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Luverne Housing Study Overview

Presented to: Luverne EDA

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August 8, 2016

Maxfield Research & Consulting, LLC

Overview

- 30+ years experience
- Diverse client base
- Multi-Sector Capable
 - residential
 - commercial
 - public + private entities
- Market driven strategies
- Recommending highest & best uses
- Provide actionable plans

Maxfield Research & Consulting, LLC is a full-service real estate advisory company providing strategic value to our private and public sector clients' real estate activities.



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Project Scope

OBJECTIVE

Provide custom comprehensive housing study

APPROACH

Identify current & future housing needs for residents in Luverne and provide framework for meeting housing needs

PROJECT DELIVERABLES

- Short and long-term housing needs
- Recommendations guiding future housing development
- Tools/policies to implement the plan

KEY DATES

- Data collection: 2nd Quarter 2016
- Draft: June 2016
- Final: TBD
- Presentation: August 8, 2016



End User Benefits

- Guide policy making decisions
- Assist the Comprehensive Planning process
- Assists area banks and lending-institutions to streamline the financial component
- Solicit interest from builders/developers and help streamline the process
- Help raise funding for housing and community development programs
- Better define the relationship between housing and economic development
- Create framework for accommodating future growth
- Help deliver strategic housing priorities



Comprehensive Housing Study Components



Deep-dive into Property Types



GO Rental Housing

- Affordable
- Subsidized
- Market rate



Senior Housing

- Subsidized/affordable
- Active adult
- Congregate
- Assisted living
- Memory care
- Skilled Nursing



For-Sale

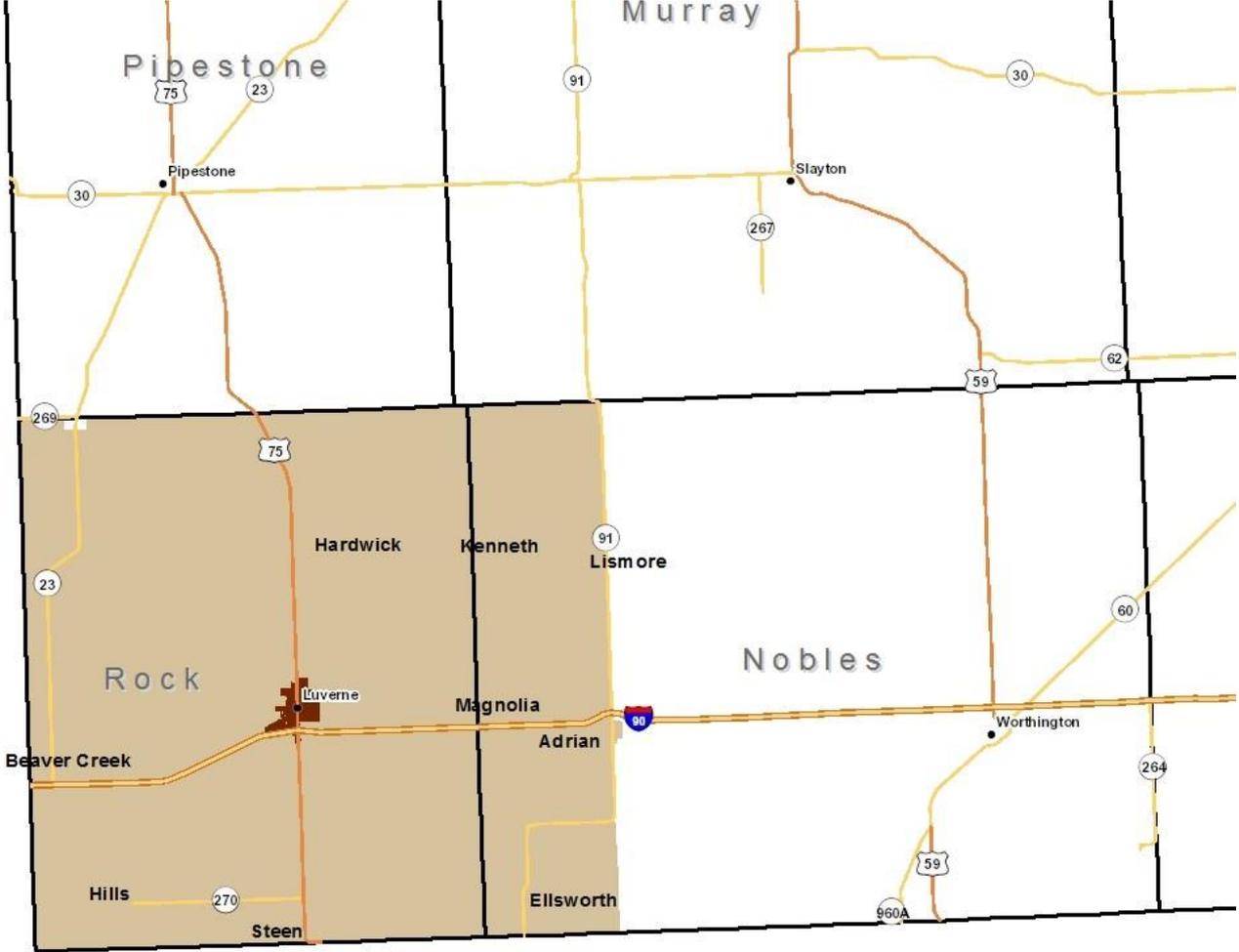
- Single-family
- Multifamily



Residential Lot Supply



Market Area



- Defined as:
- Rock County
 - Excluding:
 - Jasper
 - Western Nobles Cty.

➤ Market Area will account for about 75%+ of Demand



Stagnant growth through 2025

Historic Findings (2000-2010)

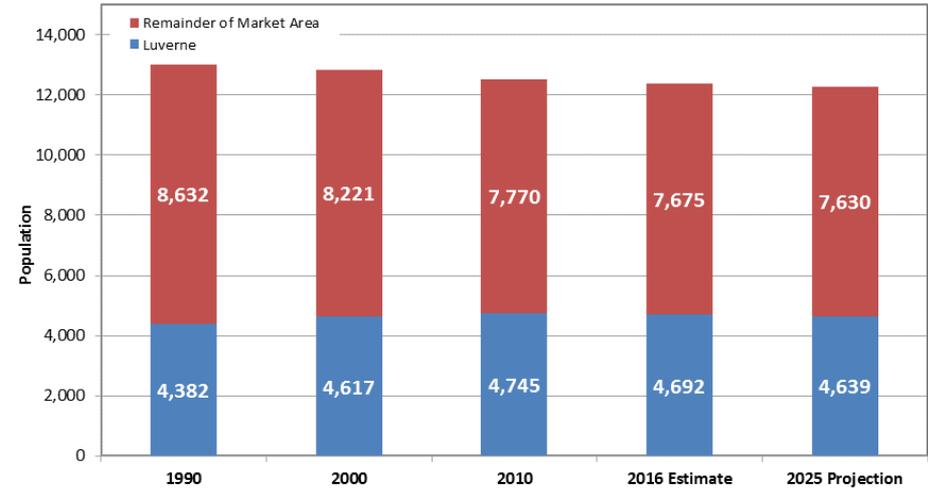
- Luverne
 - Population +128 (2.8%)
 - Households + 80 (4.1%)
- Market Area
 - Population -323 (-2.5%)
 - Households +21 (0.4%)

Projections (2010-2025)

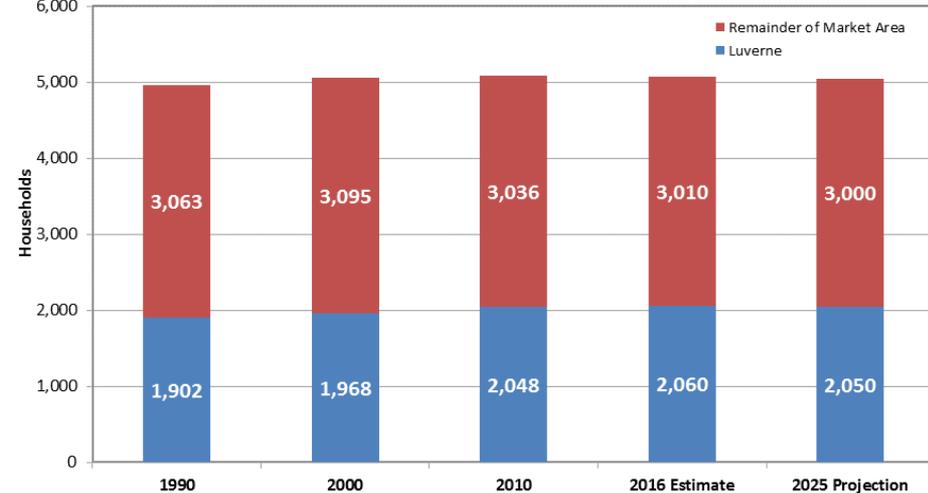
Slight decline projected

- Luverne
 - Population -106 (-3.1%)
 - Households +2 (0.1%)
- Market Area
 - Population -346 (-2.0%)
 - Households -34 (-1.2%)

Population Trends, Primary Market Area, 2000-2025

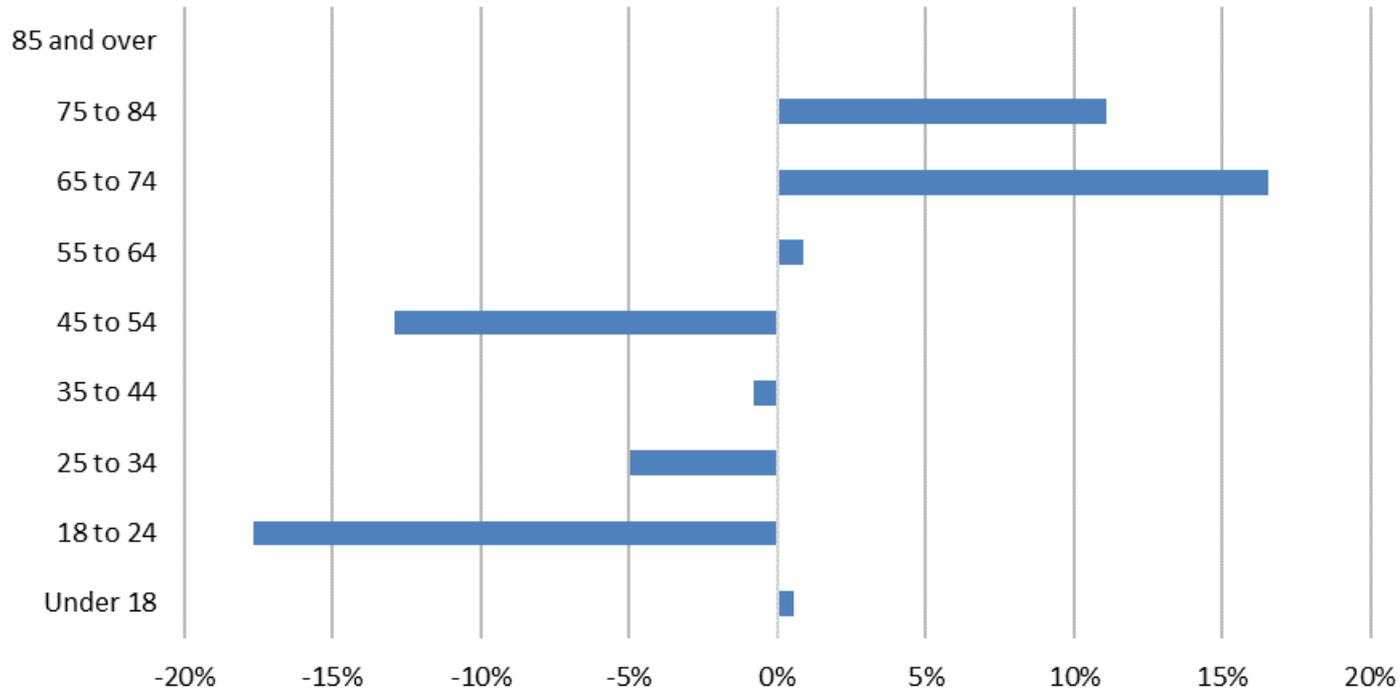


Household Trends, Primary Market Area, 2000-2025



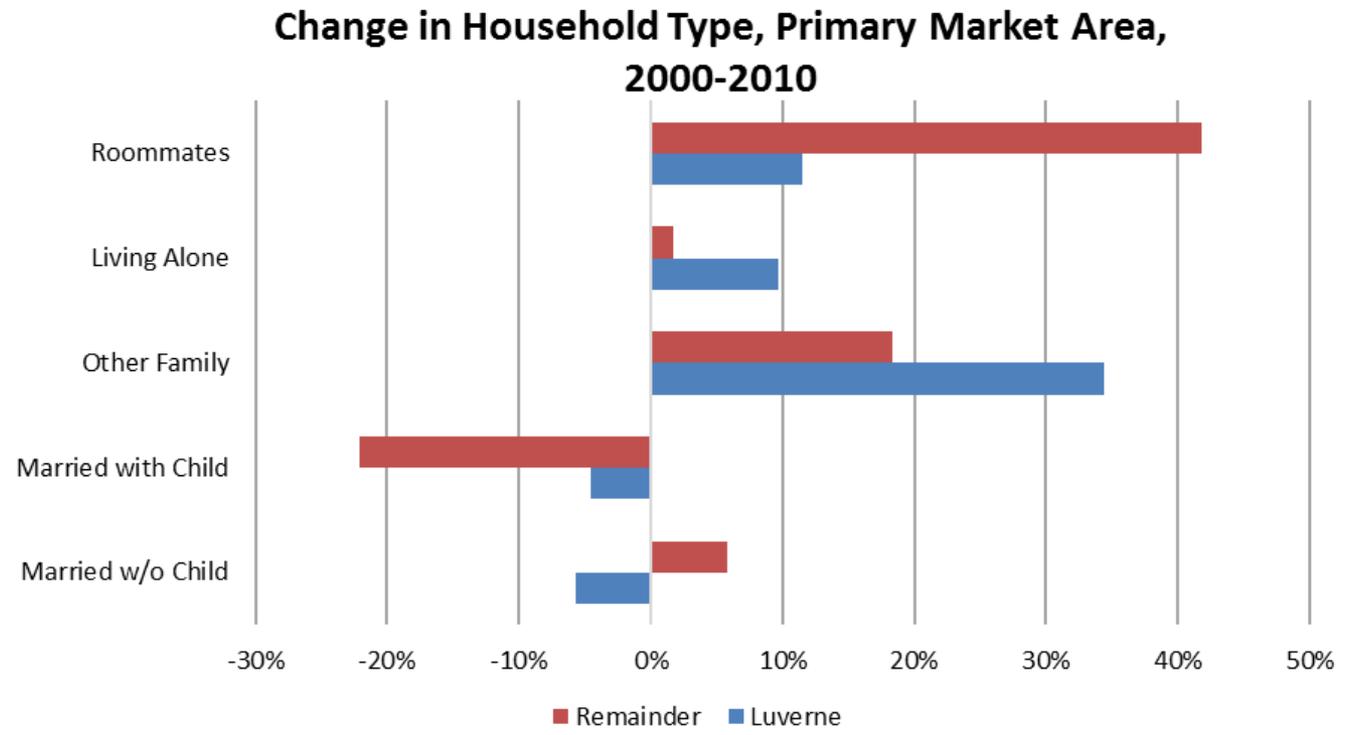
55+ Population driving growth

Market Area Age Distribution, Percent Change, 2016-2025



- Population is aging:
 - 55+ age cohort accounts for majority of all adult population growth
 - Baby boomers account for 36% of total Market Area population
 - 65-74 projected to have largest growth (+41%) of total population
- Age cohorts under 45 expected to decline

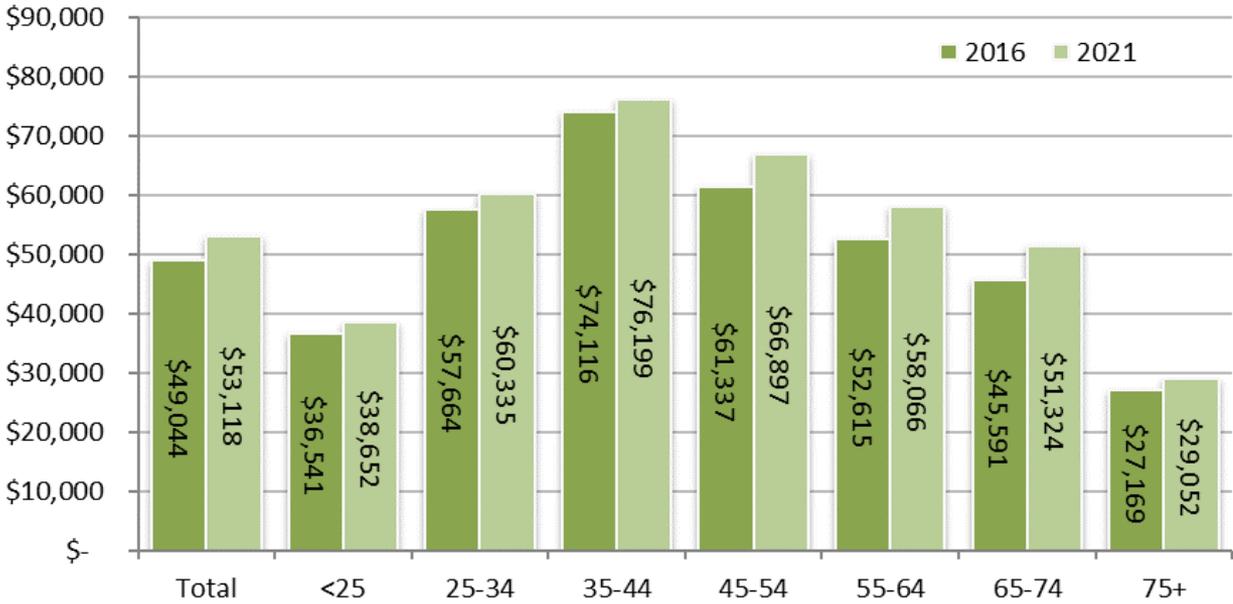
Household Types are changing...



- Household types are changing in the Market Area:
 - Decline in married w/child HHs
 - Increase in non-family and other HHs
 - 36% of households are married without children and 28% live alone
- Household size is decreasing: **2000: 2.35 | 2010: 2.32 | 2025: 2.26**

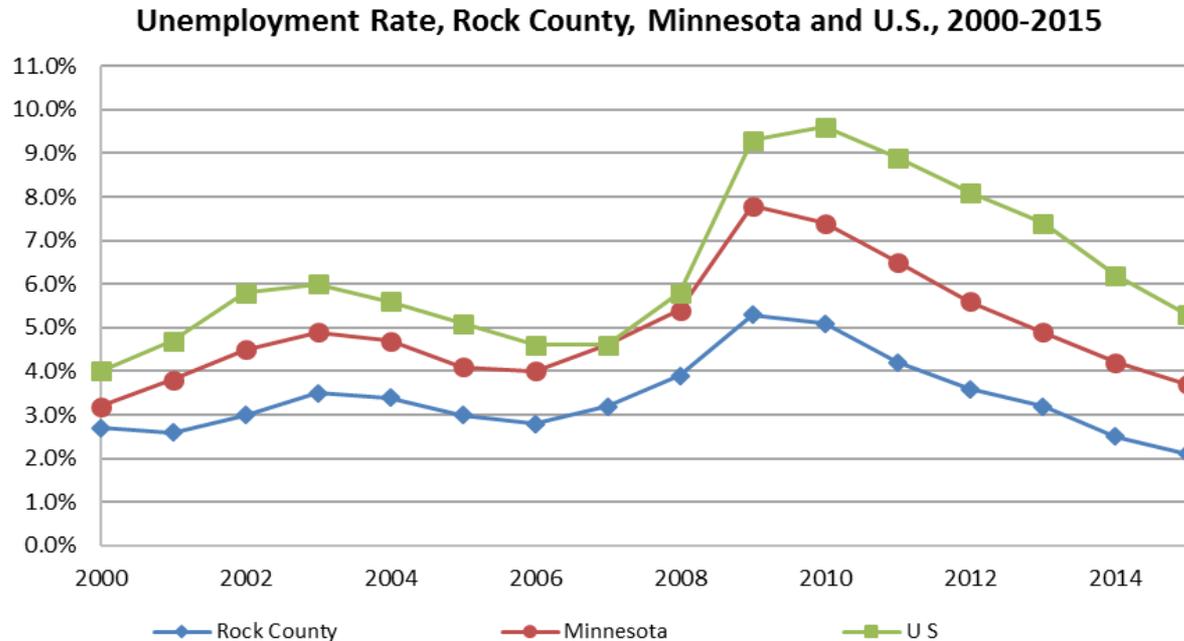
Household Income

Median Income by Age of Householder
City of Luverne: 2016 and 2021



- Median Income (2016):
 - \$49,044 – Luverne
 - \$51,006 – Market Area
 - \$61,657 - Minnesota
- Projected increase (2021):
 - +8.3% to \$53,118 (Luverne)
 - +9.3% to \$55,733 (Market Area)
- Highest earners: 35-44 age cohort (2016)
 - Luverne: \$74,116
 - Market Area: 66,266
- 2014 Income disparity by tenure (Luverne)
 - \$50,449 owner
 - \$21,000 renter

Low Unemployment



- Avg. wages (2014)
 - Luverne: \$36,608
 - MN: \$51,584
- Commuter Flow
 - 37% live and work in Luverne
 - -157 net job loss
- Rock County's unemployment rate remained below MN and US since 2000
- Key Industry Sectors in Luverne:
 - Education and Health Services: 33%
 - Trade, Transportation, Utilities: 20%



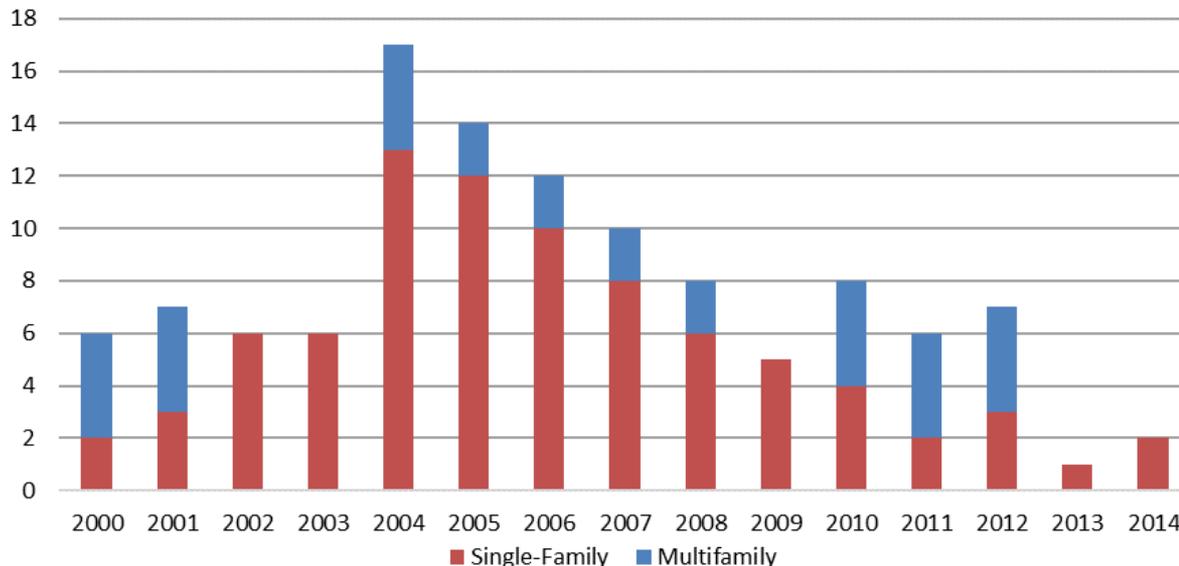
Aging Housing Stock and New Construction

American Community Survey (2014), Luverne Housing Characteristics

- 78% Home ownership rate in the Market Area (2010)
 - 66% HO Luverne
- Single Family Detached: 93% of all owner-occupied housing structures
- 55% of Luverne owners have mortgage

New Construction Activity

Number of New Residential Units Permitted (US Census),
City of Luverne, 2000-2014



- 115 SF and MF housing units constructed in Luverne (2000-2014)
 - Avg. 7.6 units/year
 - 2008-2014: 5.3 units/year
 - Declined during recession years, but began to rise again in 2010



Tight rental housing market

Overall

- 246 units | 13 projects
- 6% vacancy rate

Market Rate

- 96 units | 7 projects | Older stock
- 2.1% vacancy rate
- Rent range:
 - 1BR: \$365 to \$605
 - 2BR: \$400 to \$665
 - 3BR: \$495 to \$650
- Est. price per sq. ft. \$0.70

Affordable

- 24 units | 1 project
- 8% vacancy rate
- Two and three bedroom townhomes

Subsidized

- 126 units | 5 projects
- 8% vacancy rate
- 83% one-bedroom units



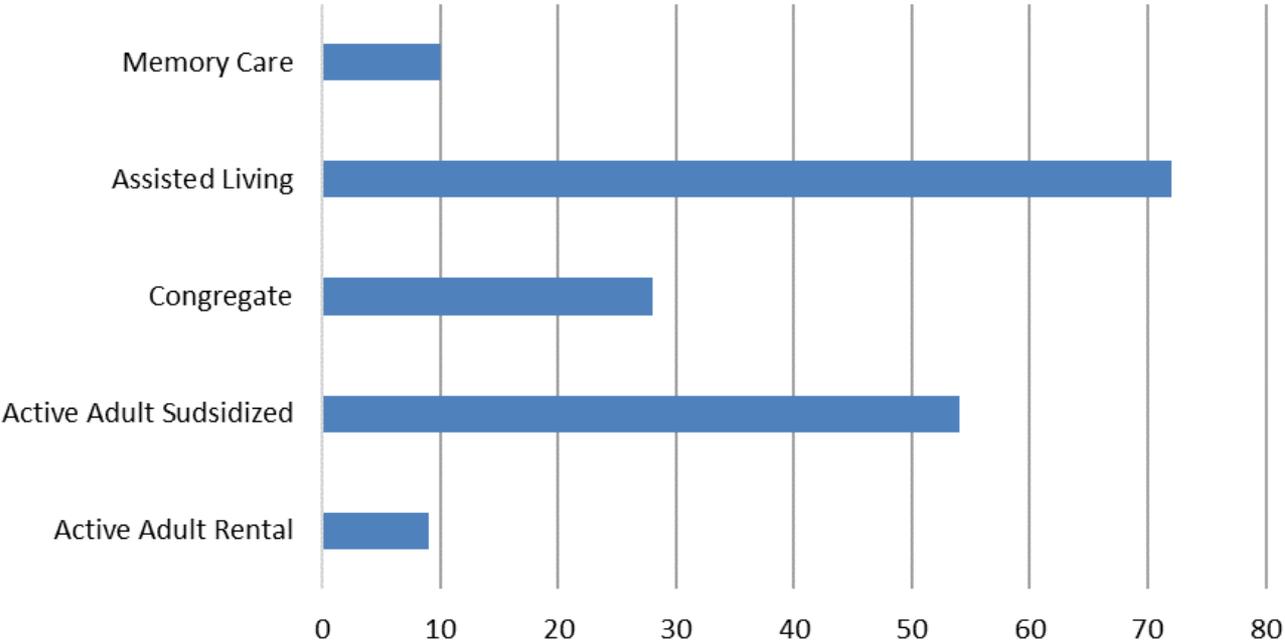
5% Vacancy = Market Equilibrium



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Senior Housing Options

Senior Housing Units by Type, Primary Market Area, June 2016



Market Area Overall

- 119 units | 9 projects
- 9% vacancy rate
- High rate reflects the transition of Sunrise View to Assisted Living

Market Rate Units

- 9 units active adult rental
- 38 units congregare (independent living)
- 72 units assisted living
- 10 units memory care

Subsidized

- 54 units | 2% vac. rate
- Rents based on income

5%-7% Vacancy = Market Equilibrium



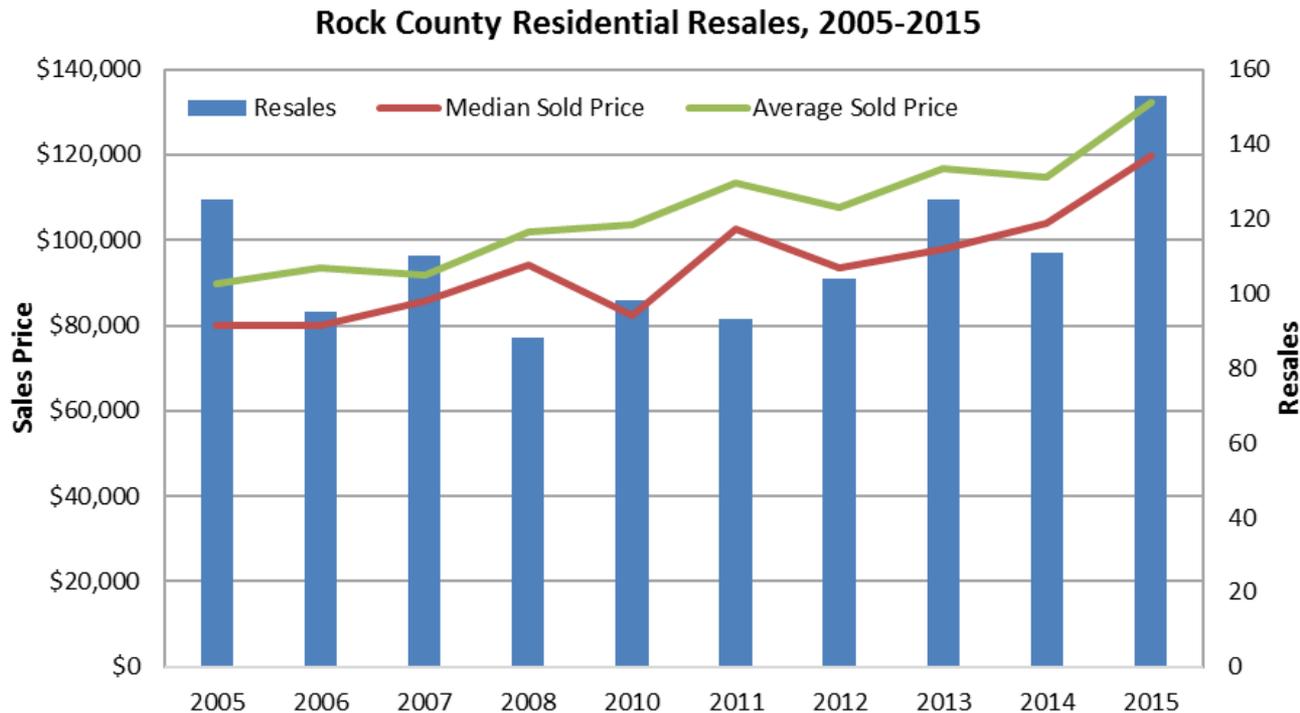
Home sales prices peaked in 2015

Overall

- Market activity improving
- Median values trending upwards since 2005

Resales

- Median sales price:
 - Peaked in 2015: \$119,900
 - Lowest in 2005: \$79,900
- Resales peaked in 2015: 153



Supply Side

Active Listings (May 2016)

- 35 listings in Luverne
- Median price: \$114,900
- Average price: \$134,529
- All single-family listings

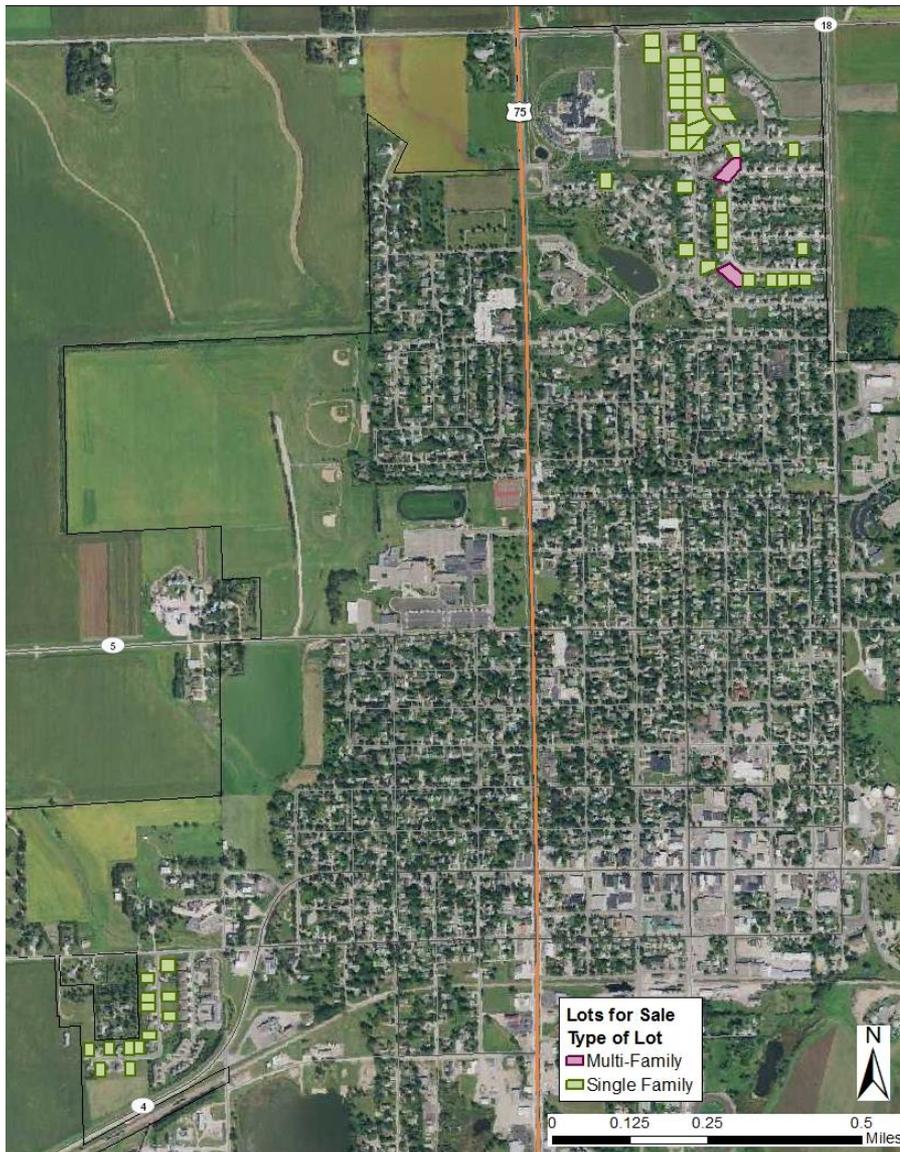
Market Area Avg. Price Per Sq. Ft.

- Single-family: \$75/PSF
- PSF by type:
 - One-story: \$85
 - 1.5-story: \$48
 - 2-story: \$71

For Sale Homes by Price, Primary Market Area, May 2016



Lot Inventory & Subdivisions



Lot Inventory/Supply

- 48 vacant lots | 5 subdivisions
 - Lots marketing: \$5k-\$34k
 - Home value w/lot: \$167k-\$350k
 - SF lot size: 0.24 to 0.39 acres
 - MF lot size: .57 acres

New Construction Market

- Few SF housing starts in Luverne
- Two new construction twinhome developments with high demand
- \$150 PSF+



Demand Summary

Demand Overview

- Household growth & tenure
- Turnover
- Income-qualified households
- Demand by product | Preferences



Demand Driver Examples

- Demographics
- Economy & Job Growth
- Consumer Choice | Preferences
- Turnover/Mobility
- Supply (i.e. Existing Hsg. Stock)
- Replacement need (i.e. functionally /physically obsolete)
- Financing

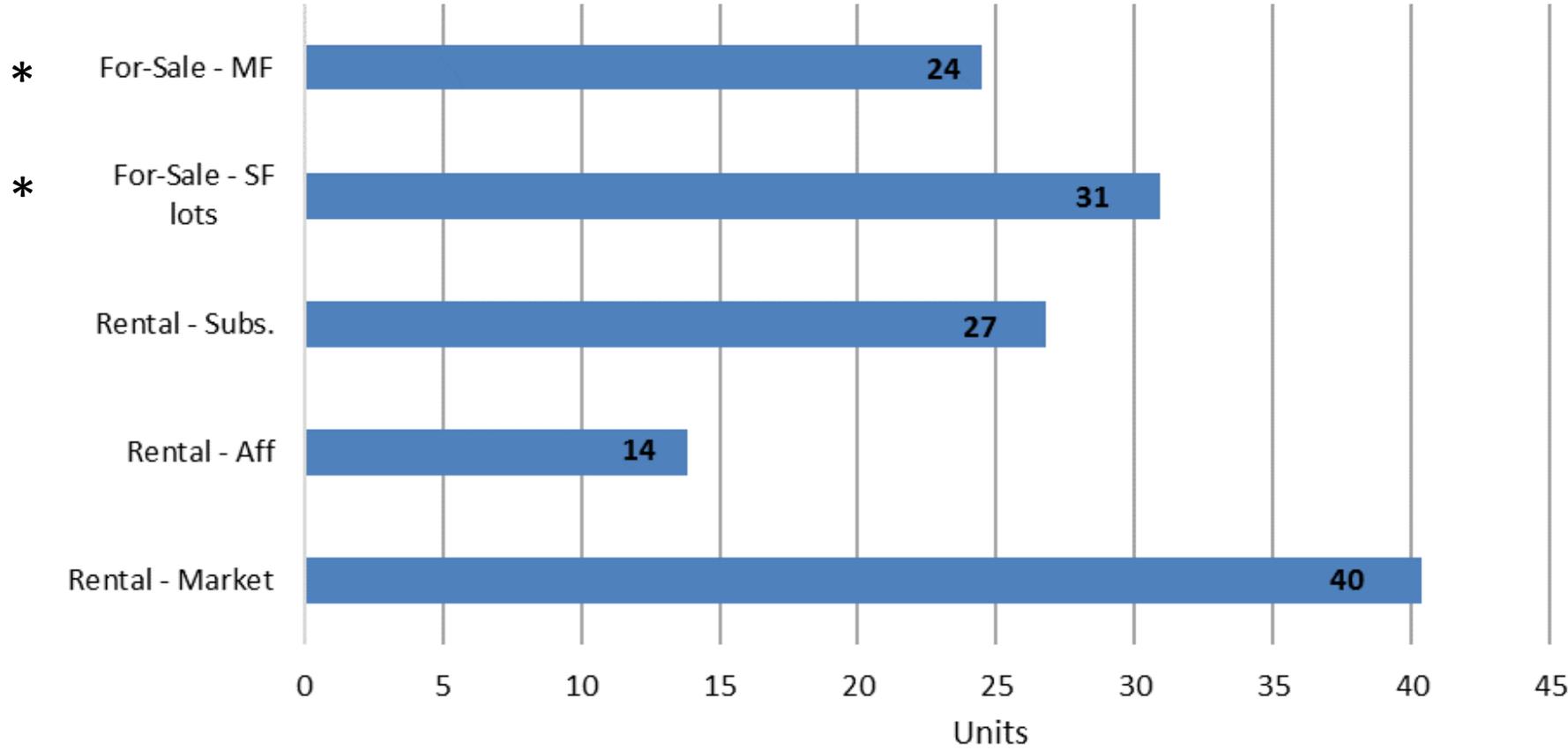
Demand Assumptions/Methodology

- Household growth adjusted for local factors (i.e. building permits, etc.)



Demand for 136 General-Occupancy units through 2025

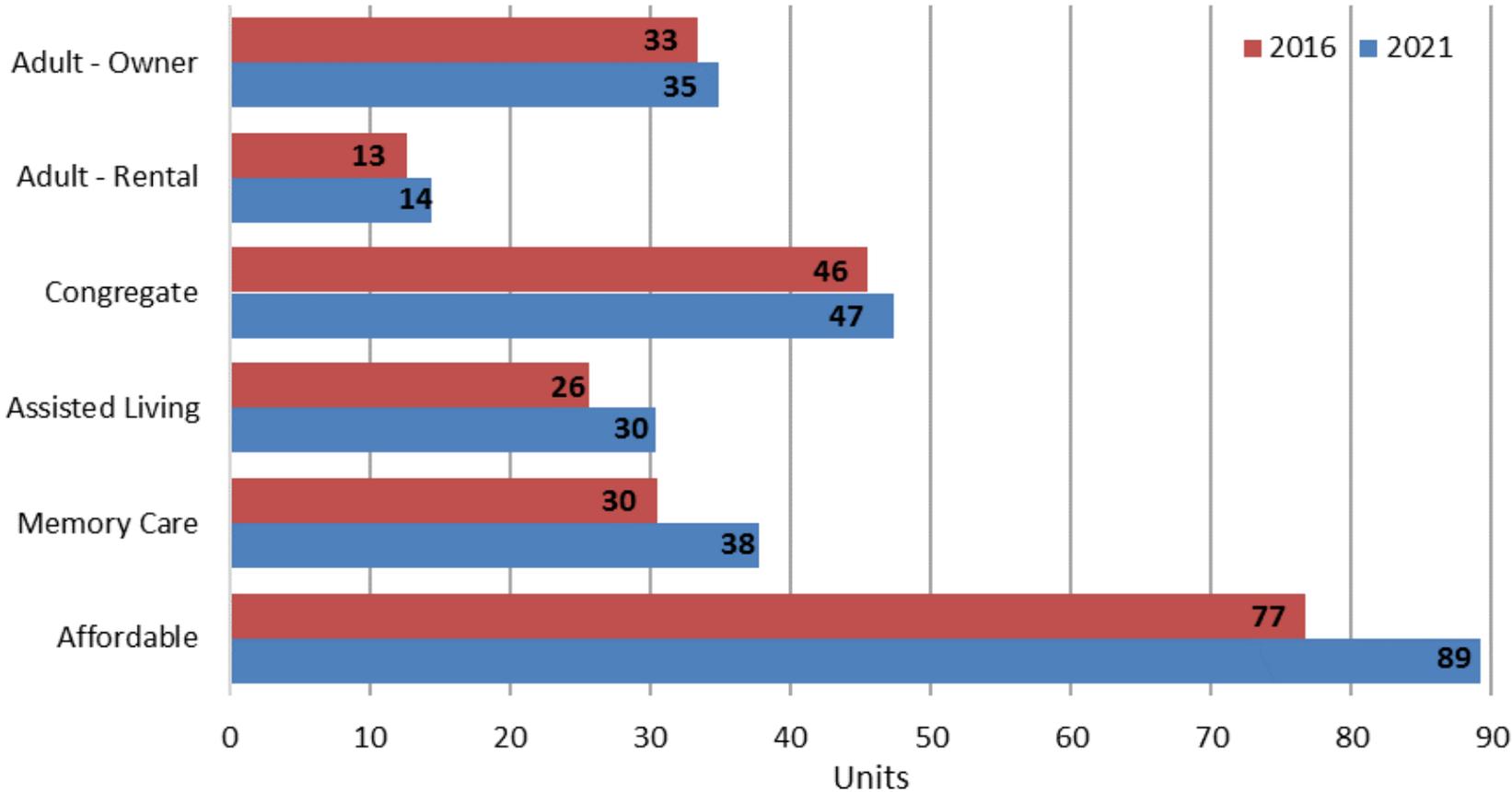
General-Occupancy Demand by Type, Luverne, 2016 to 2025



* Note: Demand accounts for existing vacant lots in Luverne

Demand for 254 senior housing units in 2021

Senior Housing Demand by Type, Luverne, 2016 & 2021



Single-Family Development Recommendations

- Demand for 100+ SF homes in Market Area; but...
- Absorb existing lot supply before platting new subdivisions/lots
 - 46 vacant single-family lots (excludes scattered lots)
- Demand for 31 single-family units after existing lots have been absorbed
- Demand for entry-level, move-up, & executive homes



New Construction example



Manfred Heights



Multifamily For-Sale Development Recommendations

- Demand for 24 units in Luverne
- Single-level living twinhomes in demand & under construction
- Recommend a variety of housing types & all price points
- Potential housing types:
 - Twin homes/duplex
 - Quads
 - Detached townhomes
 - Side-by-Side Townhomes



New Tri-Plex



New Twinhome



Rental Housing Recommendations

- Demand for 80+ units
 - 40 market rate
 - 14 affordable
 - 27 subsidized

- Demand for all incomes, HH types, and product types

- Recommend the following types:
 - Market rate rental – both apartment & townhome style with amenities
 - Subsidized - difficult to finance



Townhome rental example



Country View Apartments



Senior Housing Recommendations

- Demand for 250+ units | Demand across all service-levels
- Recommend the following:
 - Senior cooperative (24-30 units)
 - Active adult rental (30-36 units)
 - Affordable rental (40-50 units)
 - Independent/congregate (30 to 34 units)
 - Assisted living (20 to 22 units)
 - Memory care (20 to 24 units)



Homestead Cooperative



Windsor Manor



Key Takeaways...

- Stagnant population and household growth this decade
- Population is aging and will impact demand for alternative housing types
- Household sizes continue to shrink | Household types changing
- Low unemployment rate (2.1%) & job exporter (only marginally)
- Strong rental & senior markets | low vacancy rates | pent-up demand
- For-sale market peaking
- Twinhomes driving new construction market | lot supply adequate in short term
- Need for association-maintained housing options
- Continue promotion of housing programs (i.e. lot incentives, etc.)
- Possible future growth is found in capturing commuters working but not living in Luverne and a portion of the growing Sioux Falls population



Questions & Comments

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