
UPDATE

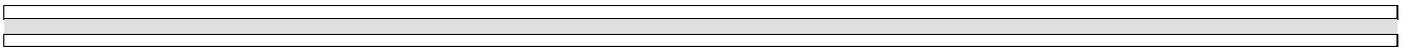
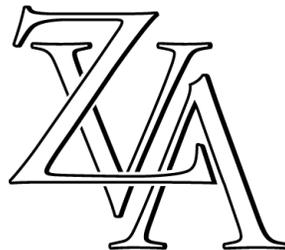
RESIDENTIAL MARKET POTENTIAL

Downtown Mobile Study Area

City of Mobile,
Mobile County, Alabama

August, 2014

Conducted by
ZIMMERMAN/VOLK ASSOCIATES, INC.
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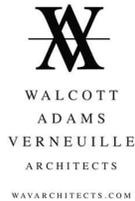


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Research & Strategic Analysis

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Research & Strategic Analysis

UPDATE

RESIDENTIAL MARKET POTENTIAL

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

August, 2014

INTRODUCTION

The purpose of this study is to re-evaluate the depth and breadth of the potential market for new market-rate rental and for-sale dwelling units, to be added through adaptive re-use of existing non-residential buildings and/or new construction, within the Downtown Mobile Study Area, in the City of Mobile, Mobile County, Alabama. The original Downtown study was published in October, 2006, and an update was published in December, 2007.

The boundaries of the Downtown Mobile Study Area are the same as those defined for the original analysis and the first update, covering the area contained within the Hank Aaron Loop, which follows Beauregard 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 for new housing units within the Downtown Mobile Study Area have been updated using Zimmerman/Volk Associates' proprietary target market methodology. The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestage, lifestyle patterns, and household compatibility issues.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
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For this update, Zimmerman/Volk Associates re-examined the following:

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

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

MARKET POTENTIAL

The extent and characteristics of the potential market for new residential units within the City of Mobile and the Downtown Study Area have been re-examined through detailed analysis of households living within the appropriate draw areas. These draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2012 American Community Survey for the City of Mobile and for Mobile County.

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

Analysis of the most recent Mobile County migration and mobility data available from the Internal Revenue Service—from 2006 through 2010—shows that the county, which gained a net 1,200 households in 2005 due to Hurricane Katrina, continued to experience net gains through 2008. However, in 2009, the county lost a net 260 households, followed by a net loss of 760 households in 2010. (See Appendix One, Table 1.) Nearly 35 percent of that net loss was to Baldwin County.

Over the five-year study period, annual *in*-migration to Mobile County has ranged between 6,210 households in 2007, the highest total over the study period, and 5,445 households in 2010, the lowest total. Over the same period, annual *out*-migration from Mobile County ranged between the high of 6,205 households in 2010 and the low of 5,740 households in 2009. In 2010, just under 12 percent of the county's in-migration came from adjacent Baldwin County, and over a third from other counties in Alabama as well as counties in Mississippi and Florida, in keeping with the pre-Katrina historical trend. The remaining households moved to Mobile County from other counties in the United States, primarily in the southeast.

Based on the updated migration and mobility data, then, the draw areas for the City of Mobile and the Downtown Study Area have been confirmed as follows (*see also* METHODOLOGY):

- The primary draw area, covering households in groups with median incomes of \$50,000 or more currently living within the Mobile city limits.
- The local draw area, covering households in groups with median incomes of \$50,000 or more currently living in the balance of Mobile County.

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- The regional draw area, covering households in groups with median incomes of \$50,000 or more that are likely to move to the City of Mobile from Baldwin County.
- The national draw area, covering households in groups with median incomes of \$50,000 or more with the potential to move to the City of Mobile from all other U.S. counties (primarily Alabama counties and counties in the southeastern United States).

As derived from the updated migration and mobility analyses, the draw area distribution of market potential (those households, in groups with median incomes above \$50,000 per year with the potential to move within or to the City of Mobile, an average of 10,555 households each year over the next five years) is therefore 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):	51.3%
Balance of Mobile County (Local Draw Area):	20.0%
Baldwin County (Regional Draw Area):	3.0%
Balance of US (National Draw Area):	<u>25.7%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Households moving within the city as a share of Mobile's market potential have risen from 41.6 percent in 2007 to 51.3 percent in 2014. The share of households moving to the city from the balance of Mobile County rose to 20 percent (up from 10.7 percent in 2007). As a share of the potential market, households moving from Baldwin County remained at three percent, and households moving from all other U.S. counties fell to 25.7 percent from 44.2 percent of the market.

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MARKET POTENTIAL FOR THE DOWNTOWN MOBILE STUDY AREA

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

As it did in the 2006 study and 2007 update, the target market methodology identifies those households with a preference for living in downtowns and in-town neighborhoods. After discounting for those segments of the city's potential market that typically choose suburban and/or rural locations, the distribution of draw area market potential for new and existing market-rate dwelling 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):	46.0%
Balance of Mobile County (Local Draw Area):	14.9%
Baldwin County (Regional Draw Area):	1.5%
Balance of US (National Draw Area):	<u>37.6%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Over the next five years, households moving from elsewhere in the city and from Mobile County will become a much larger proportion of market potential for new housing in the Downtown Study Area—from 42.1 percent and 10.7 percent, respectively, in 2007, to 46 percent (City of Mobile) and to 14.9 percent (Mobile County). In contrast, households moving from Baldwin County and from the balance of the U.S. will become a smaller proportion (just 1.5 percent for Baldwin County, compared to three percent in the 2007 update, and 37.6 percent for the balance of the U.S., compared to 44.2 percent in 2007) of annual market potential over the same period.

Based on the updated analysis, which accounts for household mobility within the City of Mobile and the balance of Mobile County, as well as migration and mobility patterns for households currently living in all other cities and counties, an average of 3,060 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families represent the potential market for new and existing housing units within the Downtown Mobile Study Area each year over the next five years, over 17 percent higher than the 2,610 households in 2007.

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What are their housing preferences in aggregate?

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

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

Annual Potential Market for New and Existing 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)	1,110	36.4%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	305	13.9%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	395	12.9%
Low-range single-family detached (houses, fee-simple ownership)	395	12.9%
Mid-range single-family detached (houses, fee-simple ownership)	435	14.2%
High-range single-family detached (houses, fee-simple ownership)	<u>420</u>	<u>13.7%</u>
Total	3,060	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 1

Annual Market Potential

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move Within/To Downtown Mobile Each Year Over The Next Five Years
Households In Groups With Median Incomes Above \$50,000

Downtown Mobile Study Area

City of Mobile, Mobile County, Alabama

*City of Mobile; Mobile County; Baldwin County; and
National Draw Areas*

Total Target Market Households
With Potential To Rent/Purchase In The
City of Mobile, Mobile County, Alabama 10,555

Total Target Market Households
With Potential To Rent/Purchase In The
Downtown Mobile Study Area 3,060

Annual Market Potential

	<i>Multi-Family</i>		<i>Single-Family</i>				<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>Attached</i> <u>All Ranges</u>	<i>Attached</i> <u>Low-Range</u>	<i>Detached</i> <u>Mid-Range</u>	<i>Detached</i> <u>High-Range</u>	
Total Households:	1,110	305	395	395	435	420	3,060
<i>{Mix Distribution}:</i>	36.3%	13.8%	12.9%	12.9%	14.2%	13.7%	100.0%

**Target Residential Mix
(Excluding Large-Lot Detached)**

	<i>Multi-Family</i>		<i>Single-Family</i>		<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>Attached</i> <u>All Ranges</u>	<i>Detached</i> <u>Urban</u>	
Total Households:	1,110	305	395	415	2,225
<i>{Mix Distribution}:</i>	49.9%	13.7%	17.8%	18.6%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 11.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

The market propensity for higher-density urban rental housing continues to grow: multi-family rental housing accounted for 26.8 percent of target market propensities in the 2007 update (700 households), and increased both in number (to 1,110 households) and in share (to 36.4 percent) in 2014.

In contrast, the number of households with preferences for multi-family for-sale units dropped significantly (from 580 to 305 households), and their share of the potential market dropped from 22.2 percent to 13.9 percent.

Another change over the past seven years is the decrease in market preferences for single-family *attached* units (from 490 households to 395 households, from an 18.8 percent share of the market to a 12.9 percent market share).

As in the 2006 study and the 2007 update, this analysis covers a broad range of appropriate urban housing types. In the core downtown, these housing types include multi-family rental and for-sale units, and a small number of single-family attached units. The adjacent single-family neighborhoods could support smaller-scale multi-family buildings on larger vacant lots as well as infill single-family attached and urban detached housing types.

Limited to households with preferences for urban higher-density housing types, then, an annual average of 2,225 households currently living in the defined draw areas represents the pool of potential renters/buyers of new housing units (new construction and/or adaptive re-use of non-residential structures) within the Downtown Study Area each year over the next five years (*see again* Table 1).

As derived from the tenure and housing preferences of those 2,225 draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached and detached housing types is shown on the table on the following page:

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 August, 2014

Annual Potential Market for New and Existing Housing Units
Market-Rate Higher-Density 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)	1,110	49.9%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	305	13.7%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	395	17.8%
Urban single-family detached for-sale (houses, fee-simple ownership)	<u>415</u>	<u>18.6%</u>
Total	2,225	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

As noted above, since the initial study was conducted in 2006 and the update in 2007, there have been considerable changes in the type of housing that best matches household preferences of the downtown target markets. As a share of the higher-density study area market, multi-family for-rent has risen from 34.7 percent in 2007 to 49.9 percent in 2014; multi-family for-sale (condominium) units now represent 13.7 percent of the market (compared to 28.7 percent in 2007); and single-family attached for-sale (townhouses) comprise 17.8 percent of the market, down from 24.3 percent in 2007. Urban detached houses now represent 18.6 percent of Downtown Study Area market preferences, up from 12.3 percent in 2007.

The rents and price points for new market-rate housing units that could be developed in the Downtown Mobile Study Area have therefore been derived from the income and financial capabilities of those households in groups with incomes above \$50,000 that have been identified as the target markets for new housing in the Study Area.

—Rental Distribution by Rent Range—

Based on the incomes and financial capabilities of the 1,110 households that represent the target markets for new market-rate rental units each year over the next five years, the distribution of annual market potential by rent range is summarized on the table following this page (*see* Table 2):

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 August, 2014

**Annual Market Potential For New Multi-Family For-Rent
 Distributed By Rent Range
 DOWNTOWN MOBILE STUDY AREA
*City of Mobile, Mobile County, Alabama***

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$500–\$750	165	14.9%
\$750–\$1,000	185	16.6%
\$1,000–\$1,250	165	14.9%
\$1,250–\$1,500	145	13.1%
\$1,500–\$1,750	140	12.6%
\$1,750–\$2,000	120	10.8%
\$2,000–\$2,250	115	10.4%
\$2,250 and up	<u>75</u>	<u>6.8%</u>
Total:	1,110	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- The largest group of renters are younger singles and couples at 68 percent of the market. The more affluent 23.2 percent of these households would be able to afford rents at or above \$1,750 per month; just under a quarter can pay rents between \$1,250 and \$1,750 per month; and more than 52 percent would require rents below \$1,250 per month.
- Empty nesters and retirees represent over 20 percent of the market for new market-rate rental units; 37.8 percent of them could pay rents no greater than \$1,250 per month. Just under 29 percent of this market segment are able to afford rents between \$1,250 and \$1,750 per month, and a third of the older households make up the market for new units with rents above \$1,750 per month.
- Traditional and non-traditional families comprise just 11.7 percent of the market for new market-rate rental units. Approximately 27 percent would require rents below \$1,250 per month, and the same percentage could afford rents between \$1,250 and \$1,750 per month. Over 46 percent of the family households can afford rents above \$1,750 per month.

Table 2

Target Groups For New Multi-Family For-Rent
Households In Groups With Median Incomes Above \$50,000

Downtown Mobile Study Area

City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Percent</i>
Old Money	5	0.5%
Urban Establishment	10	0.9%
Small-Town Establishment	10	0.9%
Cosmopolitan Elite	15	1.4%
Suburban Establishment	10	0.9%
New Empty Nesters	45	4.1%
Affluent Empty Nesters	10	0.9%
Cosmopolitan Couples	5	0.5%
Middle-Class Move-Downs	50	4.5%
Mainstream Retirees	10	0.9%
No-Nest Suburbanites	55	5.0%
Subtotal:	225	20.3%
Traditional & Non-Traditional Families		
Unibox Transferees	35	3.2%
Late-Nest Suburbanites	10	0.9%
Full-Nest Suburbanites	60	5.4%
Full-Nest Urbanites	25	2.3%
Subtotal:	130	11.7%
Younger Singles & Couples		
The Entrepreneurs	10	0.9%
e-Types	30	2.7%
The VIPs	45	4.1%
Fast-Track Professionals	15	1.4%
Upscale Suburban Couples	60	5.4%
New Bohemians	70	6.3%
Twentysomethings	145	13.1%
Suburban Achievers	150	13.5%
Small-City Singles	185	16.7%
Urban Achievers	45	4.1%
Subtotal:	755	68.0%
Total Households:	1,110	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

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—For-Sale Distribution by Price Range—

The realization of the full market potential for ownership units may continue to be challenging over the short-term, given restrictive mortgage underwriting by financial institutions, the disinterest on the part of many younger households in becoming owners, the fact that many otherwise-qualified households, particularly current renters, lack the funds for a down payment, and the inability of many owner households to sell their existing single-family houses, or their reluctance to sell at a perceived loss of value.

Based on the incomes and financial capabilities of the 305 households that represent the target markets for new market-rate for-sale multi-family units (condominiums) each year over the next five years, the distribution of annual market potential by price range is summarized as follows (*see also* Table 3):

**Annual Market Potential For New Multi-Family For-Sale
 Distributed By Price Range
 DOWNTOWN MOBILE STUDY AREA
*City of Mobile, Mobile County, Alabama***

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$200,000	45	14.8%
\$200,000–\$250,000	65	21.3%
\$250,000–\$300,000	75	24.6%
\$300,000–\$350,000	55	18.0%
\$350,000–\$400,000	40	13.1%
\$400,000 and up	<u>25</u>	<u>8.2%</u>
Total:	305	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Younger singles and couples are also the largest segment of the market for new multi-family for-sale units (condominiums), at 49.2 percent. However, only 26.7 percent would be able to purchase new condominiums with base prices at or above \$350,000, and a third would only be able to afford condominiums priced between \$250,000 and \$350,000. The heart of this segment—40 percent—are younger households in the market for condominiums priced between \$150,000 and \$250,000.

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- At 39.3 percent, empty nesters and retirees represent the next largest segment of the market for new multi-family for-sale units. Half of these older households would be in the market for new condominiums with base prices between \$250,000 and \$350,00, and another 16.7 percent could afford condominiums priced above \$350,000. A third would be able to purchase new condominiums with base prices between \$150,000 and \$250,000.
- The smallest group, traditional and non-traditional families, comprise just 11.5 percent of the market for this housing type. Just under 29 percent would be limited to condominium units priced between \$150,000 and \$250,000, and 14.3 percent could afford base prices above \$350,000. The heart of the market—57.1 percent of family households—could afford to pay base prices between \$250,000 and \$350,000.

Table 3

Target Groups For New Multi-Family For-Sale
Households In Groups With Median Incomes Above \$50,000

Downtown Mobile Study Area

City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Percentage</i>
Urban Establishment	5	1.6%
Small-Town Establishment	15	4.9%
Cosmopolitan Elite	15	4.9%
Suburban Establishment	10	3.3%
New Empty Nesters	20	6.6%
Affluent Empty Nesters	15	4.9%
Cosmopolitan Couples	5	1.6%
Middle-Class Move-Downs	15	4.9%
Mainstream Retirees	5	1.6%
No-Nest Suburbanites	15	4.9%
Subtotal:	120	39.3%
Traditional & Non-Traditional Families		
Unibox Transferees	5	1.6%
Late-Nest Suburbanites	5	1.6%
Full-Nest Suburbanites	15	4.9%
Full-Nest Urbanites	10	3.3%
Subtotal:	35	11.5%
Younger Singles & Couples		
The Entrepreneuers	10	3.3%
e-Types	10	3.3%
The VIPs	20	6.6%
Fast-Track Professionals	5	1.6%
Upscale Suburban Couples	15	4.9%
New Bohemians	10	3.3%
Twentysomethings	25	8.2%
Suburban Achievers	25	8.2%
Small-City Singles	25	8.2%
Urban Achievers	5	1.6%
Subtotal:	150	49.2%
Total Households:	305	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

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Based on the incomes and financial capabilities of the 395 households that represent the target markets for new market-rate for-sale single-family attached units each year over the next five years, the distribution of annual market potential by price range is summarized on the following table (*see also Table 4*):

**Annual Market Potential For New Single-Family Attached For-Sale
 Distributed By Price Range
 DOWNTOWN MOBILE STUDY AREA
 City of Mobile, Mobile County, Alabama**

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$200,000	60	15.1%
\$200,000–\$250,000	65	16.5%
\$250,000–\$300,000	85	21.5%
\$300,000–\$350,000	80	20.3%
\$350,000–\$400,000	60	15.2%
\$400,000–\$450,000	25	6.3%
\$450,000 and up	<u>20</u>	<u>5.1%</u>
Total:	395	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Younger singles and couples are again the largest market segment, at just over 44 percent, for new single-family attached for-sale units (townhouses). Approximately 31.4 percent would be able to purchase new townhouses with base prices at or above \$350,000, 34.3 percent would be able to afford units priced between \$250,000 and \$350,000, and the same percentage could afford new townhouses priced between \$150,000 and \$250,000.
- At 38 percent, empty nesters and retirees comprise the next largest segment of the market for new single-family attached for-sale units; nearly 47 percent would be in the market for new townhouses with base prices between \$250,000 and \$350,000, 30 percent would require units priced between \$150,000 and \$250,000, and the remaining 23.3 percent could afford new townhouses priced above \$350,000.
- The family market represents 17.7 percent of the market for new townhouses, of which half could afford units priced between \$250,000 and \$350,000, just over 21.4 percent could purchase units priced above \$350,000, and the remaining 28.6 percent could only afford townhouses priced between \$150,000 and \$250,000.

Table 4

Target Groups For New Single-Family Attached For-Sale

Households In Groups With Median Incomes Above \$50,000

Downtown Mobile Study Area

City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Percentage</i>
Old Money	5	1.3%
Urban Establishment	5	1.3%
Small-Town Establishment	10	2.5%
Cosmopolitan Elite	15	3.8%
Suburban Establishment	10	2.5%
New Empty Nesters	25	6.3%
Affluent Empty Nesters	10	2.5%
Cosmopolitan Couples	5	1.3%
Middle-Class Move-Downs	25	6.3%
Mainstream Retirees	10	2.5%
No-Nest Suburbanites	30	7.6%
Subtotal:	150	38.0%
Traditional & Non-Traditional Families		
Unibox Transferees	20	5.1%
Late-Nest Suburbanites	10	2.5%
Full-Nest Suburbanites	25	6.3%
Full-Nest Urbanites	15	3.8%
Subtotal:	70	17.7%
Younger Singles & Couples		
The Entrepreneuers	10	2.5%
e-Types	5	1.3%
The VIPs	15	3.8%
Fast-Track Professionals	10	2.5%
Upscale Suburban Couples	25	6.3%
New Bohemians	5	1.3%
Twentysomethings	35	8.9%
Suburban Achievers	25	6.3%
Small-City Singles	40	10.1%
Urban Achievers	5	1.3%
Subtotal:	175	44.3%
Total Households:	395	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
 August, 2014

There continues to be a solid market for new urban detached houses in the Downtown Mobile Study Area over the next five years. Based on the incomes and financial capabilities of the 415 households that represent the target markets for new market-rate for-sale urban detached units each year over the next five years, the distribution of annual market potential by price range is summarized on the following table (*see also* Table 5):

**Annual Market Potential For New Urban Single-Family Detached For-Sale
 Distributed By Price Range
 DOWNTOWN MOBILE STUDY AREA
*City of Mobile, Mobile County, Alabama***

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$200,000	50	12.0%
\$200,000–\$250,000	75	18.1%
\$250,000–\$300,000	90	21.7%
\$300,000–\$350,000	75	18.1%
\$350,000–\$400,000	60	14.5%
\$400,000–\$450,000	40	9.6%
\$450,000 and up	<u>25</u>	<u>6.0%</u>
Total:	415	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Empty nesters and retirees are the largest segment of the market for new urban single-family detached for-sale units, representing just over 44.6 percent of the market. Just under a third of the empty nester market could purchase new houses with base prices above \$350,000, 46 percent would be able to purchase units priced between \$250,000 and \$350,000, and 21.6 percent would be limited to urban houses priced between \$150,000 and \$250,000.
- At just under 29 percent of the annual market, family-oriented households represent the next largest market segment for new urban detached houses. Approximately 37.5 percent of these households could pay base prices above \$350,000, a third could purchase new houses with base prices between \$250,000 and \$350,000, and the remaining 29.2 percent could only afford new detached houses priced between \$150,000 and \$250,000.

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- Younger singles and couples comprise 26.5 percent of the potential urban detached house market. Over 18 percent would be in the market for urban houses with base prices at \$350,000 and up, just over 36.4 percent would be able to purchase new houses with base prices of between \$250,000 and \$350,000, and the remaining 45.5 percent could only purchase new units priced between \$150,000 and \$250,000.

Table 5

Target Groups For New Urban Single-Family Detached For-Sale
Households In Groups With Median Incomes Above \$50,000
Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Percentage</i>
Old Money	10	2.4%
Urban Establishment	10	2.4%
Small-Town Establishment	15	3.6%
Cosmopolitan Elite	15	3.6%
Suburban Establishment	10	2.4%
New Empty Nesters	50	12.0%
Affluent Empty Nesters	10	2.4%
Cosmopolitan Couples	5	1.2%
Middle-Class Move-Downs	25	6.0%
Mainstream Retirees	5	1.2%
No-Nest Suburbanites	30	7.2%
Subtotal:	185	44.6%
Traditional & Non-Traditional Families		
Unibox Transferees	40	9.6%
Late-Nest Suburbanites	30	7.2%
Full-Nest Suburbanites	45	10.8%
Full-Nest Urbanites	5	1.2%
Subtotal:	120	28.9%
Younger Singles & Couples		
The Entrepreneuers	15	3.6%
e-Types	5	1.2%
The VIPs	15	3.6%
Fast-Track Professionals	10	2.4%
Upscale Suburban Couples	20	4.8%
New Bohemians	5	1.2%
Twentysomethings	15	3.6%
Suburban Achievers	10	2.4%
Small-City Singles	15	3.6%
Subtotal:	110	26.5%
Total Households:	415	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Downtown Mobile Study Area
 City of Mobile, Mobile County, Alabama
 August, 2014

TARGET MARKET ANALYSIS

Who is the potential market?

As updated by the target market analysis, then, the annual potential market—represented by lifestage—for new housing units in the Downtown Mobile Study Area can be characterized by general unit type as shown on the following table (*see also* Table 6):

Annual Potential Market By Lifestage and Unit Types
DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATTACHED	FOR-SALE SF DETACHED
Empty-Nesters & Retirees	31%	20%	39%	38%	45%
Traditional & Non-Traditional Families	15%	12%	12%	18%	29%
Younger Singles & Couples	<u>54%</u>	<u>68%</u>	<u>49%</u>	<u>44%</u>	<u>26%</u>
Total	100%	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Younger singles and couples continue to be the largest market for new housing units in the Downtown Study Area. Among the principal factors in the higher share of the market held by younger singles and couples are:
 - Their higher mobility rates—young people tend to move much more frequently than older people;
 - The strong preference of younger households for mixed-use walkable neighborhoods; and
 - The reduced mobility of older singles and couples because of their inability, or reluctance, to sell their existing units.

In the 2007 update, younger singles and couples represented 52 percent of the market; the updated analysis shows an increase to 54 percent of the market. All of the same target household groups—from the risk-oblivious and very urban *New Bohemians* and *Urban Achievers* (and now including *e-Types*), to the risk-aware *VIPs*, *Twentysomethings*, and *Small-City Singles*, to the increasingly urban, *Fast-Track Professionals* and *Upscale Suburban Couples* (and now including the *Entrepreneurs* and *Suburban Achievers*)—are represented in the

potential market. Over 51 percent of these households would be moving to the Downtown Mobile Study Area from outside the city, slightly more than in the 2007 update.

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

- Older households (empty nesters and retirees) continue to be the second largest potential market, more than 42 percent of whom are currently living in Mobile.

Although they are the second largest potential market, empty nesters and retirees—most of the same target groups as in 2007—will decline to an approximately 31 percent share of the potential market, down from 37 percent in 2007. The collapse of the ownership housing market in 2007-2008 has had a significant impact on this market segment, as a greater number of older households are now choosing to rent, rather than buy downtown or in-town units. However, as the national, regional, and local housing markets continue to stabilize, and with the introduction of new units in a broad range of rents and prices, older households are likely to become a larger share of the potential Study Area housing market.

Downtown Mobile Study Area
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August, 2014

- The third, and smallest, general market segment—traditional and non-traditional families—has risen as a percentage of the potential market for the Downtown Mobile Study Area, from 11 percent in 2007 to 15 percent over the next five years.

Depending on housing type, compact, family-oriented households make up between 12 percent (rental and for-sale multi-family) and 29 percent (for-sale urban single-family detached) of the market for new housing units in the Downtown Mobile Study Area. Outside of New York City, very few traditional families choose to live in multi-family dwelling units, in large part because of the lack of private outdoor space in which their children can play unsupervised.

Over 59 percent of the traditional and non-traditional family households that represent the potential market for new housing in the Study Area currently live in either Mobile or elsewhere in Mobile County; the remaining 41 percent of the family households would be moving from another county in the U.S.

Table 6

Target Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
 With The Potential To Move Within/To Downtown Mobile Each Year Over The Next Five Years
 Households In Groups With Median Incomes Above \$50,000

Downtown Mobile Study Area

City of Mobile, Mobile County, Alabama

Number of Households:	Total	Multi- Family		Single- Family	
		<i>For-Rent</i>	<i>For-Sale</i>	<i>.. Attached .. All Ranges</i>	<i>.. Detached .. Urban</i>
	2,225	1,110	305	395	415
Empty Nesters & Retirees	31%	20%	39%	38%	45%
Traditional & Non-Traditional Families	15%	12%	12%	18%	29%
Younger Singles & Couples	54%	68%	49%	44%	26%
	100%	100%	100%	100%	100%

SOURCE: The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

THE CURRENT CONTEXT

What residential properties are currently located in the Mobile market area?

Updated information on relevant rental and for-sale, multi-family and single-family attached and detached properties/units located in the Mobile market area is provided as follows: for rental properties, see Table 7; for for-sale condominium, townhouse, and single-family detached units, see Table 8.

Almost half of the apartments available in the Downtown Study Area at the time of the survey update are located in condominium properties that began construction in 2006/2007 just before the housing market collapsed. Most of the units that are currently available are between tenants due to turnover, and not because of lack of market demand.

At Tower on Ryan Park, the largest rental property in the Downtown, rents now start at \$525 to \$650 per month for a 440-square-foot studio (\$1.19 to \$1.48 per square foot); one-bedroom apartments containing 660 to 900 square feet range between \$625 and \$900 per month (\$0.95 to \$1.11 per square foot); and two-bedroom, two-bath, 1,200- to 1,300-square-foot apartments rent for \$999 to \$1,024 a month (\$0.85 to \$0.91 per square foot).

At the smaller buildings, with fewer than 10 units, or individual rental units within the condominium properties, rents run from \$750 to \$1,200 per month for 800- to 900-square-foot one-bedroom apartments (\$0.95 to \$1.33 per square foot) and from \$975 for a 1,000-square-foot loft to \$1,975 per month for a 1,600-square-foot two-bedroom townhouse (\$0.98 to \$1.23 per square foot).

Outside of the Downtown Study Area, the updated survey included only properties that have been constructed since 2000 or later. In general, rents for one-bedroom apartments at these newer properties start at approximately \$555 per month, at Pine Bend Apartments, with the highest one-bedroom rent at \$1,005 per month at Legacy Oaks at Springhill. One-bedroom units range in size from approximately 650 square feet of living space at the Crossings at Cottage Hill Apartments, to 971 square feet at the Village at Midtown (\$0.75 to \$1.27 per square foot, compared to 2007 when the general range was \$0.62 to \$1.03)

Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
August, 2014

Two-bedroom units now start at around \$600, up from \$530 per month in 2007. The most expensive two-bedroom apartment leases for \$1,500 per month for 1,588 square feet of living space, also at Legacy Oaks (\$0.94 per square foot), which currently is 99 percent occupied. In general, two-bedroom unit sizes range between 935 and 1,588 square feet (generally \$0.60 to \$1.00 per square foot in 2014).

All of the properties in the survey located outside of the Study Area are leasing three-bedroom apartments. Three-bedroom apartments currently rent for \$810 up to \$1,700 per month; unit sizes range between 1,200 and 1,750 square feet. On a per-square-foot basis, the rents fall between \$0.62 and \$1.00 per square foot.

With the exception of two properties, occupancy rates are currently very high, ranging between 95 and 100 percent (functional full occupancy). All of the newer properties provide the typical suburban amenities, which include clubhouses, pools, business centers and fitness centers.

• • •

All of the condominiums currently on the market in the Downtown Study Area are in properties that began construction and marketing in 2006/2007. As noted above, many of these properties now contain a mix of both rental and ownership units.

The least expensive condominiums currently on the market are at St. Louis Lofts, where two units are listed for sale: a one-bedroom/one-bath 1,175-square-foot unit with an asking price of \$131,000 (\$111 per square foot), and a two-bedroom/two-bath unit, listed at \$142,000 for 1,385 square feet of living space (\$103 per square foot). The original prices for these units in 2007 was \$181,900 and over \$200,000, respectively (\$155 to \$166 per square foot).

The most expensive condominiums in the Study Area are at O'Gwynn Place where prices range between \$199,000 for a 955-square-foot one-bedroom/one-bath unit (\$208 per square foot) to \$392,000 for a 1,960-square-foot two-bedroom/two-and-a-half bath unit (\$200 per square foot). In 2007, prices started at \$191,000, with the most expensive unit listed at \$415,000, with a per-square-foot range between \$183 and \$200.

Downtown Mobile Study Area
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August, 2014

Several single-family detached units in the Downtown Study Area were on the market at the time of the survey; these range in price from \$150,000 for a three-bedroom/two-bath house on South Scott Street, built in 2009 and containing over 1,600 square feet (\$93 per square foot), to an 1873 mansion on State Street, with nearly 6,600 square feet of living space, listed for \$989,000 (\$150 per square foot).

There are several units on the market at the two conversion properties located in Midtown, Windsor-Warwick and Summerville Court. At Windsor-Warwick, four units are listed with asking prices ranging between \$54,000 and \$120,000 for 612- to 911-square foot units (\$88 to \$132 per square foot). In 2007, those units were marketed at \$105,900 to \$134,900 (\$135 to \$163 per square foot).

Four units are also listed at Summerville Court, with prices ranging from \$110,000 to \$134,900 for one- and two-bedroom apartments containing 765 to 900 square feet (\$144 to \$150 per square foot). In 2007, those units were priced at \$115,000 to \$156,000 (\$150 to \$174 per square foot).

The only newly-developed units on the market are at the 1911 Antoinette Apartments building in Midtown, a renovation of the former “luxury apartments” located on Government Street. The building owners live in one of the upper units; the two lower units are now priced at \$349,000 for 2,000 square feet of living space, and the other upper unit is priced at \$375,000 for 2,500 square feet. All four units contain two bedrooms and two-and-a-half baths.

Summary Of Selected Rental Properties

Mobile, Alabama

July, 2014

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
..... Downtown						
NoJa 6 N. Jackson Street	4	Studio/1ba		350 to 600		100% occupancy
Tower on Ryan Park (1951) {Renovated 2000} 758 Saint Michael Street	155	Studio/1ba	\$525 to \$650	440	\$1.19 to \$1.48	97% occupancy <i>Clubhouse, exercise room, movie theater, rooftop terraces.</i>
		1br/1ba	\$625 to \$750	660 to 675	\$0.95 to \$1.11	
		1br/2ba	\$875 \$900	900	\$0.97	
		2br/2ba	\$999 to \$1,024	1,100 to 1,200	\$0.85 to \$0.91	
de Tonti Court 253 North Jackson St	2	1br/1ba		800		100% occupancy
850 Dauphin Street Duplex	2	1br/1ba	\$725			1 available
St. Emanuel Place 127 Dauphin Street	11	Loft#302	\$775	820	\$0.95	2 available
		Loft#208	\$975	1,000	\$0.98	
459 Dauphin Street (1854) 2006 Historic Renovation	3	2br/2ba	\$925	900	\$1.03	1 available
Mattress Factory CO (2007) 412 Dauphin Street	24	1br/1ba	\$1,100	900	\$1.22	3 available
		Open/1ba	\$1,250	1,545	\$0.81	
		1br/1ba PH	\$1,600			
O'Gwynn Place CO (2007) 204 Conti Street	10	2br/2ba	\$1,350	1,324	\$1.02	1 available
St. Francis Place CO (2002) 753 St. Francis Street	30	1br/1ba	\$1,200	900	\$1.33	1 available

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Mobile, Alabama

July, 2014

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Downtown {continued}</i>						
Carriage Works CO (2007) 709 Dauphin Street 2007 Condo conversion	7	2br/2ba	\$1,400	1,336	\$1.05	4 available
St. Louis Lofts 318 St. Louis Street	21	2br/2ba	\$1,500	1,238	\$1.21	1 available Furnished
Congress Street TH (2008) 254 Congress Street	4	2br/2.5ba	\$1,600	1,848	\$0.87	1 available
501 Dauphin Street Townhouse	1	2br/2.5ba	\$1,800			1 available
519 Dauphin Street Townhouse	1	2br/2.5ba	\$1,975	1,600	\$1.23	1 available Furnished.
Scott-Franz House (1889) 207 S. Cedar Street	1	3br/2.5ba	\$2,200	Single-family house		1 available
<i>..... West of Downtown</i>						
Pine Bend Apts (2003) 1030 Montlimar Drive	452	1br/1ba	\$555 to \$645	695 to 750	\$0.80 to \$0.86	98% occupancy Playground, pool, fitness center, business center.
		2br/1ba	\$600 to \$727	1,008 to 1,014	\$0.60 to \$0.72	
		2br/2ba	\$710 to \$760	1,006 to 1,008	\$0.71 to \$0.75	
		3br/2ba	\$810 to \$860	1,300	\$0.62 to \$0.66	
x Lenox Gates (2006) 1500 Hillcrest Road	228	1br/1ba	\$607 to \$780	810 to 853	\$0.75 to \$0.91	96% occupancy Pool, fitness center, tennis.
		2br/1ba	\$732 to \$782	980 to 1,132	\$0.69 to \$0.75	
		2br/2ba	\$745 to \$780	1,124 to 1,160	\$0.66 to \$0.67	
		3br/2ba	\$961 to \$1,253	1,387	\$0.69 to \$0.90	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Mobile, Alabama

July, 2014

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
..... West of Downtown {continued}						
Timber Ridge (2000) 6700 Wall Street	320	1br/1ba	\$725 to \$745	841 to 866	\$0.86 to \$0.86	98% occupancy <i>Pools, concierge, fitness center.</i>
		2br/1ba	\$805 to \$840	1,020 to 1,035	\$0.79 to \$0.82	
		2br/2ba	\$855 to \$945	1,177 to 1,197	\$0.73 to \$0.80	
		3br/2ba	\$1,105 to \$1,130	1,402 to 1,427	\$0.79 to \$0.81	
Cypress Cove (2010: 2014) 2175 Schillinger Road South	228	Studio/1ba	\$730 to \$740	630	\$1.16 to \$1.17	In lease-up New Phase <i>Clubhouse, pool, fitness center, business center.</i>
		1br/1ba	\$849 to \$930	808 to 957	\$0.97 to \$1.05	
		2br/2ba	\$1,025 to \$1,075	1,212 to 1,220	\$0.85 to \$0.88	
		3br/2ba	\$1,260 to \$1,310	1,420	\$0.89 to \$0.92	
Woodside Apts (2012) 5089 Government Boulevard	240	1br/1ba	\$750	656	\$1.14	95% occupancy <i>Pool, clubhouse, fitness center, business center.</i>
		2br/2ba	\$825	935	\$0.88	
		3br/2ba	\$975 to \$1,000	1,205 to 1,269	\$0.79 to \$0.81	
Longleaf Pines 6190 Girby Road	199	1br/1ba	\$820 to \$865	785 to 849	\$1.02 to \$1.04	98% occupancy <i>Clubhouse, business center, fitness center, hot tub, pool, beach volleyball.</i>
		2br/2ba	\$920 to \$975	1,000 to 1,064	\$0.92 to \$0.92	
		3br/2ba	\$1,215 to \$1,250	1,284 to 1,291	\$0.95 to \$0.97	
The Crossings at Cottage Hill Apts 5799 Southland Drive	182	1br/1ba	\$830 to \$870	651 to 789	\$1.10 to \$1.27	98% occupancy <i>Clubhouse, fitness center, lounge, pool.</i>
		2br/2ba	\$990 to \$1,020	1,157	\$0.86 to \$0.88	
		3br/2ba	\$1,225 to \$1,255	1,384	\$0.89 to \$0.91	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Mobile, Alabama

July, 2014

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
..... West of Downtown {continued}						
Arlington Park (2002) 7070 Grelot Road	252	1br/1ba	\$857 to \$882	863 to 917	\$0.96 to \$0.99	95% occupancy Fitness center, pool.
		2br/2ba	\$957	1,250 to 1,325	\$0.72 to \$0.77	
		3br/2ba	\$1,047	1,324 to 1,419	\$0.74 to \$0.79	
Parkside at Cottage Hill (2014) 3220 Cottage Hill Road	240	1br/1ba	\$890 to \$925	875 to 871	\$1.02 to \$1.06	In lease up. Business center, clubhouse, pool, fitness center.
		2br/2ba	\$1,085 to \$1,135	1,088 to 1,178	\$0.96 to \$1.00	
		3br/2ba	\$1,210 to \$1,255	1,456 to 1,454	\$0.83 to \$0.86	
Charleston Apts (2010) 2889 Sollie Road	384	1br/1ba	\$880	888	\$0.99	92% occupancy Pool, salon,
		2br/2ba	\$950 to \$990	1,128	\$0.84 to \$0.88	fitness center, playground,
		3br/2ba	\$1,075 to \$1,190	1,396	\$0.77 to \$0.85	business center, tennis.
Village at Midtown (2011) 320 Stanton Road	324	1br/1ba	\$885	971	\$0.91	92% occupancy Putting green,
		2br/2ba	\$995	1,168	\$0.85	clubhouse, pool,
		3br/2ba	\$1,195	1,436	\$0.83	media center, fitness center, indoor sport court.
Legacy Oaks at Springhill (2006) 150 Du Rhu Drive	138	1br/1ba	\$1,005	930	\$1.08	99% occupancy Pool, clubhouse,
		2br/2ba	\$1,275 to \$1,500	1,312 to 1,588	\$0.94 to \$0.97	fitness center, business center.
		3br/2ba	\$1,700	1,701 to 1,756	\$0.97 \$1.00	

**Summary Of Selected For-Sale Multi-Family
And Single-Family Resales/Listings**
The City of Mobile, Mobile County, Alabama
August, 2014

<u>Development (Date Opened)</u> <u>Address</u>	<u>Unit Type</u>	<u>Base Price Range</u>	<u>Unit Size Range</u>	<u>Base Price Per Sq. Ft.</u>	<u>Total Units</u>
. . . . Downtown					
St. Louis Lofts (2006)	CO				21
308 Saint Louis Street	1br / 1ba	\$131,000	1,175	\$111	
	2br / 2ba	\$142,000	1,385	\$103	
Clarkson TH (2007)	TH				4
515 Dauphin Street	2br / 2.5ba	\$269,900	1,385	\$195	
Saint Francis Place (2000)	CO				30
753 Saint Francis Street	1br / 1.5ba	\$159,900	913	\$175	
	2br / 2ba	\$254,000	1,455	\$175	
Mattress Factory (1907; 2008)	CO				24
412 Dauphin Street	1br / 1ba	\$164,900	900	\$183	
	1br / 1ba	\$174,850	1,170	\$149	
	1br / 1ba	\$259,900	1,607	\$162	
	2br / 2.5ba TH	\$289,900	1,961	\$148	
Carriage Works (2007)	CO				11
709 Dauphin Street	1br / 1ba	\$198,000	875	\$226	
O'Gwynn Place (2008)	CO				10
20-22 South Conception Street	1br / 1ba	\$199,000	955	\$208	
	2br / 2ba	\$220,000	1,314	\$167	
	2br / 2ba	\$272,800	1,314	\$208	
	2br / 2.5ba	\$349,900	1,671	\$209	
	2br / 2.5ba	\$392,000	1,960	\$200	
	SFD				
205 S. Scott (2009)	3br / 2ba	\$150,000	1,611	\$93	1
254 N. Scott (2005)	4br / 2.5ba	\$170,195	2,356	\$72	1
210 State Street	3br / 2ba	\$175,000	2,125	\$82	1
154 South Dearborn (1905)	2br / 2ba	\$179,900			1
601 Church (1900)	4br / 2ba	\$185,000	2,850	\$65	1
707 Monroe (2009)	3br / 2.5ba	\$243,000	1,753	\$139	1
203 Adams St. (1897)	2br / 2.5ba	\$259,000	1,800	\$144	1
254 N. Jackson	3br / 2.5ba	\$625,000	3,280	\$191	1
253 State (1873)	3br / 2.5ba	\$989,000	6,593	\$150	1

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

**Summary Of Selected For-Sale Multi-Family
And Single-Family Resales/Listings**
The City of Mobile, Mobile County, Alabama
August, 2014

<u>Development (Date Opened)</u> <u>Address</u>	<u>Unit</u> <u>Type</u>	<u>Base Price</u> <u>Range</u>	<u>Unit Size</u> <u>Range</u>	<u>Base Price</u> <u>Per Sq. Ft.</u>	<u>Total</u> <u>Units</u>
. . . . Midtown					
Windsor-Warwick	CO				28
1600-1602 Government Street	1br/1ba	\$54,000	612	\$88	
	1br/1ba	\$75,000	612	\$123	
Previous conversion from rentals.	2br/1ba	\$120,000	911	\$132	
	2br/1ba	\$120,000	911	\$132	
Summerville Court	CO				80
214 Upham Street	1br/1ba	\$110,000	765	\$144	
	2br/2ba	\$119,900	n/a	n/a	
Previous conversion from rentals.	2br/1ba	\$134,900	900	\$150	
	2br/1ba	\$134,900	900	\$150	
The Antoinette (1911: 2013)	CO				4
960 Government Street	2br/2.5ba	\$349,000	2,000	\$175	
	2br/2.5ba	\$349,000	2,000	\$175	
	2br/2.5ba	\$375,000	2,500	\$150	

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

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DOWNTOWN STUDY AREA MARKET-RATE RENT AND PRICE RANGES

In 2014, given the increase in market potential for the Study Area, particularly for rental units, the number of new market-rate dwelling units that could potentially be absorbed within the Study Area over five years ranges between 1,400 and 1,670 units (*see MARKET CAPTURE below*). A total of 1,500 new units has therefore been established as an achievable absorption goal over a five- to seven-year time frame.

What is the market currently able to pay?

—Rent and Price Ranges—

Based on the tenure preferences of draw area households and their income and financial capabilities, the optimum market position for newly-developed market-rate residential units that could currently be absorbed by the market over the next five to seven years is as follows (*see also Table 9 for greater detail*):

**Rent, Price and Size Ranges: 1,500 Market-Rate Dwelling Units
 Newly-Created Housing (Adaptive Re-Use and New Construction)
 DOWNTOWN MOBILE STUDY AREA
 City of Mobile, Mobile County, Alabama**

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Hard Lofts	\$550–\$1,000/month	450–900 sf	\$1.11–\$1.22 psf
Soft Lofts	\$500–\$1,400/month	350–1,150 sf	\$1.22–\$1.43 psf
Upscale Apartments	\$1,150–\$1,950/month	750–1,450 sf	\$1.34–\$1.53 psf
FOR-SALE (MULTI-FAMILY)—			
Hard Lofts	\$125,000–\$170,000	750–1,100 sf	\$155–\$167 psf
Soft Lofts	\$165,000–\$235,000	850–1,250 sf	\$188–\$194 psf
Upscale Condominiums	\$250,000–\$350,000	1,200–1,750 sf	\$200–\$208 psf
FOR-SALE (SINGLE-FAMILY ATTACHED)—			
Townhouses	\$195,000–\$255,000	1,150–1,550 sf	\$165–\$170 psf
FOR-SALE (SINGLE-FAMILY DETACHED)—			
Urban Houses	\$210,000–\$275,000	1,300–1,800 sf	\$153–\$162 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

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

Weighted Average Base Rents, Prices and Size Ranges
DOWNTOWN MOBILE STUDY AREA
City of Mobile, Mobile County, Alabama

HOUSING TYPE	WEIGHTED AVERAGE BASE RENT/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENT/PRICES PER SQ. FT.
Multi-family for-rent	\$1,021 per month	788 sf	\$1.30
Multi-family for-sale	\$212,136	1,120 sf	\$189
Single-family attached for-sale	\$222,000	1,330 sf	\$167
Single-family detached for-sale	\$247,000	1,565 sf	\$158

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The aforementioned rents and prices are in year 2014 dollars, are exclusive of consumer options and upgrades, or floor or location premiums, and cover a broad range of rents and prices for newly-developed units currently sustainable by the market in the Downtown Study Area. Location will have a significant impact on rents and prices; projects situated within a short walking distance of high-value amenities, such as restaurants, theaters, or shops, or with views of the Mobile River, will likely command rents and prices at the upper end of values. Those projects that are located on the outer edges of the Study Area, or near I-10, are likely to command rents and prices at the lower end of values.

Optimum Market Position--1,500 New Market-Rate Dwelling Units
Downtown Mobile Study Area
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<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
<u>49.9%</u>	Multi-Family For-Rent						<u>167 to 200 units</u>
200	Hard Lofts	Loft/1ba	25%	\$550	450	\$1.22	
		Loft/1ba	50%	\$700	600	\$1.17	
		Loft/1ba	25%	\$1,000	900	\$1.11	
		Weighted averages:		\$738	638	\$1.16	
375	Soft Lofts	Microloft/1ba	15%	\$500	350	\$1.43	
		Studio/1ba	20%	\$650	500	\$1.30	
		1br/1ba	30%	\$900	700	\$1.29	
		2br/2ba	25%	\$1,225	1,000	\$1.23	
		2br/2ba/den	10%	\$1,400	1,150	\$1.22	
		Weighted averages:		\$921	728	\$1.27	
174	Upscale Apartments	1br/1.5ba	30%	\$1,150	750	\$1.53	
		2br/2ba	30%	\$1,600	1,100	\$1.45	
		2br/2.5ba	30%	\$1,800	1,300	\$1.38	
		3br/2.5ba	10%	\$1,950	1,450	\$1.34	
		Weighted averages:		\$1,560	1,090	\$1.43	
<u>749</u>	units	Overall Weighted Averages:		\$1,021	788	\$1.30	

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position--1,500 New Market-Rate Dwelling Units
Downtown Mobile Study Area
City of Mobile, Mobile County, Alabama
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<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
<u>13.7%</u>	Multi-Family For-Sale						<u>31 to 37 units</u>
50	Hard Lofts	Loft/1ba	30%	\$125,000	750	\$167	
		Loft/1ba	40%	\$150,000	950	\$158	
		Loft/1ba	30%	\$170,000	1,100	\$155	
		Weighted averages:		\$148,500	935	\$159	
100	Soft Lofts	1br/1ba	40%	\$165,000	850	\$194	
		2br/2ba	35%	\$200,000	1,050	\$190	
		2br/2ba/den	25%	\$235,000	1,250	\$188	
		Weighted averages:		\$194,750	1,020	\$191	
56	Upscale Condominiums	2br/2ba	25%	\$250,000	1,200	\$208	
		2br/2.5ba	50%	\$300,000	1,450	\$207	
		3br/2.5ba	25%	\$350,000	1,750	\$200	
		Weighted averages:		\$300,000	1,463	\$205	
<u>206</u>	units	Overall Weighted Averages:		\$212,136	1,120	\$189	

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position--1,500 New Market-Rate Dwelling Units
Downtown Mobile Study Area
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<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
<u>17.8%</u>	Single-Family Attached For-Sale						<u>40 to 47 units</u>
266	Townhouses	2br/1.5ba	30%	\$195,000	1,150	\$170	
		2br/2.5ba	50%	\$225,000	1,350	\$167	
		3br/2.5ba	20%	\$255,000	1,550	\$165	
<u>266</u>	units	Weighted averages:		\$222,000	1,330	\$167	
<u>18.6%</u>	Urban Single-Family Detached For-Sale						<u>42 to 50 units</u>
279	Urban Houses	2br/2ba	20%	\$210,000	1,300	\$162	
		3br/2ba	30%	\$240,000	1,500	\$160	
		3br/2.5ba	30%	\$260,000	1,650	\$158	
		4br/2.5ba	20%	\$275,000	1,800	\$153	
<u>279</u>	units	Overall Weighted Averages:		\$247,000	1,565	\$158	
1,500	Total Units						

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

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MARKET CAPTURE: THE DOWNTOWN MOBILE STUDY AREA

How fast will new units lease or sell?

In the context of the target market methodology, and market conditions in the Downtown Mobile Study Area, new rental development (including adaptive re-use of existing non-residential buildings as well as new construction) in the Study Area should be able to achieve an annual capture of 15 percent of the potential market over the near term and 18 percent longer term.

Given current economic conditions, and the expectation of continued improvement for new for-sale housing over the near term, Zimmerman/Volk Associates has determined that an annual capture of approximately 10 percent of the potential market for each for-sale housing type is achievable in the Study Area over the next two to three years, and up to 12 percent over the next three to five years. (Nationally, prior to the housing collapse in 2008, new dwelling units represented 15 percent of all units sold; currently, the National Association of Realtors reports that new units represent approximately 10 percent of total housing sales.)

Based on a 15 to 18 percent capture of the potential market for new rental housing, and a 10 to 12 percent capture of the potential market for new for-sale housing units, the Downtown Mobile Study Area should be able to absorb an annual average of between 280 and 334 new market-rate multi-family and single-family attached and detached housing units per year over the next five to seven years, as follows:

Annual Capture of Market Potential **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)	1,110	15%-18%	167-200
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	305	10%-12%	31-37
Single-family attached for-sale (rowhouses, fee-simple ownership)	395	10%-12%	40-47
Single-family detached for-sale (urban houses, fee-simple ownership)	415	10%-12%	42-50
Total	2,225		280-334

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

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At these forecast capture rates, between 1,400 and 1,670 new market-rate units could be absorbed within the Downtown Study Area over the next five to seven years.

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

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

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

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

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

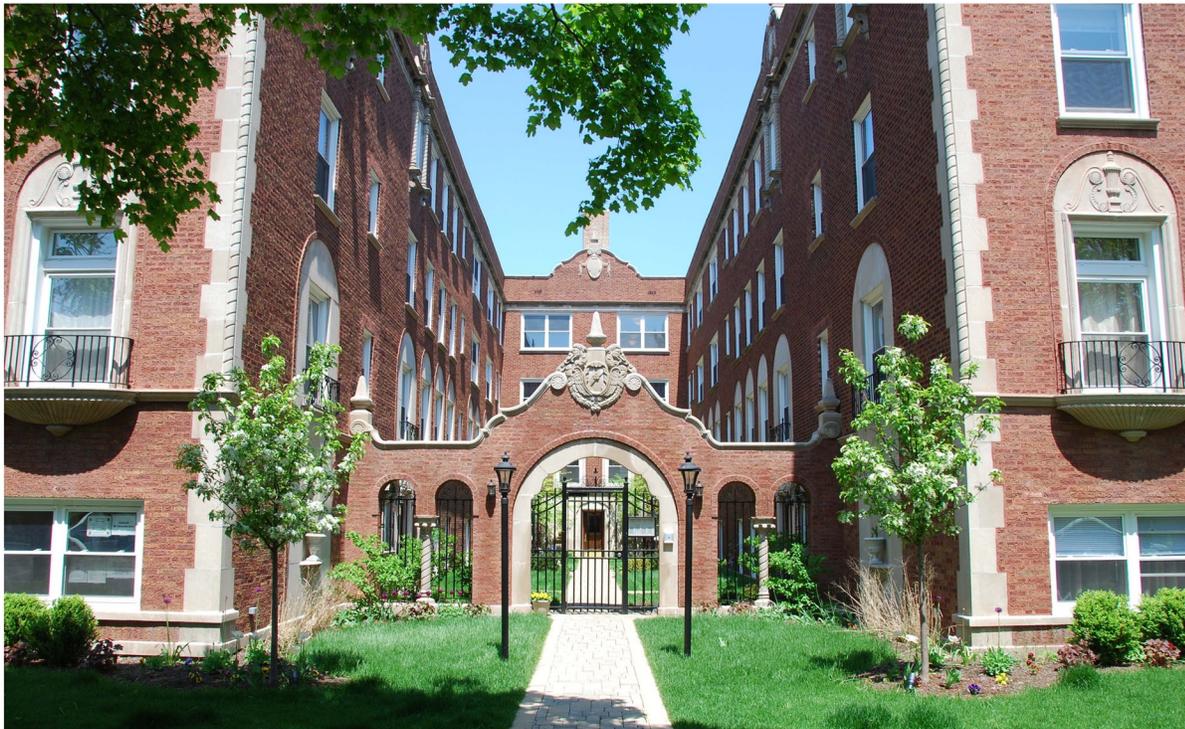
Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

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STUDY AREA BUILDING AND UNIT TYPES

Building and unit types most appropriate for the Downtown Study Area include:

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



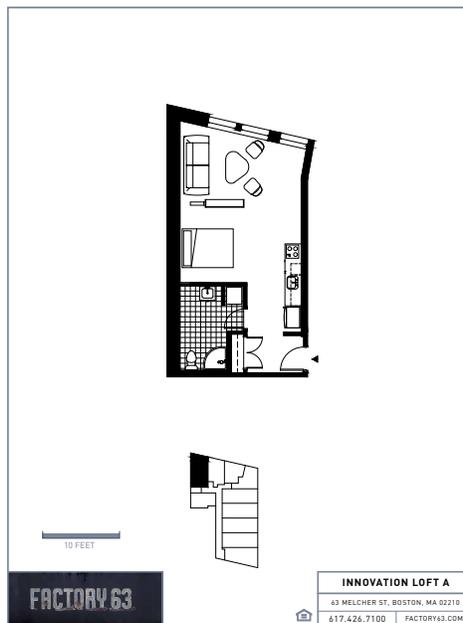
Courtyard apartment building

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- **Loft Apartment Building:** Either adaptive re-use of older warehouse or manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version usually has double-loaded corridors.

Microlofts: Several cities across the country are changing minimum unit size requirements as part of a strategy to attract young knowledge workers. Millennial knowledge workers have responded positively to efficiency units as small as 220 square feet, often leasing out new micro loft projects within a matter of days.

The City of Boston reduced the city's 450-square-foot unit minimum to 350 square feet in a pilot program currently limited to the South Boston "Innovation District." As of February, 2014, 353 micro-units have been approved. The first property to market micro-units, the 38-unit Factory 63, was completely leased within a week, reportedly all to renters who worked within a 10-block radius of the property. Initial rents were between \$1,200 a month for 337 square feet to \$2,450 for 597 square feet; fully-leased. There is a waiting list for vacancies in the property where rents now start at \$1,699.



Factory 63.

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San Francisco has reduced allowable minimum from 290 square feet to 220 square feet, but limited the change to 375 units until market impact has been assessed by the City’s planning department; the concern is that the higher-profit micro units could reduce housing opportunities for households with children. The first completed project, SoMa Studios with 23 295-square-foot units, was bulk leased for five years to the California College of the Arts. The same developer, Panoramic Interests, has a 160-unit building planned with 220-square-foot units slated when announced in 2012 with monthly rents between \$1,300 and \$1,500 (\$5.90 to \$6.80 per square foot); at the time the average San Francisco studio rent was \$2,075 for 493 square feet, or \$4.21 per square foot. The building will include substantial common space and parking for 240 bicycles but, other than a single car-share spot, no automobile parking.



Panoramic Interests.

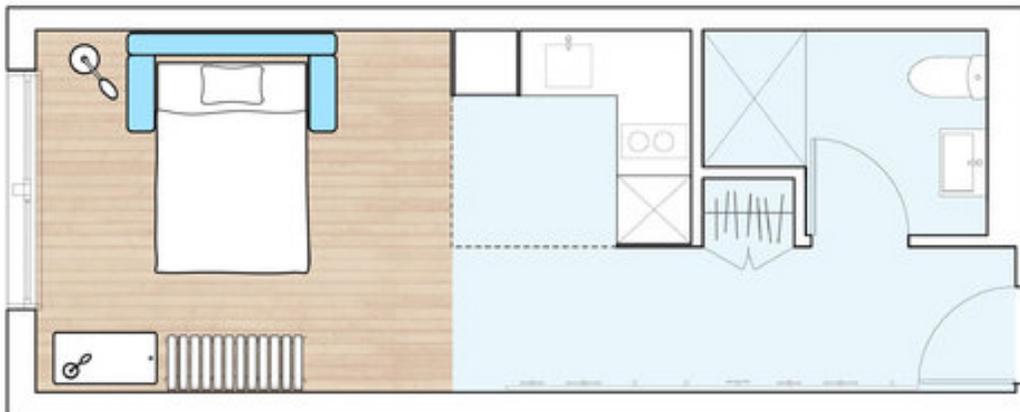
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In New York City a pilot program accommodates units smaller than the current 400-square-foot minimum. The first project, the 55-unit My Micro NY, won the City’s “adapt NYC” micro-unit competition. Units in the modular building range from 250 to 370 square feet; 40 percent will be affordable. Every floor will have a common area, and the building will include an attic garden, a ground-floor porch, a lounge and a fitness deck.



APT. #3A - DAY

9'-10" high wall surface behind couch used as pin-up wall; kitchen counter is down and ready for a coffee.



APT. #3A - NIGHT

Convertible sofa-bed folded down; kitchen counter folded up; coffee table on wheels relocated to wall.

My Micro NY.

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Because of their small size and intricate layouts, small units are challenging to develop within existing buildings. A U.S. example of creating micro-units through the adaptive reuse of a non-residential building is the redevelopment of the historic, 1828 Arcade building in Providence, Rhode Island. The oldest surviving indoor mall in the nation, the Arcade closed when its three-story interior retail format was no longer economically viable. It reopened in 2014 with ground-level retail and its two upper levels converted into 48 dwellings, including 38 micro units ranging from 225 to 450 square feet furnished with built-in beds, storage, banquette seating. In February, 2014, when half the units were completed and occupied, there was a 2,000-name waiting list for the remaining units. Units are now fully leased at rents starting at \$550 a month, \$2.44 per square foot.



Arcade Building.

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

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



Hard loft



Soft loft

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Luxury Apartment: A more conventionally-finished apartment unit, typically with completely-partitioned rooms.—trim, interior doors, kitchens and baths are fitted out with higher-end finishes and fixtures.



Luxury apartment

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- Mansion Apartment Building: A two- to three-story flexible-use structure with a street façade resembling a large detached or attached house (hence, “mansion”). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives

Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.



Mansion Apartment Building

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- Mixed-Use Building: A pedestrian-oriented building, either attached or free-standing, with apartments and/or offices over flexible ground floor uses that can range from retail to office to residential.



Mixed-use buildings

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—SINGLE-FAMILY ATTACHED—

- Townhouse: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks.



Townhouses

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- Live-work is a unit or building type that accommodates non-residential uses in addition to, or combined with living quarters. The typical live-work unit is a building, either attached or detached, with a principal dwelling unit that includes space that can be used as office, retail, or studio space, or as an accessory dwelling unit. Regardless of the form they take, live-work units should be flexible in order to respond to economic, social and technological changes over time and to accommodate as wide as possible a range of potential uses. The unit configuration must also comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

Some of the most effective neighborhood revitalization efforts have incorporated live-work housing for artists and artisans. Perhaps the best example of arts-led revitalization has taken place on two nearly-adjacent blocks in downtown Providence, Rhode Island. In over decade an artists' non-profit, AS220, has re-developed a series of buildings with a mix of uses including eating and drinking establishments, retail uses, gallery and performance spaces, shared technical equipment, and work and residential studios.



AS220

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The second redevelopment was the restoration of The Dreyfus, an historic hotel building and former dormitory that now includes a bar and restaurant and 14 residential studios, 11 of which rent to income-qualified artists. The most recent redevelopment is called the Mercantile Block, which includes ground floor market-rate retail, the group's shared print shop, a floor of office space, and two floors with 22 apartments.



The Dreyfus

—SINGLE-FAMILY DETACHED—

- Urban House: A one-, one-and-a-half- or two-story single-family detached house on a small lot, usually with alley-loaded parking.



Urban houses

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 2012 American Community Survey for the County and City of Mobile—as well as compilation of the current residential rental and for-sale activity in the Mobile market area. The appendix tables referenced here are provided in a separate document.

The evaluation of the Downtown’s market potential 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).

CONFIRMATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Updated taxpayer migration data provided the framework for the confirmation of the draw areas—the principal counties of origin for households that are likely to move to the City of Mobile. 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 2012 American Community Survey for the City of Mobile and for Mobile County.

Appendix One, Table 1.

Migration Trends

Analysis of the most recent Mobile County migration and mobility data available from the Internal Revenue Service—from 2006 through 2010—shows that the county experienced a net loss of households during 2009 and 2010, reversing the net gains the county underwent the previous three years in the aftermath of Hurricane Katrina. (*See Appendix One, Table 1.*)

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Annual in-migration into Mobile County ranged between 5,445 households in 2010, the lowest total over the study period, and the high of 6,210 households in 2007. Between 10 and 12 percent of the county's in-migration is from Baldwin County, the adjacent county to the east.

Out-migration from Mobile County rose to its highest level in 2010, when 6,205 households left the county, compared to 2009, when 5,740 households moved out. In 2010, just under 15 percent of out-migrating households moved to Baldwin County. Collectively, the majority of out-migration continued to be to other counties in Alabama, as well as counties in Georgia and Florida.

As noted in the previous study and update, although net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

Based on the updated migration data, then, the draw areas for the City of Mobile and the Downtown Study Area have been confirmed as follows:

- The primary draw area, covering households currently living within the Mobile city limits.
- The local draw area, covering households currently living in the balance of Mobile County.
- The regional draw area, covering households that are likely to move to the City of Mobile from Baldwin County.
- The national draw area, covering households with the potential to move to the City of Mobile from all other U.S. counties.

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.

2014 TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from The Nielsen Company (formerly Claritas, Inc.) provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. For purposes of this study, only those households in groups with median incomes above \$50,000 are included in the analysis. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Tables 2 and 3.

Target Market Classifications

An estimated 79,090 households live in the City of Mobile in 2014, up from the estimated 77,820 households in 2007, an increase of 1,270 households (approximately 1.6 percent); just over 48 percent, or 38,090 households, are in target market groups with median incomes of \$50,000 or more. (*Reference* Appendix One, Table 2.) Over 44 percent of these households can be classified as empty nesters and retirees (compared to 35.4 percent in 2007), another 36.5 percent are younger singles and couples (up slightly from 35 percent in 2007), and 19.2 percent are traditional and non-traditional families (down from over 29 percent in 2007).

Median income within the city is estimated at \$39,200, up \$4,000 from \$35,200 in 2007, an increase of nearly 11.4 percent. Median home value within the city is estimated at \$123,600, \$17,400 higher than the median of \$106,200 in 2007, but still considerably below the national median of \$182,100.

An estimated 159,605 households live in Mobile County in 2014, up 2,705 households from the estimated 156,900 households in 2007, a gain of 1.7 percent over seven years. Just under 46 percent, or 73,320 households are in target market groups with median incomes of \$50,000 or more. (*Reference* Appendix One, Table 3.) Over 47 percent of these households can be classified as empty nesters and retirees (up from 30.5 percent in 2007), another 30.9 percent are traditional and non-traditional families (down from 43 percent in 2007), and 21.9 percent are younger singles and couples (down from 26.8 percent in 2007).

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Median income within the county is estimated at \$43,200, \$4,200 more than in 2007, and nearly 84 percent of the national median of \$51,600. Median home value within the county is estimated at \$123,200, \$24,300 higher than the median of \$98,900 in 2007, and approximately two-thirds of the national median of \$182,100.

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 “predictable variables,” ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as “behaviors,” such as mobility rates, lifestage, and lifestyle patterns

Mobility rates detail how frequently a household moves from one dwelling unit to another; lifestage denotes what stage of life the household is in, from initial household formation (typically when a young person moves out of his or her parents’ household into his or her own dwelling unit), through family formation (typically, marriage and children) to retirement (typically, no longer employed); and lifestyle patterns reflect the ways households choose to live, *e.g.*, an urban lifestyle includes residing in a dwelling unit in a city, most likely high-density, and implies the ability to walk to more locations than a suburban lifestyle, which is most likely lower-density and typically requires automobile ownership to get to non-residential locations. 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.

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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 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.

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

The updated mobility tables, individually and in summaries, indicate the average number and type of households that have the potential to move within or to the City of Mobile each year over the next five years. The total number from each county is derived from historical migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.

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

Zimmerman/Volk Associates uses U.S. Bureau of the Census data and 2012 American Community Survey Data, combined with Nielsen data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction (internal mobility).

After updating the migration and mobility data, Zimmerman/Volk Associates determined that an average of over 5,400 households (up from 4,350 households in 2007) currently living in the City

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of Mobile, and in target market groups with median incomes of \$50,000 or more, have the potential to move from one residence to another within the city each year over the next five years.

Just under two-thirds of these households (up from 45 percent in 2007) are likely to be younger singles and couples (as characterized within eight Zimmerman/Volk Associates' target market groups); another 16.8 percent, up from 15.3 percent in 2007, are likely to be empty nesters and retirees (in 13 market groups); and the remaining 16.7 percent, down from 30.6 percent in 2007, are likely to be traditional and non-traditional families (in 10 market groups).

Appendix One, 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.

The updated data shows that an average of 2,115 households, currently living in the balance of Mobile County and in groups with median incomes of \$50,000 or more, have the potential to move from a residence in the county to a residence in the City of Mobile each year over the next five years, a slight drop of 35 households over 2007.

Approximately 48.2 percent of these households (down from 73.5 percent in 2007) are likely to be traditional and non-traditional families (in nine market groups); 40.4 percent (up from 15.3 percent) are empty nesters and retirees (in 11 groups); and the remaining 11.3 percent are younger singles and couples, up from 11.2 percent in 2007 (in six groups).

Appendix One, Tables 6 and 7.

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

These tables determine the average number of households in each target market group living in each draw area county that is likely to move to the City of Mobile each year over the next five years (through a correlation of Nielsen data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

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Appendix One, Table 8.

Market Potential for the City of Mobile—

Appendix One, Table 8 summarizes Appendix One, Tables 4 through 7. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing market-rate dwelling units in the City of Mobile each year over the next five years originating from households in groups with median incomes of \$50,000 or more currently living in the draw areas. An average of 10,555 households in groups with median incomes of \$50,000 or more have the potential to move within or to the City of Mobile each year over the next five years. This is up one percent over the annual market potential of 10,450 households in 2007.

Younger singles and couples (in 12 groups) are likely to account for up to 50.4 percent of the market (up from 36 percent in 2007), traditional and non-traditional families (in 13 groups) make up another 26.8 percent (down from 41.8 percent in 2007), and the remaining 22.8 percent are likely to be empty nesters and retirees (in 16 groups, up from 22.2 percent in 2007).

The updated 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
City of Mobile, Mobile County, Alabama

City of Mobile (Primary Draw Area):	51.3%
Balance of Mobile County (Local Draw Area):	20.0%
Baldwin County (Regional Draw Area):	3.0%
Balance of US (National Draw Area):	<u>25.7%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The updated migration, mobility and target market analyses show that there has been an increase in the share of draw area households moving within Mobile, from 41.6 percent in 2007 to 51.3 percent in 2014. Households moving from the balance of Mobile County have fallen slightly from 20.6 percent of the annual potential market to 20 percent, the Baldwin County draw area has also declined, from 4.8 percent in 2007 to three percent over the next five years, and households moving from the balance of the U.S. represent 25.7 percent of the annual potential market over the next five years, down from 33 percent in 2007.

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

As in 2006 and 2007, the annual potential market for new market-rate housing units developed within existing buildings or new construction within the Downtown Study Area includes the same draw areas as for the city as a whole. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen data, to determine which target market groups, as well as how many households within each group, are likely to move to the Study Area each year over the next five years.

Appendix One, Tables 9 through 11.

Market Potential for the Downtown Mobile Study Area—

As updated by the target market methodology, an average of 3,060 households have the potential to move to the Downtown Mobile Study Area each year over the next five years, nearly 13 percent higher than the 2007 number of 2,710 households. (*See Appendix One, Table 9.*) Nearly 46 percent of these households are likely to be younger singles and couples (in 10 market groups), a slightly lower percentage than the 48 percent in 2007; another 35.3 percent (down from 38.7 percent in 2007) are likely to be empty nesters and retirees (in 11 groups); and 18.8 percent (up from 12.9 percent in 2007) are likely to be traditional and non-traditional family households (in four groups).

The updated distribution of the draw areas as a percentage of the market for the Downtown Mobile Study Area is shown on the following page:

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

City of Mobile (Primary Draw Area):	46.0%
Balance of Mobile County (Local Draw Area):	14.9%
Baldwin County (Regional Draw Area):	1.5%
Balance of US (National Draw Area):	<u>37.6%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

At 46 percent, the City of Mobile accounts for a larger share of market potential for the Downtown Study Area than in 2007, at 42.1 percent. Households moving from the balance of Mobile County also account for a somewhat larger share, nearly 15 percent, of the potential market compared to 2007, at 10.7 percent. In contrast, households moving from Baldwin County and the balance of the U.S. now hold smaller shares of market potential over the next five years—at 1.5 percent and 37.6 percent, respectively—compared to 2007, at three percent (Baldwin County) and 44.2 percent (balance of the U.S.).

The 3,060 draw area households that have the potential to move to the Downtown Mobile Study Area each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Approximately 36.3 percent of these households (up from 30 percent in 2007, or from 800 households to 1,110 households) comprise the potential market for new market-rate rentals. The remaining 63.7 percent (or 1,950 households, up slightly from 1,910 households in 2007) comprise the market for new market-rate for-sale (ownership) housing units. (*See Appendix One, Table 10.*)

Of these 1,950 households, 15.6 percent (or 305 households) comprise the annual market for market-rate multi-family for-sale units (condominium apartments and lofts), down significantly from 30.4 percent, or 580 households, in 2007. Another 20.3 percent (or 395 households) comprise the annual market for market-rate attached single-family (townhouse/live-work) units, down from 25.7 percent and 490 households in 2007. The remaining 64.1 percent (or 1,250 households) comprise the annual market for all ranges and densities of market-rate single-family detached houses. (*See Appendix One, Table 11.*)

—Target Market Data—

Target market data are based on the Nielsen (formerly Claritas) PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main household lifestages—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 is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

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

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Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 “behaviors.”

Over the past 26 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 households in groups with median incomes of \$50,000 or more are included in the tables.



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ASSUMPTIONS AND LIMITATIONS—

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

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

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



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Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

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

