



# Maxfield

Research & Consulting



## Comprehensive Housing Needs Analysis

**Presented to:** Luverne Economic Development Authority

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Maxfield Research & Consulting LLC

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# Maxfield Research & Consulting, LLC

## Overview

- 35+ 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.



# Purpose & Scope of Work

## Purpose

- Maxfield Research & Consulting, LLC engaged by the Luverne EDA to prepare a Comprehensive Housing Needs Analysis
- Update to a Study last completed in 2016

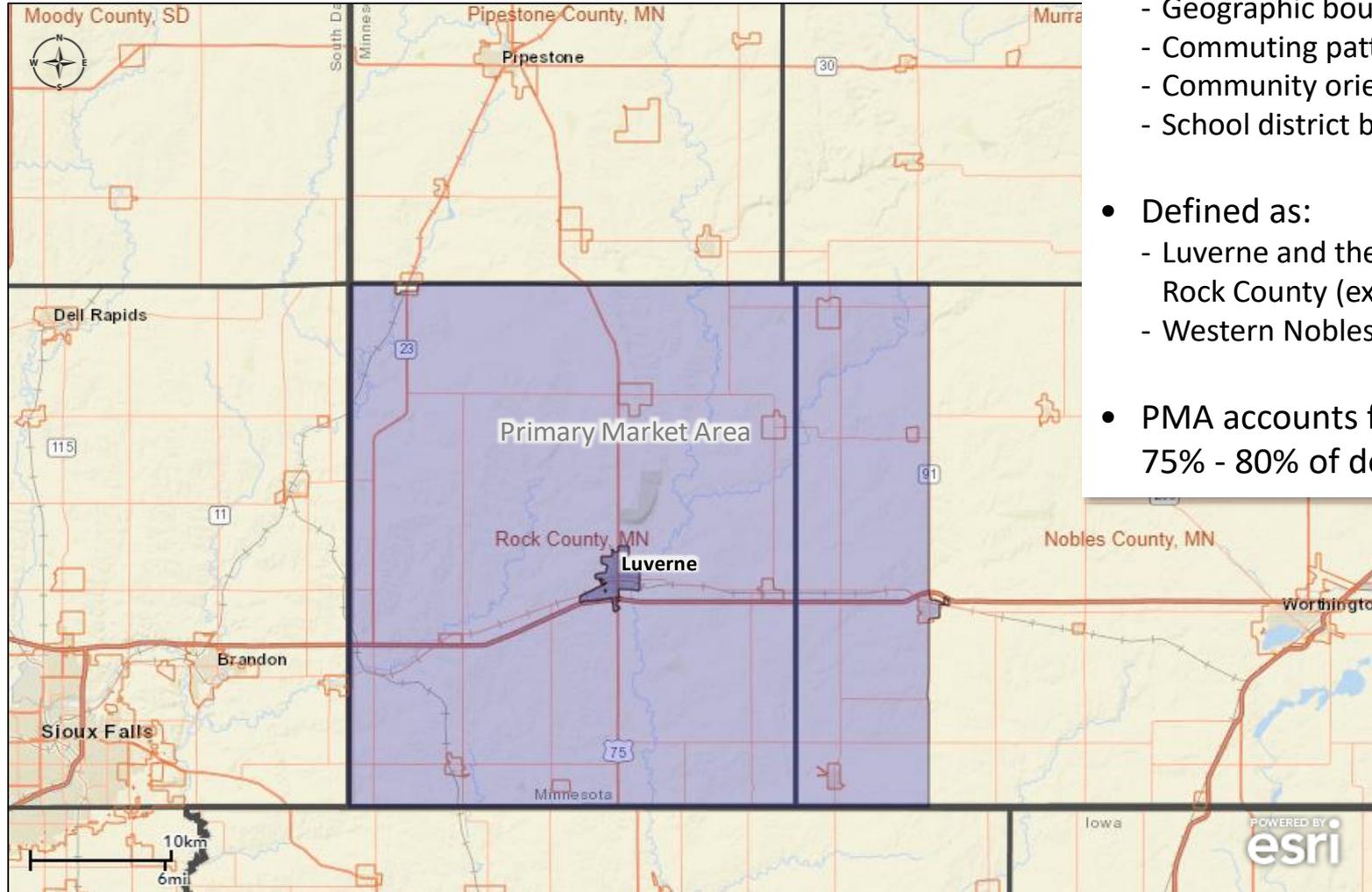
## Scope of Work

- Demographic and economic overview
- Review of existing housing stock characteristics
- For-sale housing market analysis
- Evaluation of rental market conditions
- Senior housing supply and demand analysis

## Conclusions & Recommendations

- Demand calculations for various housing product types
- Development concept recommendations
- Assessment of challenges and opportunities for housing development in Luverne

# Market Area



- PMA based on several factors:
  - Geographic boundaries
  - Commuting patterns
  - Community orientation
  - School district boundaries
- Defined as:
  - Luverne and the Remainder of Rock County (excluding Jasper)
  - Western Nobles County
- PMA accounts for roughly 75% - 80% of demand

# Key Demographic & Economic Trends

## Modest population and household growth expected

- Growth projected among senior and middle-age cohorts
- Contraction forecast for younger age groups

## Shift in household tenure since 2010

- Renter households expanded 13% in Luverne (+80 HHs)
- Owner households contracted -12% (-168 HHs)

## Shifting HH types drive housing demand

- Strongest growth among married with children and other family HHs in Luverne
- In MN, growth strongest in single-person and married couple without children HHs

# Key Demographic & Economic Trends

## Resident employment outpacing labor force growth since 2010

- Declining unemployment

## Modest job growth anticipated

- Potential labor force shortages from anticipated surge in retirements to restrain growth

## Luverne is an “importer” of workers

- Roughly 1,653 workers commute into Luverne daily, while 1,016 residents commute out

## Worker inflow can generate housing demand

- 66% of the jobs in Luverne filled by workers commuting in the City
- Roughly 25% (419 workers ) commute from more than 50 miles away

## Housing in Luverne affordable relative to the average wage

- Workers earning average wage could afford rent of \$968/month (market average of \$605)
- Purchase a home priced at \$155,750 (\$105,000 median sale price in 2018)

# Market Analysis – For-Sale Housing

## Pricing on the rise, marketing times down

- \$105,000 single-family median sale price in 2018
- \$115,000 multifamily median sale price in 2018

## Below-equilibrium supply of homes for sale

- Average of 8 home sales per month since 2017
- 4.6-month supply of homes on the market

## New construction activity accelerating

- Average of nearly 14 permits per year since 2017
- New construction homes selling for \$160/SF +/- (~\$300,000)
- 27 actively-marketing residential lots in Luverne (2-year supply) with another 18 lots pending

# Market Analysis – Rental Housing

## Tight rental housing market conditions

- Market rate vacancy at 3.1%
- Affordable/subsidized projects 2.8% vacant

## Rental rates climbing

- Average market rate rent of \$605 (\$0.64 per square foot)
- 16% increase since 2016
- Still fairly affordable

## Pent-up demand

- Below-equilibrium vacancy
- Rising rents
- Demand for new product



# Market Analysis – Senior Housing

## Summary

- Large and growing senior population in Luverne and the PMA
- 180 senior housing units in PMA (12.8% vacant)
- 63 active adult units (4.8% vacant)
- 117 service-enhanced units (17.2% vacant)
- 106 units in Luverne (4.7% vacant)
- 74 units outside Luverne (24.3% vacant)

## Continuum of Housing & Services for Seniors

Fully Independent Lifestyle	Single-Family Homes	<ul style="list-style-type: none"> <li>• Large senior population living independently</li> </ul>
	Townhomes or Apartments	<ul style="list-style-type: none"> <li>• Limited supply of available housing for downsizing</li> </ul>
	Age-Restricted Active Adult	<ul style="list-style-type: none"> <li>• 63 units</li> <li>• 4.8% vacancy</li> </ul>
	Independent Living with services	<ul style="list-style-type: none"> <li>• 28 units</li> <li>• 3.6% vacant</li> </ul>
	Assisted Living	<ul style="list-style-type: none"> <li>• 79 units</li> <li>• 24% vacant (8% in Luverne)</li> </ul>
	Memory Care	<ul style="list-style-type: none"> <li>• 10 units</li> <li>• 100% occupied</li> </ul>
Fully or Highly Dependent on Care	Skilled Nursing	<ul style="list-style-type: none"> <li>• 138 existing beds</li> <li>• 58-bed Veterans Home</li> </ul>

# Housing Affordability

## Housing affordability based on household income

	Home Price	Min. Income Required	% of Owner Households
Entry-Level SF	\$100,000	\$24,858	83.5%
Move-Up SF	\$175,000	\$43,502	68.7%
Executive SF	\$300,000	\$74,574	38.2%

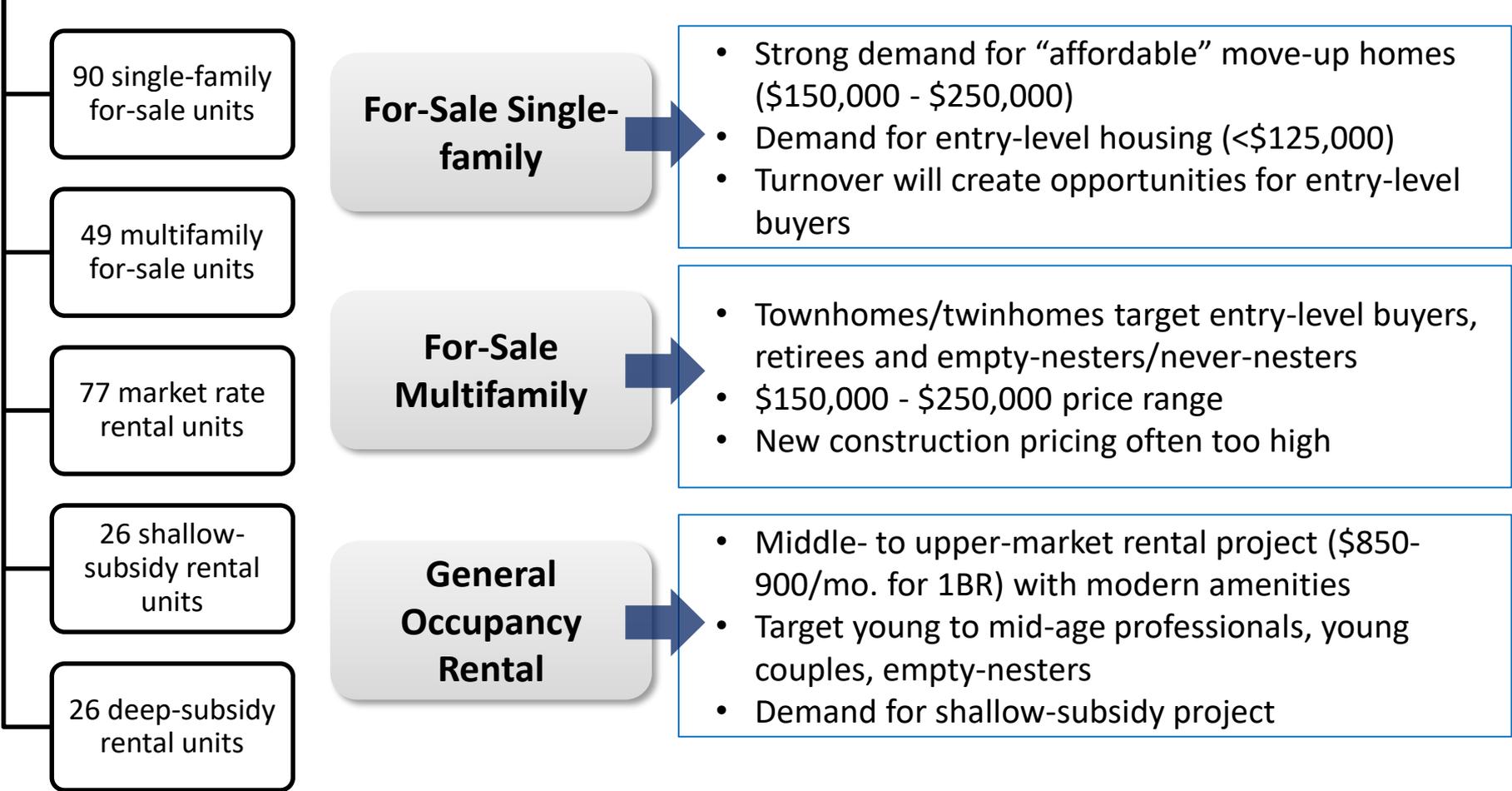
	Monthly Rent	Min. Income Required	% of Renter Households
Existing 1BR	\$499	\$19,960	72.0%
New 1BR	\$900	\$36,000	47.2%

## Housing cost burden in Luverne

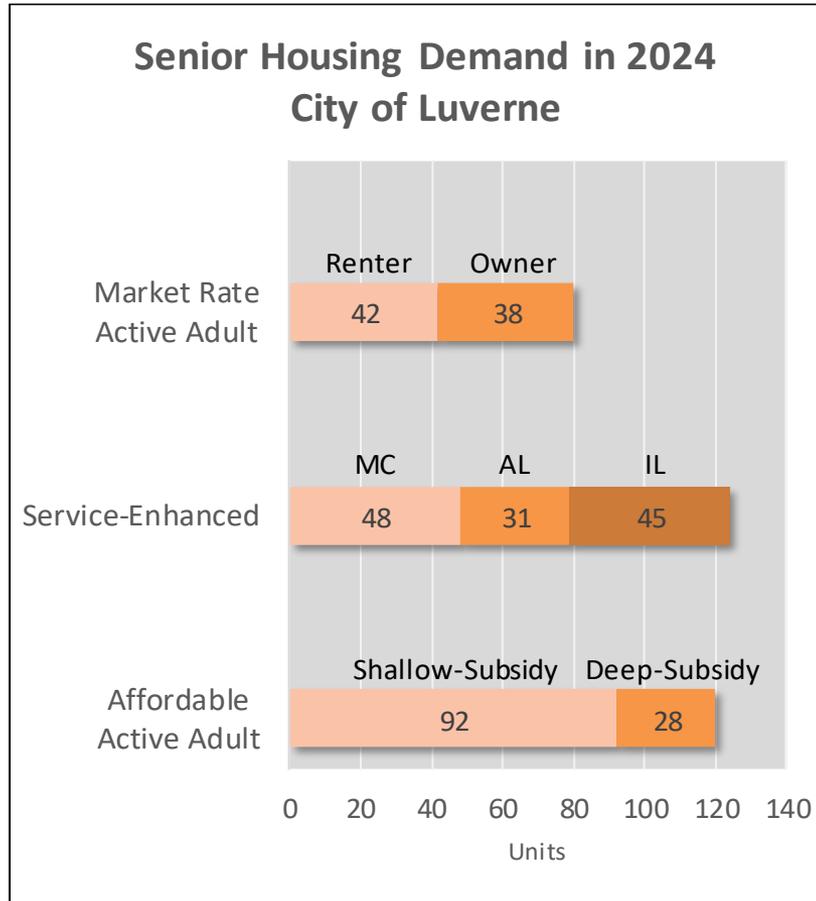
- Cost-burdened = households paying 30% or more of gross income for housing
- 21% of all HHs in Luverne (27% in MN)
  - 13.5% of owner HHs (19.5% in MN)
  - 34.8% of renter HHS (44.4% in MN)
- Severely cost-burdened (50% or more of income)
  - 6.0% of owner HHs (7.0% in MN)
  - 16.6% of renter HHS (21.9% in MN)

# General Occupancy Housing Demand to 2030

## 267 Housing Units



# Senior Housing Demand



- ➔ Total demand for 324 senior housing units
- ➔ Demand for 80 market rate active adult units
  - 38 ownership units
  - 42 rental units
  - Potential to satisfy demand with general occupancy maintenance-free product (townhomes, twinhomes, etc.)
- ➔ We recommend a continuum of care development (residents age in place)
  - 40-45 catered living units (independent living with assisted living services available)
  - 16-20 unit memory care wing
- ➔ Immediate need for shallow-subsidy active adult rental units

# Key Findings

- ➔ There's a gap in the market for affordably-priced move-up single-family homes (\$150,000-\$250,000) and move-in ready entry-level homes
- ➔ Currently a 2-year supply of lots available in Luverne with 18 lots pending...
  - Equilibrium considered to be 3-5 years, so additional lots will be needed to support projected demand
- ➔ Rental market conditions are very tight and there is demand for new, modern rental housing in the City... market rate and shallow-subsidy
- ➔ High assisted living vacancy (24%) limits short-term demand in the PMA, but vacancies are lower in Luverne (8%)
  - The growing senior population should support long-term demand for service-enhanced housing... we recommend a continuum of care project
- ➔ Immediate need for shallow-subsidy active adult rental units
- ➔ Overall, housing market conditions are tight and the City could fail to capture potential population growth because many HHs have a difficult time finding suitable housing in Luverne

# Questions & Comments

## Contact Information:

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