for new and existing housing units within the Study Area, not housing need and not projections of household change. These are the households that are likely to move within or to the Downtown Study Area if appropriate housing options were to be made available.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

From the perspective of draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Mobile market area, the potential market for new housing units within the Downtown Study Area could include the full range of housing types, from rental multi-family to for-sale single-family detached. However, redevelopment of existing buildings is limited to multi-family housing; opportunities for new construction should also concentrate on higher-density housing types, which support urban development and redevelopment most efficiently and include:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale);
- Townhouses, rowhouses (single-family attached for-sale); and
- Urban houses (single-family detached for-sale).

• • •

Excluding the market for large-lot and suburban single-family detached houses, then, this analysis has determined that in the year 2008, just over 2,000 households currently living in the defined draw areas represent the pool of potential renters/buyers of new market-rate housing units (new construction and/or adaptive re-use of formerly non-residential structures) within the Downtown Mobile Study Area (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached and detached housing types would be as follows:

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

**Potential Market for New Housing Units
 Market-Rate Higher-Density Housing Units
 THE DOWNTOWN MOBILE STUDY AREA
*City of Mobile, Mobile County, Alabama***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-Family For-Rent (lofts/apartments, leaseholder)	700	34.7%
Multi-Family For-Sale (lofts/apartments, condo/co-op ownership)	580	28.7%
Single-Family Attached For-Sale (townhouses/rowhouses, fee-simple ownership)	490	24.3%
Single-Family Detached For-Sale (urban houses, fee-simple ownership)	<u>250</u>	<u>12.3%</u>
Total	2,020	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Since the initial study was conducted in 2006, there has been a small increase in the size of the annual potential downtown market—from 1,960 households in 2006 to 2,020 households in 2008—and the type of housing that best matches target household preferences. In 2006, more than 17 percent of the market potential was single-family detached houses, compared to just over 12 percent in 2008. As a share of the market, multi-family for-rent has risen from just over 32 percent in 2006 to nearly 35 percent in 2008; multi-family for-sale (condominium) units now represent 28.7 percent of the market (compared to 27.6 percent in 2006); and single-family attached for-sale (townhouses) comprise another 24.3 percent of the market, up from 23 percent in 2006.

Table 1

Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Area In 2008

The Downtown Mobile Study Area

The City of Mobile, Mobile County, Alabama

*City of Mobile; Balance of Mobile County; Baldwin County; All Other US Counties
Draw Areas*

Total Target Market Households
With Potential To Rent/Purchase In
The City of Mobile, Mobile County, Alabama 10,450

Total Target Market Households
With Potential To Rent/Purchase In
The Downtown Mobile Study Area 2,610

Potential Housing Market

	<i>Multi- Family</i>		<i>Single- Family</i>			<u>Total</u>	
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached .. All Ranges</i>	<i>..... Detached</i> <u>Low-Range</u>	<u>Mid-Range</u>		<u>High-Range</u>
Total Households:	700	580	490	260	290	2,610	
{Mix Distribution}:	26.8%	22.2%	18.8%	10.0%	11.1%	11.1%	100.0%

**Downtown Residential Mix
(Excluding Large-Lot Single-Family Detached)**

	<i>Multi- Family</i>		<i>Single- Family</i>		<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached .. All Ranges</i>	<i>.. Detached .. Urban</i>	
Total Households:	700	580	490	250	2,020
{Mix Distribution}:	34.7%	28.7%	24.3%	12.3%	100.0%

NOTE: Reference Appendix Tables 1 through 11.

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

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

TARGET MARKET ANALYSIS

Who is the potential market?

—The Target Markets—

As updated by the target market analysis, the potential market for new market-rate housing units in the Downtown Mobile Study Area in 2008 can be characterized by general household type as follows (*see also* Table 2):

Downtown Residential Mix By Household Type THE DOWNTOWN MOBILE STUDY AREA *City of Mobile, Mobile County, Alabama*

HOUSEHOLD TYPE	PERCENT OF TOTAL	MULTI-FAM. FOR RENT	MULTI-FAM. FOR SALE	SF ATT. FOR SALE	SF DET. FOR SALE
Empty-Nesters & Retirees	37%	19%	48%	43%	48%
Traditional & Non-Traditional Families	11%	9%	5%	16%	24%
Younger Singles & Couples	<u>52%</u>	<u>72%</u>	<u>47%</u>	<u>41%</u>	<u>28%</u>
Total	100%	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

- **The largest general market segment continues to be younger singles and couples. As noted previously, these households prefer to live downtown for the diversity and availability of employment and cultural opportunities, as well as restaurants and clubs.**

Unchanged at 52 percent of the total potential market, younger singles and couples now make up somewhat smaller shares of the market for new multi-family units (both rental and for-sale) and new detached units, and a much larger share of the market for new urban detached houses. The same target household groups—*Fast-Track Professionals, Twentysomethings, Small-City Singles, The VIPs, Urban Achievers, Upscale Suburban Couples, New Bohemians* and *e-Types*—are represented in the potential market; however, more than half of these households would be moving to the downtown from elsewhere in the city, up from 43 percent in 2006.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

- **As in 2006, the next largest market segment is comprised of older households (empty nesters and retirees), a significant number of whom would be moving to downtown from Mobile's older neighborhoods and suburbs.**

Empty nesters and retirees—including *Small-Town Establishment*, *New Empty Nesters*, *Suburban Establishment*, and *Affluent Empty Nesters*, among others—have increased their share of the potential market from 32 percent in 2006 to 37 percent in 2008. As a wider variety of units, in a broader range of rents and prices, become available in downtown, older households will be more likely to rent units (19 percent of the rental market in 2008, up from 11 percent in 2006), and to purchase both single-family attached and detached units (in 2008, 43 and 48 percent of the market, respectively, up from 38 percent in 2006).

- **The third, and smallest, general market segment—family-oriented households (traditional and non-traditional families)—continues to shrink as a percentage of the market, at 11 percent in 2008, down from 16 percent in 2006.**

Just over half of the family households moving to the Downtown Study Area in 2008 will be moving from out of town, down from more than 60 percent in 2006, reflecting, in part, the lessening impact of Katrina-related moves.

Depending on housing type, family-oriented households, many of whom are single parents with one or two children, will now comprise between nine (multi-family for-rent) and 24 percent (for-sale urban detached houses) of the market for new housing units within the Downtown Mobile Study Area.

Table 2

Downtown Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Area In 2008

The Downtown Mobile Study Area

The City of Mobile, Mobile County, Alabama

	<u>Total</u>	<i>Multi- Family</i>		<i>Single- Family</i>	
		<u><i>For-Rent</i></u>	<u><i>For-Sale</i></u>	<u><i>.. Attached ..</i></u>	<u><i>.. Detached ..</i></u>
Number of Households:	2,020	700	580	490	250
Empty Nesters & Retirees	37%	19%	48%	43%	48%
Traditional & Non-Traditional Families	11%	9%	5%	16%	24%
Younger Singles & Couples	52%	72%	47%	41%	28%
	100%	100%	100%	100%	100%

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

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

The primary target groups, their estimated median and range of incomes, and estimated median home values in 2007, are:

**Potential Housing Market
 (In Order of Median Income)
 THE DOWNTOWN MOBILE STUDY AREA
*City of Mobile, Mobile County, Alabama***

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
<i>Old Money</i>	\$276,500	\$200,000–\$350,000	\$435,300
<i>Urban Establishment</i>	\$121,000	\$75,000–\$185,000	\$382,500
<i>Affluent Empty Nesters</i>	\$106,300	\$50,000–\$175,000	\$250,100
<i>Small-Town Establishment</i>	\$102,200	\$50,000–\$160,000	\$220,300
<i>Suburban Establishment</i>	\$101,100	\$45,000–\$150,000	\$235,000
<i>Cosmopolitan Elite</i>	\$100,200	\$50,000–\$145,000	\$264,700
<i>Cosmopolitan Couples</i>	\$92,200	\$40,000–\$150,000	\$301,000
<i>New Empty Nesters</i>	\$88,400	\$50,000–\$120,000	\$185,600
Traditional & Non-Traditional Families			
<i>Nouveau Money</i>	\$146,700	\$85,000–\$225,000	\$315,600
<i>The Entrepreneurs</i>	\$142,200	\$75,000–\$225,000	\$330,200
<i>Full-Nest Urbanites</i>	\$110,000	\$50,000–\$175,000	\$405,400
<i>Unibox Transferees</i>	\$100,600	\$40,000–\$160,000	\$261,200
<i>Multi-Cultural Families</i>	\$64,200	\$35,000–\$90,000	\$237,100
Younger Singles & Couples			
<i>e-Types</i>	\$117,000	\$60,000–\$200,000	\$365,900
<i>Fast-Track Professionals</i>	\$97,000	\$40,000–\$150,000	\$262,900
<i>The VIPs</i>	\$90,000	\$45,000–\$135,000	\$234,100
<i>Upscale Suburban Couples</i>	\$85,400	\$40,000–\$125,000	\$186,600
<i>New Bohemians</i>	\$77,200	\$45,000–\$120,000	\$317,500
<i>Twentysomethings</i>	\$63,300	\$35,000–\$85,000	\$151,600
<i>Urban Achievers</i>	\$60,600	\$30,000–\$90,000	\$208,800
<i>Small-City Singles</i>	\$53,200	\$30,000–\$80,000	\$145,800

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., 2007.

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

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

DOWNTOWN MARKET-RATE RENT AND PRICE RANGES

What is the market currently able to pay?

—Rent and Price Ranges—

Based on the socio-economic and lifestyle characteristics of the target households, the target mix distribution, and the supply-side context as of December, 2007 (*see* Tables 3 and 4), the general range of rents and prices for newly-developed market-rate residential units is largely unchanged from October, 2006, and is as follows (*see also* Table 5):

Rent, Price and Size Range			
Newly-Created Housing (Adaptive Re-Use and New Construction)			
THE DOWNTOWN MOBILE STUDY AREA			
<i>City of Mobile, Mobile County, Alabama</i>			
HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
RENTAL—			
Hard Lofts *	\$650–\$1,050/month	600–1,000 sf	\$1.05–\$1.08 psf
Soft Lofts †	\$775–\$1,250/month	650–1,100 sf	\$1.14–\$1.19 psf
Luxury Apartments	\$1,200–\$2,250/month	850–1,750 sf	\$1.29–\$1.41 psf
FOR-SALE—			
Hard Lofts *	\$115,000–\$165,000	650–1,000 sf	\$165–\$177 psf
Soft Lofts †	\$150,000–\$275,000	700–1,350 sf	\$200–\$214 psf
Luxury Condominiums	\$325,000–\$500,000	1,400–2,200 sf	\$227–\$232 psf
Rowhouses	\$195,000–\$350,000	950–1,750 sf	\$200–\$205 psf
Urban Houses	\$250,000–\$500,000	1,100–2,100 sf	\$214–\$217 psf

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

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

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

The above rents and prices are in year 2007 dollars, are exclusive of consumer options and upgrades, floor or location premiums, and cover the broad range of rents and prices that continue to be sustainable by the market in the Downtown Mobile Study Area. Although annual incomes

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

and residential values have risen for most households in the city over the past year, the higher down payments currently required by lenders will preclude many younger households from becoming first-time buyers if prices continue to rise. Because of these affordability issues, it is likely that older households will comprise a greater percentage of the market over the next two or three years. However, continued weakness in the resale market could constrain some of these buyers as well.

How fast will the units lease or sell?

—*Market Capture*—

After nearly 20 years' experience in various cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that for new development (including both adaptive re-use of existing non-residential buildings as well as new construction) within the downtown study area, an annual capture of between 10 and 15 percent of the potential market, depending on housing type, is achievable. Based on a 15 percent capture of the potential market for multi-family units, and a 10 percent capture of single-family attached and detached units, the Downtown Mobile Study Area should be able to support up to 266 new market-rate housing units per year (an increase of 11 units over 2006), as follows:

Annual Capture of Market Potential
THE DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Multi-Family For-Rent (lofts/apartments, leaseholder)	700	15%	105
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	580	15%	87
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	490	10%	49
For-Sale Single-Family Detached (urban houses, fee-simple ownership)	<u>250</u>	10%	<u>25</u>
Total	2,020		266

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Summary Of Selected Rental Properties
Mobile County, Alabama
December, 2007

<u>Property (Date Opened)</u> <u>Address/Developer</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. Downtown & Midtown					
6 N. Jackson Street <i>Richards, LLC</i>	4				100% occupancy
	Studio/1BA	\$495 to \$595	350 to 600	\$0.99 to \$1.41	
Azalea Court (1920s) <i>1820 Airport Boulevard</i>	23				91% occupancy <i>Intrusion alarms, clubhouse.</i>
	Studio	\$550	500	\$1.10	
	1BR/1BA	\$650	800	\$0.81	
	2BR/2BA	\$750	1,000	\$0.75	
St. Charles Place (1922) <i>963 Government Street</i>	35				Under renovation. <i>15 units leased; 6 units available.</i>
	Studio	\$550 to \$600	650 to 700	\$0.85 to \$0.86	
	1BR/1BA	\$650 to \$700	900 to 950	\$0.72 to \$0.74	
	2BR/2BA	\$850	2,000	\$0.43	
St. Emanuel Place <i>127 Dauphin Street</i>	11				100% occupancy
	Studio 1	\$600	600	\$1.00	
	Studio 7	\$775	850	\$0.91	
	Studio 3	\$975	1,000	\$0.98	
Tower on Ryan Park (1951) {Renovated 2000} <i>758 Saint Michael Street</i>	141				92% occupancy <i>Controlled access, elevator, clubhouse, fitness center.</i>
	Studio	\$695 to \$725	440	\$1.58 to \$1.65	
	1BR/1BA	\$800 to \$900	650 to 675	\$1.23 to \$1.33	
	1BR/2BA	\$1,075	900	\$1.19	<i>8 of the 18 vacant units are currently under renovation.</i>
	2BR/2BA	\$1,325 to \$1,625	1,100 to 1,200	\$1.20 to \$1.35	
Sycamore Court <i>Theodore Pitsios</i>	3				100% occupancy
	1BR/1BA	\$550 to \$600	700	\$0.79 to \$0.86	

SOURCE: Downtown Mobile Alliance;
Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
Mobile County, Alabama
December, 2007

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Downtown & Midtown {continued}</i>					
Claiborne Aptartments (2006) 258 N. Claiborne	8				100% occupancy
	1BR/1BA	\$600 to \$700	700 to 800	\$0.86 to \$0.88	
de Tonti Court Theodore Pitsios	2				100% occupancy
	1BR/1BA	\$700	800	\$0.88	
459 Dauphin Street	3				100% occupancy
	2BR/2BA	\$925 to \$1,025	900 to 1,200	\$0.85 to \$1.03	
<i>..... Suburban</i>					
French Quarter (1970s) 557 Azalea Road	152				98% occupancy Pool, High-speed internet.
	1BR/1BA	\$475	635	\$0.75	
	2BR/1BA	\$530	858	\$0.62	
	3BR/1.5BA	\$625	958	\$0.65	
Lenox Gates (2006) 1500 Hillcrest Road	228				99% occupancy Gated, pool, fitness center, tennis.
	1BR/1BA	\$635 to \$665	810 to 853	\$0.78 to \$0.78	
	2BR/1BA	\$715 to \$745	980 to 1,132	\$0.66 to \$0.73	
	2BR/2BA	\$780 to \$815	1,124 to 1,160	\$0.70 to \$0.69	
	3BR/2BA	\$940	1,387	\$0.68	

SOURCE: Downtown Mobile Alliance;
 Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
Mobile County, Alabama
December, 2007

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. <i>Suburban (continued)</i>					
Regency Gates (1995) 5700 Grelot Road	216				98% occupancy
	1BR/1BA	\$645 to \$675	820 to 860	\$0.78 to \$0.79	<i>Pool, tennis, fitness center. tennis.</i>
	2BR/1BA	\$730 to \$755	990 to 1,040	\$0.73 to \$0.74	
	2BR/2BA	\$795 to \$825	1,140 to 1,160	\$0.70 to \$0.71	
	3BR/2BA	\$940	1,390	\$0.68	
Timber Ridge (2000) 6700 Wall Street	320				99% occupancy
	1BR/1BA	\$737 to \$757	841 to 866	\$0.88 to \$0.87	<i>Pools, concierge, fitness center, high speed internet, W/D in unit.</i>
	2BR/1BA	\$787 to \$797	1,020 to 1,035	\$0.77 to \$0.78	
	2BR/2BA	\$837 to \$902	1,177 to 1,197	\$0.71 to \$0.77	
	3BR/2BA	\$952 to \$967	1,402 to 1,427	\$0.68 to \$0.69	
Legacy Oaks at Springhill (2006) 150 Du Rhu Drive	138				86% occupancy
	1BR/1BA	\$955	930	\$1.03	<i>Controlled access, pool, cubhouse, elevator, fitness center, business center, high speed internet.</i>
	2BR/2BA	\$1,100 to \$1,350	1,312 to 1,588	\$0.84 to \$0.85	
	3BR/2BA	\$1,500 to \$1,650	1,701 to 1,756	\$0.88 to \$0.94	

SOURCE: Downtown Mobile Alliance;
Zimmerman/Volk Associates, Inc.

Summary Of Selected For-Sale Attached Properties

City of Mobile, Mobile County, Alabama

December, 2007

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Unit Type</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
. . . . Downtown						
Saint Francis Place (2002) <i>Buddy Breland</i>	CO				30	30 (0.5)
	1BR/1.5BA	\$139,000 to \$278,000	845 to 1,292	\$164 to \$215		<i>Resales Only.</i>
	2BR/1.5BA	\$154,300 to \$214,000	913 to 1,247	\$169 to \$172		
	2BR/2.5BA	\$265,000 to \$345,000	1,686 to 1,689	\$157 to \$204		
	3BR/3BA	\$475,000	2,435	\$195		
Mattress Factory (2007) <i>Real Source</i>	CO				24	14 (1.4)
	Loft/1BA	\$179,000 to \$199,000	1,159 to 1,114	\$154 to \$179		
	1BR/1BA	\$169,900 to \$179,900	900	\$189 to \$200		
	2BR/2BA	\$280,000	1,430	\$196		
	2BR/2.5BA	\$300,000 to \$325,000	1,484	\$202 to \$219		
St. Louis Lofts (08/06) <i>Renaissance Development</i>	CO				21	8 (0.5)
	1BR/1BA	\$181,900 to \$200,000	1,175 to 1,274	\$155 to \$157		
	2BR/2BA	\$199,900 to \$253,900	1,238 to 1,525	\$161 to \$166		
O'Gwynn Place (2007) <i>O'Gwynn, LLC</i>	CO				10	5 (1.0)
	1BR/1BA	\$191,000 to \$215,000	988 to 1,178	\$183 to \$193		<i>Under construction.</i>
	2BR/2BA	\$188,000 to \$262,800	944 to 1,314	\$199 to \$200		
	2BR/2.5BA	\$323,600 to \$415,600	1,618 to 2,078	\$200 to \$200		

SOURCE: Downtown Mobile Alliance;
Zimmerman/Volk Associates, Inc.

Summary Of Selected For-Sale Attached Properties

City of Mobile, Mobile County, Alabama

December, 2007

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Unit Type</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Units</u>	<u>Total Sales (Monthly Average)</u>
<i>.... Downtown {continued}</i>						
Carriage Works (2007)	CO				7	1 (0.2)
<i>Carriage House, LLC</i>	1BR/1BA	\$229,000 to \$235,000	825 to 844	\$271 to \$285	to <i>Under construction.</i>	
	2BR/2BA	\$347,360 to \$390,000	1,336 to 1,500	\$260 to \$260		
	2BR/2.5BA TH	\$399,000	1,510	\$264	4	
250 St. Francis St. (2007)	CO				32	
<i>St. Francis St. Partners, LLC</i>	1BR/1BA	\$235,900 to \$245,900	840	\$281 to \$293	to <i>Construction not yet begun.</i>	
	1BR/1.5BA	\$244,900 to \$249,900	900	\$272 to \$278		
	2BR/2BA	\$283,900 to \$426,500	1,090 to 1,500	\$189 to \$391		
	1BR/1.5BA/loft	\$369,297	1,300	\$284		
	2BR/2BA/loft	\$412,806 to \$580,670	1,485 to 2,050	\$201 to \$391		
Clarkson Townhouses (2006)	TH	\$280,000	1,786	\$157	4	3 (0.1)
<i>Oakleigh Venture Revolving Fund</i>						
<i>.... Midtown</i>						
Windsor-Warwick	CO				28	20 (1.0)
<i>1600-1602 Government Street</i>	Studio	\$79,900	490	\$163		
Condo conversion from rentals.	1BR/1BA	\$105,900	610	\$174		
	2BR/1BA	\$134,900	1,000	\$135		
Summerville Court (2006)	CO				80	76 (3.5)
<i>The Wellington Group</i>	1BR/1BA	\$115,000	765	\$150		
Condo conversion from rentals.	2BR/1BA	\$156,500	900	\$174		

SOURCE: Downtown Mobile Alliance;
Zimmerman/Volk Associates, Inc.

Table 5

Optimum Market Position
The Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

<i>Housing Type</i>	<i>Base Rent/Price Range*</i>	<i>Base Unit Size Range</i>	<i>Base Rent/Price Per Sq. Ft.*</i>	<i>Annual Market Capture</i>
Multi-Family For-Rent				105 units
Hard Lofts <i>Open Floorplans/1ba</i>	\$650 to \$1,050	600 to 1,000	\$1.05 to \$1.08	
Soft Lofts <i>Studios to Two-Bedrooms</i>	\$775 to \$1,250	650 to 1,100	\$1.14 to \$1.19	
Luxury Apartments <i>One- to Three-Bedrooms</i>	\$1,200 to \$2,250	850 to 1,750	\$1.29 to \$1.41	
Multi-Family For-Sale				87 units
Hard Lofts <i>Open Floorplans/1ba</i>	\$115,000 to \$165,000	650 to 1,000	\$165 to \$177	
Soft Lofts <i>One- and Two-Bedrooms</i>	\$150,000 to \$275,000	700 to 1,350	\$204 to \$214	
Luxury Condominiums <i>Two- and Three-Bedrooms</i>	\$325,000 to \$500,000	1,400 to 2,200	\$227 to \$232	
Single-Family Attached For-Sale				49 units
Rowhouses	\$195,000 to \$350,000	950 to 1,750	\$200 to \$205	
Single-Family Detached For-Sale				25 units
Urban Houses <i>{Cottages, Bungalows, & 2-Story Houses}</i>	\$250,000 to \$450,000	1,100 to 2,100	\$214 to \$227	

NOTE: Base rents/prices in year 2007 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

The changes in market preferences are reflected in the higher number of multi-family and single-family attached units, and the lower number of single-family detached units. The annual market capture of 266 new units would require a capture rate of 13.1 percent of the 2,020 households, identified through target market analysis, that have the potential to rent or purchase new market-rate housing units within the Downtown Mobile Study Area in 2008—a rate that is 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.

Over five years, these capture rates could result in a total of 1,330 new dwelling units, or nearly 2,800 new residents, in the Downtown Study Area. In five years, this would mean 525 new rental units, 435 new condominiums, 245 new townhouses or rowhouses, and 125 new single-family detached houses more than currently exists in the Study Area.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

Based on the updated migration and mobility analyses, and dependent on the creation of appropriate new housing units, nearly 58 percent of the annual market potential of 266 new dwelling units in the Downtown Mobile Study Area, or approximately 154 units per year, could be from households moving into downtown from areas outside Mobile's city limits. Over five years, the realization of that market potential could lead to an increase of 770 households living in Downtown Mobile that moved from a location other than the city.

This analysis examines market potential over the next five years. Because of the dramatic changes in the composition of American households that occurred during the 1990s, and the likelihood that significant changes will continue, both the depth and breadth of the potential market for downtown and in-town living is likely to increase. The experience of other American cities has been that, once the urban residential alternative has been securely established, the percentage of households that will consider downtown and in-town housing typically increases.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

—*Rental Distribution*—

The market-rate rent range covers leases by households with annual incomes ranging between \$35,000 and \$100,000 or more. A single-person household with an income of \$35,000 per year, paying no more than 30 percent of gross income for rent and utilities (the national standard for affordability) would qualify for a rent of \$650 per month. A two- or three-person household, with an income of \$100,000 or more per year, paying no more than 30 percent of gross income for rent and utilities, would qualify for a rent of \$2,250 per month.

Based on the updated target household mix (*listed on Table 6*) and the incomes of the target households, the distribution by rent range of the 105 new rental units that could be absorbed each year over the next five years in the Downtown Mobile Study Area is as follows:

Loft/Apartment Distribution by Rent Range
THE DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

MONTHLY RENT RANGE	UNITS PER YEAR	PERCENTAGE
\$500–\$750	14	13.4%
\$750–\$1,000	15	14.4%
\$1,000–\$1,250	16	15.2%
\$1,250–\$1,500	16	15.2%
\$1,500–\$1,750	16	15.2%
\$1,750–\$2,000	16	15.2%
\$2,000 and up	<u>12</u>	<u>11.4%</u>
Total:	105	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

As in 2006, nearly all of the lofts/apartments with monthly rents of \$1,250 or less are likely to be leased by younger singles and couples. Nearly half of the most expensive soft lofts and luxury apartments, with rents above \$1,750 per month, are likely to be leased by empty nesters and retirees, a third by fast-track younger singles and couples, and the remaining 21 percent by compact families where both parents are employed.

Table 6

**Annual Market Capture
Target Groups For Multi-Family For-Rent
Market-Rate Lofts/Apartments
Downtown Mobile Study Area**

City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 15 Percent Capture</i>
Urban Establishment	20	3
Affluent Empty Nesters	20	3
Small-Town Establishment	20	3
Suburban Establishment	20	3
Cosmopolitan Elite	10	2
Cosmopolitan Couples	10	2
New Empty Nesters	30	5
Subtotal:	130	21
Traditional & Non-Traditional Families		
Nouveau Money	10	2
The Entrepreneurs	20	3
Full-Nest Urbanites	20	3
Multi-Cultural Families	10	2
Subtotal:	60	10
Younger Singles & Couples		
e-Types	40	6
Fast-Track Professionals	100	13
The VIPs	50	8
Upscale Suburban Couples	70	10
New Bohemians	60	9
Twentysomethings	60	9
Urban Achievers	50	8
Small-City Singles	80	11
Subtotal:	510	74
Total Households:	700	105

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

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

—*For-Sale Distribution*—

The market-rate price range covers purchases by households with annual incomes ranging between \$50,000 and \$200,000. As in 2006, this analysis did not assess affordability based on the use of non-standard mortgage instruments, but rather typical 30-year mortgages, with either a five or 10 percent down payment, at current interest rates. A single-person household with an income of \$50,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest, taxes, insurance and utilities, would qualify for a mortgage of \$100,000 at current interest rates. A two- or three-person household with an income of \$200,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest, taxes, insurance and utilities, would qualify for a mortgage of at least \$500,000 at current interest rates.

Based on the target household mix (*listed on Table 7*) and incomes of the target households, the distribution by price range of the 87 market-rate for-sale apartments that could be absorbed each year over the next five years in the Downtown Mobile Study Area is as follows:

Loft/Apartment Distribution by Price Range
THE DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

PRICE RANGE	UNITS PER YEAR	PERCENTAGE
\$100,000–\$150,000	10	11.5%
\$150,000–\$200,000	14	16.1%
\$200,000–\$250,000	25	28.7%
\$250,000–\$300,000	18	20.7%
\$300,000–\$350,000	12	13.8%
\$350,000 and up	<u>8</u>	<u>9.2%</u>
Total:	87	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

Younger singles and couples represent nearly 70 percent of the market for units priced at \$250,000 or less, and empty nesters and retirees the remaining 30 percent. Three-quarters of the most expensive soft lofts and luxury apartments, priced at \$300,000 or more, are likely to be purchased by empty nesters and retirees, with 15 percent likely to be purchased by urban families and the remaining 10 percent by affluent younger couples.

Table 7

**Annual Market Capture
Target Groups For Multi-Family For-Sale
Market-Rate Lofts/Apartments
Downtown Mobile Study Area**
City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 15 Percent Capture</i>
Old Money	30	5
Urban Establishment	20	3
Affluent Empty Nesters	40	6
Small-Town Establishment	60	8
Suburban Establishment	40	6
Cosmopolitan Elite	40	6
Cosmopolitan Couples	20	3
New Empty Nesters	30	5
Subtotal:	280	42
Traditional & Non-Traditional Families		
The Entrepreneurs	20	3
Full-Nest Urbanites	10	2
Subtotal:	30	5
Younger Singles & Couples		
e-Types	20	3
Fast-Track Professionals	60	8
The VIPs	20	3
Upscale Suburban Couples	50	8
New Bohemians	20	3
Twentysomethings	30	5
Urban Achievers	20	3
Small-City Singles	50	7
Subtotal:	270	40
Total Households:	580	87

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

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

Based on the target household mix (*listed on Table 8*) and incomes of the target groups, the distribution by price range of the 49 market-rate townhouses/rowhouses that could be absorbed each year over the next five years in the Downtown Mobile Study Area is as follows:

Townhouse Distribution by Price Range
THE DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$150,000–\$200,000	11	22.4%
\$200,000–\$250,000	18	36.8%
\$250,000–\$300,000	12	24.5%
\$300,000 and up	<u>8</u>	<u>16.3%</u>
Total:	49	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

In this case, younger singles and couples represent nearly two-thirds of the market for townhouses or rowhouses priced at \$250,000 or less; non-traditional families comprise 3.4 percent; and empty nesters and retirees another 31 percent. Sixty percent of the townhouses/rowhouses priced at \$250,000 or more are likely to be purchased by empty nesters and retirees; 35 percent by families, and the remaining five percent by affluent younger couples.

Table 8

**Annual Market Capture
Target Groups For Single-Family Attached For-Sale
Townhouses/Rowhouses/Live-Work
Downtown Mobile Study Area**

City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 10 Percent Capture</i>
Old Money	10	1
Urban Establishment	20	2
Affluent Empty Nesters	40	4
Small-Town Establishment	40	4
Suburban Establishment	40	4
Cosmopolitan Elite	20	2
Cosmopolitan Couples	10	1
New Empty Nesters	30	3
Subtotal:	<u>210</u>	<u>21</u>
Traditional & Non-Traditional Families		
The Entrepreneurs	50	5
Full-Nest Urbanites	10	1
Unibox Transferees	20	2
Subtotal:	<u>80</u>	<u>8</u>
Younger Singles & Couples		
e-Types	10	1
Fast-Track Professionals	50	5
The VIPs	30	3
Upscale Suburban Couples	40	4
New Bohemians	10	1
Twentysomethings	20	2
Urban Achievers	10	1
Small-City Singles	30	3
Subtotal:	<u>200</u>	<u>20</u>
Total Households:	490	49

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

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

Based on the target household mix (*listed on Table 9*) and incomes of the target groups, the distribution by price range of the 25 market-rate urban houses that could be absorbed each year over the next five years in the Downtown Mobile Study Area is as follows:

Urban House Distribution by Price Range
THE DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$200,000–\$250,000	6	24.0%
\$250,000–\$300,000	7	28.0%
\$300,000–\$350,000	6	24.0%
\$350,000 and up	<u>6</u>	<u>24.0%</u>
Total:	25	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Older and younger singles and couples together account for 92 percent of the market for new urban houses priced at \$300,000 or less; traditional and non-traditional families represent another eight percent of the market. Half of the urban houses priced at \$300,000 or more are likely to be purchased by empty nesters and retirees, 42 percent by families, and the remaining eight percent by younger singles and couples.

Table 9

**Annual Market Capture
Target Groups For Single-Family Detached For-Sale
Urban Houses**

Downtown Mobile Study Area

City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 10 Percent Capture</i>
Old Money	20	2
Urban Establishment	10	1
Affluent Empty Nesters	30	3
Small-Town Establishment	20	2
Suburban Establishment	20	2
New Empty Nesters	20	2
Subtotal:	120	12
Traditional & Non-Traditional Families		
Nouveau Money	20	2
The Entrepreneurs	30	3
Full-Nest Urbanites	10	1
Subtotal:	60	6
Younger Singles & Couples		
Fast-Track Professionals	30	3
The VIPs	20	2
Upscale Suburban Couples	20	2
Subtotal:	70	7
Total Households:	250	25

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

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

THE CURRENT CONTEXT

Rents at most of the buildings included in the survey in 2006 have remained stable. The most significant increases, of \$25 to \$100 per month, have occurred at the 141-unit Tower on Ryan Park; rents now start at \$695 for a 440 square-foot studio (\$1.58 per square foot); one-bedroom apartments containing 650 to 900 square feet range between \$800 and \$1,075 per month (\$1.23 to \$1.33 per square foot); and a two-bedroom, two-bath, 1,200 square-foot apartment rents for \$1,625 a month (\$1.35 per square foot). At the smaller buildings, with fewer than 10 units, rents run from \$495 to \$595 per month for a 350-square-foot studio (\$0.99 to \$1.41 per square foot) to 925 to \$1,025 per month for 900- to 1,200-square-foot two-bedroom units (\$0.85 to \$1.03 per square foot). (*See again* Table 3.)

The 11-unit St. Emanuel Place, located at the corner of Dauphin and St. Emanuel Streets overlooking Bienville Square, is now fully occupied with rents ranging between \$600 to \$975 per month for 600- to 1,000-square-foot lofts (\$0.98 to \$1.00 per square foot) .

Rents at the suburban apartment communities in the survey have risen only slightly, and still start at \$475 per month for a one-bedroom apartment, \$530 per month for a two-bedroom apartment, and \$625 per month for a three-bedroom apartment. Rents per square foot still start at \$0.62, but with rent decreases at Legacy Oaks, which opened in 2006, the highest rent per square foot is now \$1.03.

Throughout Mobile, occupancy rates are still very high, even though a number of evacuees have returned to their home counties. Nearly all of the properties with less than 95 percent occupancy (functional full occupancy) are renovating vacant units (St. Charles Place, Tower on Ryan Park) or are still in lease-up (Legacy Oaks).

• • •

Most of the downtown for-sale projects that were under way in 2006 are still marketing units, although St. Francis Place is now sold out. At the Mattress Factory, base prices now start at

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

\$179,000 for a 1,159-square-foot loft to \$325,000 for a 1,484-square-foot two-bedroom unit (\$154 to \$219 per square foot). The units at St. Louis Lofts now start at \$181,900 for an 1,175-square-foot one-bedroom, with the most expensive two-bedroom priced at \$253,900 for 1,525 square feet of living space (\$155 to \$166 per square foot). (See again Table 4.)

Three new properties are either under construction, or proposed. O'Gwynn Place is a 10-unit property where one- and two-bedroom apartments are priced between \$191,000, for 988 square feet, to \$415,600, for more than 2,000 square feet of living space (\$183 to \$200 per square foot). Prices for the seven units at Carriage Works start at \$229,000 for an 825-square-foot one-bedroom apartment, and go as high as \$399,000 for a 1,500-square-foot two-story (townhouse) unit (\$260 to \$285 per square foot). Construction has not yet begun on the 32 units planned for 250 St. Francis Street, where base prices are proposed to start at \$235,900 for an 840-square-foot one-bedroom unit, to \$580,670 for a 2,050-square-foot two-bedroom loft (\$189 to \$391 per square foot).

Average sales paces have slowed, reflecting buyer uncertainties and mortgage-related issues that have affected the national market. Saint Francis Place, the first condominium project in downtown Mobile, averaged sales of one unit every other month, although the Mattress Factory has averaged nearly one-and-a-half sales per month.

The two conversion properties located in Midtown, Windsor-Warwick and Summerville Court, are still marketing units, although nearing sell-out. At Windsor-Warwick, eight of the 28 490- to 1,000-square foot units have not yet been sold, with current prices ranging between \$79,900 and \$134,900 (\$135 to \$174 per square foot). With four units left to sell, base prices at Summerville Court currently range from \$115,000 to more than \$156,000 for one- and two-bedroom apartments containing 765 to 900 square feet (\$150 to \$174 per square foot). Windsor-Warwick has averaged one sale per month, and Summerville Court nearly three-and-a-half units per month.

METHODOLOGY

The update of the technical analysis of market potential for the Downtown Mobile Study Area included confirmation of the draw areas—based on the most recent migration data for Mobile County, and incorporating additional data from the 2006 American Community Survey for the City of Mobile—as well as compilation of current residential rental and for-sale activity in the Downtown.

The evaluation of market potential for the Study Area was derived from the updated target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

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

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to Mobile County. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns. The migration data for the county has been supplemented by mobility data from the 2006 American Community Survey for the city.

Appendix Table 1. **Migration Trends**

Analysis of the most recent Mobile County migration and mobility data available from the Internal Revenue Service—from 2001 through 2005—shows the indirect impact that Hurricane Katrina had on Mobile County. In 2005, the combined in-migration from Jackson and Harrison Counties, Mississippi and Orleans Parish, Louisiana rose by more than 500 households over the previous year, and overall, nearly 1,200 more households moved to Mobile County in 2005 than

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

in 2004. This resulted in a net gain of nearly 650 households in 2005, compared to the net losses of prior years that ranged from more than 1,000 households in 2001 to a considerably smaller loss of 325 households in 2004.

Unless there are future hurricanes of the magnitude of Katrina, and unless there is construction of significant numbers of new housing units, it is likely that 2005 will remain an atypical year. Since it is those households likely to move into an area (gross in-migration) that represent an area's external market potential, this analysis is based on the more typical migration patterns in Mobile County. For the county, between nine and 12 percent of in-migration is from Baldwin County; between one-quarter and a third is from other Alabama, Mississippi, and Florida counties; and the remaining 55 to 60 percent is from urban counties elsewhere in the United States.

Based on the migration data, the draw areas for the City of Mobile have been delineated as follows:

- The primary draw area, covering households currently living within the Mobile city limits. Even in 2005, between 10 and 15 percent of the households living in the city moved to another residence within the city that year.
- The local draw area, covering households currently living in the balance of Mobile County. Including 2005, approximately five percent of the households living in the balance of Mobile County moved to a residence in the city each year.
- The regional draw area, covering households with the potential to move to the City of Mobile from Baldwin County. Households moving from Baldwin continued to comprise more than 10 percent of total Mobile County in-migration.
- The national draw area, covering households with the potential to move to the City of Mobile from all other U.S. counties. Excluding 2005, between approximately 5,000 and 5,200 households moved into Mobile County from elsewhere in the United States each year over the study period; a small additional number moved from outside the United States. In 2005, after Hurricane Katrina, significantly larger numbers of households

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

moved to Mobile from such parishes as Jefferson and Orleans, Louisiana (New Orleans) and counties such as Escambia, Florida (Pensacola) and Harrison, Mississippi (Gulfport/Biloxi).

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix Tables 2 and 3.

Target Market Classifications

Of the estimated 77,820 households living in the City of Mobile in 2007 (based on Claritas' estimates in 2007), nearly 47 percent, or 36,325 households, have the capacity to rent or buy market-rate housing. (*Reference* Appendix Table 2.) Median income within the city is estimated at \$35,200, approximately \$200 below the 2006 estimate of \$35,400. Median home value in the city is estimated at \$106,200, approximately \$4,000 above the 2006 estimate of \$102,200. In 2007, just over 35 percent of the city's "market-rate" households can be classified as younger singles and couples, another 35.4 percent are empty nesters and retirees, and 29.4 percent are traditional and non-traditional families. These percentages are very close to those of 2006.

Just over 44 percent, or 69,430 households, of the estimated 156,900 households estimated to be living in Mobile County in 2007 (again, based on Claritas' 2007 estimates) have the capacity to

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

rent or buy market-rate housing. Median income within the county is estimated to remain at \$39,000, and median home value is estimated to have risen to \$98,900. Just under 43 percent of Mobile County's "market-rate" households are classified as traditional and non-traditional families, another 30.5 percent are empty nesters and retirees, and the remaining 26.8 percent are younger singles and couples. (*See* Appendix Table 2.) Again, these percentages are very close to those of 2006.

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant "predictor variables," ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as "behaviors," such as mobility rates and lifestyle choices. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 groups can

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

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

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Mobile in the year 2008. The total number from each city/county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix Table 4.

Internal Mobility (Households Moving Within the City of Mobile)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that up to 4,350 households living in the City of Mobile, and with the capacity to rent or purchase market-rate housing, have the potential to move from one residence to another within the city in 2008. Nearly 45 percent of these households are likely to be younger singles and couples (as characterized within 10

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

Zimmerman/Volk Associates' target market groups); another 30.6 percent are likely to be family-oriented households (in 12 market groups); and the remaining 24.8 percent are likely to be empty nesters and retirees (in 10 market groups).

Appendix Table 5.

External Mobility (Households Moving To the City of Mobile from the Balance of Mobile County)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county. Using these data, up to 2,150 households, currently living in the balance of Mobile County and with the capacity to rent or purchase market-rate housing, have the potential to move from a residence in the county to a residence in the City of Mobile in 2008. Up to 73.5 percent of these households are likely to be traditional and non-traditional families (in 11 market groups); 15.3 percent are likely to be empty nesters and retirees (in three groups); and the remaining 11.2 percent are likely to be younger singles and couples (in four groups).

Appendix Tables 6 and 7.

External Mobility (Households Moving To the City of Mobile from Outside Mobile County)—

These tables determine the number of households in each target market group living in each draw area county that are likely to move to the City of Mobile in 2008 (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix Table 8.

Market Potential for the City of Mobile—

Appendix Table 8 summarizes Appendix Tables 4 through 7. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing dwelling units in the City of Mobile in the year 2008 originating from households currently living in the draw areas. Up to 10,450 households with the potential to rent or purchase market-rate housing have the potential to move within or to the City of Mobile in 2008. Traditional and non-traditional families are likely to account for 41.8 percent of these households

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

(in 15 market groups); another 36 percent are likely to be younger singles and couples (in 13 groups); and 22.2 percent are likely to be empty nesters and retirees (in 13 groups)..

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

Market Potential by Draw Area	
<i>City of Mobile, Mobile County, Alabama</i>	
City of Mobile (Primary Draw Area):	41.6%
Balance of Mobile County (Local Draw Area):	20.6%
Baldwin County (Regional Draw Area):	4.8%
Balance of US (National Draw Area):	<u>33.0%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

DETERMINATION OF THE POTENTIAL MARKET FOR THE DOWNTOWN MOBILE STUDY AREA—

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

Appendix Tables 9 through 11.

Market Potential for the Downtown Mobile Study Area—

As derived by the target market methodology, more than 2,700 of the 10,450 households that represent the market for new and existing housing units in the City of Mobile in 2008 are a market for new housing units within the Downtown Mobile Study Area. (See Appendix Table 9.) More than 48 percent of these households are likely to be younger singles and couples (in eight market groups); another 38.7 percent are likely to be empty nesters and retirees (in eight groups); and just 12.9 percent are likely to be traditional and non-traditional family households (in five groups).

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 December, 2007

The distribution of the draw areas as a percentage of the market for the Downtown Mobile Study Area is:

Market Potential by Draw Area
DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

City of Mobile (Primary Draw Area):	42.1%
Balance of Mobile County (Local Draw Area):	10.7%
Baldwin County (Regional Draw Area):	3.0%
Balance of US (National Draw Area):	<u>44.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

The 2,710 draw area households that have the potential to move within or to the Downtown Mobile Study Area in 2008 have been categorized by tenure propensities to determine renter/owner ratios. Just under 30 percent of these households (or 800 households) comprise the potential market for rental units, of which 700 households are the potential market for new market-rate rentals. The remaining 70.5 percent (or 1,910 households) comprise the market for new market-rate for-sale (ownership) housing units. (*See Appendix Table 10.*)

Of these 1,910 households, 30.4 percent (or 580 households) comprise the market for multi-family for-sale units (condominium apartments and lofts); and another 25.7 percent (490 households) comprise the market for attached single-family (townhouse or duplex) units. These are larger percentages of the market than in 2006. The remaining 44 percent (or 840 households) comprise the market for all ranges and densities of single-family detached houses. (*See Appendix Table 11.*) Up to 250 of these 840 households represent the market for urban single-family detached houses.

—Target Market Data—

Target market data are based on the Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
December, 2007

revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 “behaviors.”

Over the past 19 years, Zimmerman/Volk Associates has augmented the PRIZM cluster systems for use within the company’s proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908-735-6336
info@ZVA.cc • www.ZVA.cc

Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

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

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

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



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

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

