

ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

EXECUTIVE SUMMARY

Residential Market Potential

Downtown Macon Study Area *City of Macon, Bibb County, Georgia*

April, 2008

This study identifies the depth and breadth of the market for newly-introduced market-rate housing units—created both through adaptive re-use of existing non-residential buildings as well as through new construction—to be leased or sold within Downtown Macon, in the City of Macon, Bibb County, Georgia. For the purposes of this study, the Downtown Macon Study Area includes the area bounded on the northwest by the far side of College Street, on the northeast by the far side of Riverside Drive, on the southeast by the far side of Fifth Street, and on the southwest by Oglethorpe Street.

CONCLUSIONS OF THE ANALYSIS

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

As derived from migration, mobility and target market analysis, the draw area distribution of market potential (those households with the potential to move to the Downtown Macon Study Area) is as follows:

Market Potential by Draw Area	
DOWNTOWN MACON STUDY AREA	
<i>City of Macon, Bibb County, Georgia</i>	
City of Macon (Primary Draw Area):	22.2%
Balance of Bibb County (Local Draw Area):	9.9%
Houston, Jones, and Monroe Counties (Regional Draw Area):	8.8%
DeKalb, Fulton, Cobb, and Gwinnett Counties (Atlanta Draw Area):	7.1%
Balance of US (National Draw Area):	<u>52.0%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2008.

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How many households are likely to move to the Downtown Macon Study Area?

As derived by the target market methodology, up to 1,380 households represent the annual potential market for new market-rate higher-density housing units in the Downtown Macon Study Area. These households comprise just over one quarter of the approximately 5,100 households that represent the potential market for new and existing market-rate housing units in all of the City of Macon, a share of the total market that is consistent with Zimmerman/Volk Associates' experience in other cities..

Who is the potential market?

The market for urban housing, particularly within downtowns, is now being fueled by the convergence of the two largest generations in the history of America: the 79 million Baby Boomers born between 1946 and 1964, and the 77 million Millennials, who were born from 1977 to 1996. The convergence of two generations of this size—simultaneously reaching a point when urban housing matches their life stage—is unprecedented.

Reflecting this trend, the household groups that comprise the potential market for new Downtown Macon housing units are:

- Younger singles and childless couples—including, among others, office workers, junior executives, university affiliates, artists or artisans, and retail and service employees. (72 percent);
- Well-to-do empty nesters and retirees, a third of whom would be moving from the suburbs (17 percent); and
- A range of urban families (11 percent).

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What are their housing preferences?

As derived from the tenure and housing preferences of the target households, the distribution of higher-density rental and for-sale housing types is as follows:

**Annual Potential Market for New Housing Units
 Market-Rate Higher-Density Housing Units
 DOWNTOWN MACON STUDY AREA
 City of Macon, Bibb County, Georgia**

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Rental Multi-Family (lofts/apartments, leaseholder)	600	43.5%
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	420	30.4%
For-Sale Single-Family Attached (townhouses/ live-work, fee-simple, condominium ownership)	<u>360</u>	<u>26.1%</u>
Total	1,380	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2008.

What are their current housing alternatives?

There are several rental properties already located in Downtown Macon, with rents ranging from approximately \$330 per month to \$1,600 per month. Elsewhere in the city, rents started at just over \$600 per month for one-bedroom apartments at the oldest rental properties included in the survey, with the upper ranges of rents approaching \$1,500 per month for a 1,987-square-foot three-bedroom.

There has been very limited new for-sale development activity in either Downtown Macon or in Bibb County. Downtown condominium development has consisted of small projects of 10 units or less, with prices starting at \$137,500 for a 2,500-square-foot “raw space” loft to \$265,000 to \$325,000 for 2,200 to 3,000 square feet (\$108 to \$120 per square foot).

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What is the market currently able to pay?

Based on the tenure preferences of draw area households and their income and equity levels, the general range of rents and prices for newly-developed market-rate residential units that could currently be sustained by the market is as follows:

**General Rent, Price and Size Ranges
 Newly-Created Housing (Adaptive Re-Use and New Construction)
 DOWNTOWN MACON STUDY AREA
 City of Macon, Bibb County, Georgia**

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Hard Lofts *	\$500–\$1,050/month	450–1,000 sf	\$1.05–\$1.11 psf
Soft Lofts †	\$750–\$1,150/month	600–1,100 sf	\$1.15–\$1.25 psf
Luxury Apartments	\$1,100–\$2,000/month	750–1,450 sf	\$1.38–\$1.47 psf
FOR-SALE (MULTI-FAMILY)—			
Hard Lofts *	\$75,000–\$115,000	600–1,000 sf	\$115–\$125 psf
Soft Lofts †	\$125,000–\$175,000	800–1,150 sf	\$152–\$156 psf
Luxury Condominiums	\$235,000–\$400,000	1,250–2,000 sf	\$188–\$200 psf
FOR-SALE (SINGLE-FAMILY ATTACHED)—			
Townhouses	\$165,000–\$250,000	950–1,500 sf	\$167–\$174 psf
Live-Work	\$225,000–\$295,000	1,300–1,750 sf	\$169–\$173 psf

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

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

SOURCE: Zimmerman/Volk Associates, Inc., 2008.

The above rents and prices are in year 2008 dollars, are exclusive of consumer options and upgrades, or floor or location premiums, and cover the broad range of rents and prices for newly-developed units currently sustainable by the market. These rents and prices are also “market rates”—that is, within the economic capability of the target households; however, depending on acquisition and construction costs, it is probable that many projects could require financing assistance, subsidies and/or tax incentives to provide units at these rents/prices.

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How fast will the units lease or sell?

After more than 20 years' experience in various cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that up to 15 percent of the potential market, depending on housing type, is achievable, given the production of appropriately-positioned new housing. Based on a 15 percent capture of the potential market for multi-family units, both rental and for-sale, and a 10 percent capture of single-family attached units, the Downtown Macon Study Area should be able to support up to 189 new market-rate housing units per year, as follows:

**Annual Capture of Market Potential
 DOWNTOWN MACON STUDY AREA
 City of Macon, Bibb County, Georgia**

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	600	15%	90
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	420	15%	63
For-Sale Single-Family Attached (townhouses/live-work, fee-simple ownership)	<u>360</u>	10%	<u>36</u>
Total	1,380		189

SOURCE: Zimmerman/Volk Associates, Inc., 2008.

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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DOWNTOWN HOUSING STRATEGIES

In order to achieve maximum positive impact of downtown housing, three elements—location, design and marketing—must be carefully considered and executed.

Location: Evaluate Buildings/Areas for Residential Development

Design: Ensure Appropriate Urban Design

Marketing: Market and Monitor the Downtown



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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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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.



Amy Whipple
3629 Butler St. Apt. 2
Pittsburgh, PA 15201

Amanda Walton
213 Appomattox St.
Farmville, VA 23901

Lane Davis
311 Allston ST. # 14
Brighton, MA 02135

Dwonna Goldstone

Greg Salyer
University of Redlands
1200 E. Cotton Avenue
Redlands, CA 92373

Sarah Barr
129 Longwood
Farmville, VA 23909

Mike Campbell
14050 South Carriage Lane
Midlothian, VA 23114

Casey Wentz
15334 Kerby Drive
Orange, VA 22960

Nathan Long
6017 McCallum St.
Philadelphia, PA 19144

Emari DiGiorgio
27 N. Hillside Ave. 2nd Fl.
Ventnor City, NJ 08406

Judy Copeland
P.O. Box 527

Pomona, NJ 08240

Victoria Grubbs
University of Redlands
1200 E. Cotton Avenue
Redlands, CA 92373

Monica Barra
University of Redlands
1200 E. Cotton Avenue
Redlands, CA 92373

Ricky Burton
University of Redlands
1200 E. Cotton Avenue
Redlands, CA 92373

Ojay Johnson

Mary Carroll-Hackett
1814 Lockett Rd.
Rice, VA 23966

Kandace Harris
411 Cemetery Street
Charlotte, NC 28216

Kirsten Hemmy
3300 Ritch Ave.
Charlotte, NC 28206

Sharon Raynor
6333 Park Creek Drive
Charlotte, NC 28262

Danielle Wyckoff
75 Elmwood Place
Athens, OH 45701

Jeff Drye
75 Elmwood Place

Athens, OH 45701

**Rick Campbell
444 Winding Creek Road
Quincy, FL 32351**

**Patricia Waters
Dept. of English
Univ. of Alabama
Tuscaloosa, AL 35487**

**Patti White
Dept. of English
Univ. of Alabama
Tuscaloosa, AL 35487**

**Earl S. Bragg
3308 Alta Vista Dr.
Chattanooga, TN 37411**

Blas Falconer

**Metta Sama
101 W. Washington St. #3
Greencastle, IN 46135**

**Billy Reynolds
237 Carolina Drive
Tifton, GA 31794-3841**

Dan Latimer

Susan Cumings

**Marcel Brouwers
1611 Fremont Place
Knoxville, TN 37917**

Lisa Lishman
237 Carolina Drive
Tifton, GA 31794-3841

James D'Agostino
816 N. Florence
Kirksville, MO 63501

Jesse Graves
3326 Clearview St.
Knoxville, TN 37917

Donna Long
Fairmont State Univ.
Dept. of Language and Lit.
Fairmont, WV 26554

Arthur Smith
Eng. Dept.
University of Tennessee
Knoxville, TN 37996

John Phillips

Jon Norcutt
108 Riverview Rd.
Hurt, VA 24563

Samari Batista
9702 Whiffletree Ct.
Redmond, VA 23236

Stephen Ownby
12620 Green Garden Terrace
Chester, VA 23838

Carey McCue
Box 1485
Longwood University
Farmville, VA 23909

Rasheedah Alexander

4321 Oak Forest Dr.
Charlotte, NC 28215

Ebony Brown

Kourtney Luster

Mark Ledbetter

John Howell
5433 S. Gart View Park
Apt. Bsmt.
Chicago, IL 60615

Kristen Tobey
3952 N. Bell 1
Chicago, IL 60618

Spencer Dew
1156 E. 57th
Chicago, IL 60637

M. Cooper Harriss
1020 E. 52nd St. #3
Chicago, IL 60615

Margaret Kouidis

Randall Wilhelm
2025 Dawson St. #3
Knoxville, TN 37920

Chris Walsh
2215 Forest Avenue Apt. 103
Knoxville, TN 37216

Kristina McBride
P.O. Box 2154
Brevard, NC 28712

Ashley Kirchberg
5613 Silver Birch

Midlothian, VA 23112

**Austin Eichelberger
308B Randolph St.
Farmville, VA 23901**

**Jessica Walker
3403 Cabell Road
Wingina, VA 24599**

Bob Kunzinger

Tom Williams

**Karen Head
Georgia Tech
CETL
Atlanta, GA 30332-0383**

**Seth Huebner
327 S. Monroe Ave.
Green Bay, WI 54301**

**David Garrison
521 Hancock Dr.
Americus, GA 31709**

**P. Sven Arvidson
1309 Lake Washington Blvd. S.
Seattle, WA 98144**

**Mercer Bufter
1325 Seminole Drive
Greensboro, NC 27408**

**Thomas Bourguignon
1012 Toole Avenue
Missoula, MT 59802**

**Ethan Bernard
2212 Steinway St.
Astoria, NY 11105**

Tanner Keith

Shawn Garrett
109 High Street
Farmville, VA 23901

Walter Gray
118 S, South Street, #113
Farmville, VA 23901

Racquel Goodison
545 52nd St.
Brooklyn, NY 11220

Katherine Ringley
3008 Cardinal Dr.
Quinton, VA 23141

Lia Carroll-Hackett

Stacy Wood
P. O. Box 634
Farmville, VA 23901

Leah Burney
251 Silver Springs Circle
Atlanta, GA 30310

David Fillingim
315 Shorter Avenue
Rome, GA 30165