
MARKET ANALYSIS

Residential Market Potential

Downtown Toledo

City of Toledo
Lucas County, Ohio

September, 2004

Conducted by
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Research & Strategic Analysis

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EXECUTIVE SUMMARY

The purpose of this study is to identify the market potential for newly-introduced market-rate housing units to be leased or sold in Downtown Toledo, Ohio.

A core premise underlying an overall housing strategy for the City of Toledo should be that, to retain existing households, or attract new ones, appropriate new housing units must be provided in the Downtown. The creation or strengthening of Downtown residential neighborhoods need not be a “zero-sum” exercise; rather than succeeding at the expense of other city neighborhoods, new housing opportunities within the Downtown, when properly targeted, should expand the number of households moving into the city as well as provide an attractive alternative to households that would otherwise move out of the city.

This study therefore determined:

- Where the potential renters and buyers for new housing units in Downtown Toledo are likely to move from (the draw areas);
 - Who currently lives in the draw areas and what they are like (the target markets);
 - How many have the potential to move to Downtown Toledo 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);
-

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- What their alternatives are (new construction or existing housing stock in Downtown Toledo and in other areas of the city);
- What they will pay to live in Downtown Toledo (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

MARKET POTENTIAL

From a market perspective, considerable pent-up demand exists for Downtown housing, both new construction and adaptive re-use of existing buildings. As determined by this analysis, the market potential for new and existing market-rate housing units to be leased or sold within Downtown Toledo each year consists of up to 3,360 households with an affinity for urban neighborhoods. Approximately three-quarters of these households are currently living in the City of Toledo or Lucas County; the remainder of the potential market will be moving from elsewhere in the region (nine percent), or from elsewhere in the nation (16 percent).

The household groups that comprise the potential market are:

- Younger singles and childless couples—including, among others, affluent professionals, small business owners, middle- to upper-management, artists and university affiliates (53 percent);
- Well-to-do empty nesters and retirees (38 percent); and
- A range of urban families (nine percent).

With a variety of housing initiatives, Downtown Toledo should become quite attractive to households moving into the city. The appropriate urban housing types and general rent/price ranges and unit sizes that will attract the potential market are:

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**Rent, Price and Size Range
Newly-Created Housing
DOWNTOWN TOLEDO
*City of Toledo, Lucas County, Ohio***

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
Rental—			
Hard Lofts*	\$450-\$1,075/month	450-1,200 sf	\$0.90-\$1.00 psf
Soft Lofts†	\$475-\$1,500/month	450-1,500 sf	\$1.00-\$1.05 psf
For-Sale—			
Hard Lofts*	\$75,000-\$175,000	550-1,500 sf	\$117-\$136 psf
Soft Lofts†	\$85,000-\$300,000	650-1,800 sf	\$130-\$167 psf
Townhouses	\$135,000-\$335,000	1,000-2,000 sf	\$135-\$168 psf
Urban Houses	\$165,000-\$375,000	1,200-2,200 sf	\$138-\$170 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., 2004.

Based on a 15 percent capture of the potential market for multi-family units, and a 10 percent capture of single-family units, Downtown Toledo should be able to support up to 293 new units per year, or nearly 1,500 new dwelling units over the next five years. The creation of appropriate new housing units Downtown can increase the number of households moving to the City of Toledo. Based on the migration and mobility analyses, households in up to 650 of these 1,500 new units could have moved from elsewhere in the region or the country.

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DOWNTOWN HOUSING STRATEGY

From the perspective of draw area target market propensities and compatibility, a broad range of new construction as well as adaptive re-use of existing buildings will be required to support and sustain residential diversity in Downtown Toledo. An effective housing strategy to attract the target households should include:

- The creation of a variety of housing types, both rental and for-sale, including higher-value market-rate as well as affordable housing units, throughout Downtown;
- The establishment of general neighborhood guidelines to assure the compatibility of every scale and type of housing;
- Preservation of the built environment: the restoration, repositioning and/or adaptive re-use of existing buildings;
- New residential construction: the introduction of housing types not currently available or under-represented in Downtown Toledo; and
- Mixed-use development: the inclusion of a residential component within mixed-use buildings, either adaptive re-use or new construction.

In addition, the City should:

1. Target areas for residential development;
2. Ensure appropriate urban design; and
3. Market and monitor the Downtown.



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MARKET ANALYSIS

INTRODUCTION

The purpose of this study is to identify the market potential for newly-introduced market-rate housing units—created both through the adaptive re-use of existing non-residential buildings as well as through new construction—to be leased or sold in Downtown Toledo. For the purposes of this study, the boundaries of Downtown have been delineated as the Maumee River to the east; Cherry Street to the northeast; Woodruff Avenue to the north; 23rd Street, Collingwood Boulevard, and Interstate 75 to the west; and Swan Creek and Clayton Street to the south. This area encompasses the Downtown core, Government Center, Uptown, the West Side, and the Warehouse District. These boundaries are more extensive than those of the Downtown Overlay District, which extends only to Lafayette Street to the south and 14th Street to the west, but are less inclusive than those for the Downtown Toledo Master Plan, which expanded to include East Toledo (the Docks, International Park and the proposed marina district) and the North Side (Vistula and North Summit Street).

The extent and characteristics of the potential market for Downtown housing units were identified using Zimmerman/Volk Associates' proprietary target market methodology. This methodology was developed in response to the challenges that are inherent in the application of conventional supply/demand analysis to urban development and redevelopment. Supply/demand analysis ignores the potential impact of newly-introduced housing supply on settlement patterns, which can be substantial when that supply is specifically targeted to match the housing preferences and economic capabilities of the draw area households.

In contrast to conventional supply/demand analysis, then—which is based on supply-side dynamics and baseline demographic projections—target market analysis determines the depth and breadth of the potential market derived from the housing preferences and socio-economic characteristics of households in the defined draw area. Because it considers not only basic demographic characteristics, such as income qualification and age, but also less-frequently

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analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues, the target market methodology is particularly effective in defining a realistic housing potential for urban development and redevelopment.

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

- Where the potential renters and buyers for new housing units in Downtown Toledo are likely to move from (the draw areas);
- Who currently lives in the draw areas and what they are like (the target markets);
- How many have the potential to move to Downtown Toledo if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- What their alternatives are (new construction or existing housing stock in Downtown Toledo and in other areas of the city);
- What they will pay to live in Downtown Toledo (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

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

NOTE: Tables 1 through 5, included in this document, contain summaries of the market potential for new market-rate housing units created through adaptive re-use of existing buildings and/or new construction within Downtown Toledo, City of Toledo, Lucas County, Ohio. Tables 6 and 7, also included in this document, outline the relevant supply-side context. The appendix tables contain migration and target market data covering the appropriate draw areas for Downtown Toledo. The appendix tables are published in a separate volume.

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MARKET POTENTIAL

American households, perhaps more than any other nation's, have always demonstrated extraordinary mobility. Last year, depending on region, between 15 and 20 percent of American households moved from one dwelling unit to another. Household mobility is higher in urban areas; a higher percentage of renters move than owners; and a higher percentage of younger households move than older households.

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is therefore integral to the determination of the depth and breadth of the potential market for market-rate housing units within Downtown Toledo.

Analysis of Lucas County migration and mobility patterns from 1998 through 2002—the latest data available from the Internal Revenue Service— shows that the county continues to experience net migration losses. (See Appendix One, Table 1.) Over the study period, through 2002, an average of 8,900 households a year moved out of the county, compared to the average of 7,650 households a year that moved in, or an average annual net loss of approximately 1,250 households in recent years. A significant of these households are moving out of the urban areas to the adjacent counties of Wood County, Ohio and Monroe County, Michigan, as well as to other urban areas in the United States. However, 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.

This study therefore identifies the depth and breadth of the potential market for market-rate housing units within both the City of Toledo and Downtown Toledo, including those households already living in the city and those households that are likely to move into the city if appropriate housing options were to be made available.

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

—The Draw Areas—

The depth and breadth of the potential market for market-rate housing units in the City of Toledo was determined through migration, mobility and target market analyses of households currently living within defined draw areas. Based on migration analysis, the draw areas for the City of Toledo have been delineated as follows:

- The local (internal) draw area, covering households currently living within the Toledo city limits, as well as those currently living in the balance of Lucas County. Between 10 and 15 percent of the households living in the city move to another residence within the city each year. Up to seven percent of the households living in the balance of Lucas County move to a residence within the city each year.
- The regional draw area, covering households with the potential to move to the City of Toledo from surrounding counties (Wood and Fulton Counties, Ohio; Monroe County, Michigan). Households moving from this region comprise approximately one-third of total Lucas County in-migration.
- The national draw area, covering households with the potential to move to the City of Toledo from all other U.S. counties. Approximately 1,900 households, with the financial capacity to rent or purchase market-rate dwelling units, move into the City of Toledo from elsewhere in the United States each year; a small additional number are households moving from outside the United States.

As derived from migration, mobility and target market analysis, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Toledo with the financial capacity to rent or purchase market-rate dwelling units and if appropriate housing options were available) would be as follows (*see also* Appendix One, Table 8):

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Market Potential By Draw Area
City of Toledo, Lucas County, Ohio

City of Toledo/Lucas County(Local Draw Area):	77.4 percent
Adjacent Counties (Regional Draw Area):	8.9 percent
Balance of US (National Draw Area):	13.7 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

DOWNTOWN TOLEDO

Toledo is an attractive and historic city of approximately 307,000 people; the Maumee River, which separates East Toledo from the rest of the city, connects Toledo to Maumee Bay and Lake Erie, providing the impetus for the development of the city as a transportation hub. Although transportation no longer holds the same importance in the city's economy, Toledo continues to be the center of a bi-state region that includes surrounding counties in Ohio and Monroe County in Michigan. The city has several miles of frontage along the Maumee River, and has undertaken a number of initiatives to redevelop the riverfront.

Downtown Toledo, as defined for this analysis, is framed by two beautiful bridges that cross the Maumee River—the Cherry Street/MLK Bridge to the north and the High Level Bridge to the south. Downtown Toledo contains several neighborhoods, including the business and financial district; Government Center, the Warehouse District, Uptown and the West End. Downtown is also surrounded by a number of historic in-town neighborhoods, including Vistula, Toledo Old Town, and the Old West End.

The core Downtown, for purposes of this study bounded by the Maumee River, Cherry Street, 10th Street and Monroe Street, is the location of most of the county and city's civic buildings, the Seagate Center, a number of churches, several banks, three hotels, three residential towers and the Owens Corning complex on the Middlegrounds. Downtown Toledo also offers such urban amenities as Promenade Park, the COSI Science Center, the Valentine Theater, as well as a range of local and unique establishments, including restaurants, gift shops, art galleries and antique shops, financial services, office supplies, ice cream parlors and coffee shops. Across the river from

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Downtown is International Park and the Docks, a redevelopment that includes several restaurants overlooking the downtown skyline.

The downtown neighborhoods of the Warehouse District, Uptown and the West End each have their own character. An emerging, but strong residential market has begun to be tapped by several creative and entrepreneurial building owners in the Warehouse District. Both Uptown and the West End have small neighborhood centers that have attracted an eclectic mix of commercial uses. All of these neighborhoods, including the core Downtown, could become strong residential neighborhoods if appropriate housing options were to be made available.

The target market methodology identifies those households with a preference for Downtown living. After discounting for those segments of the city's potential market that have preferences for suburban and/or rural locations, the distribution of draw area market potential for new and existing units in Downtown Toledo would be as follows (*see also* Appendix One, Table 9):

Market Potential By Draw Area
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

City of Toledo/Lucas County(Local Draw Area):	75.3 percent
Adjacent Counties (Regional Draw Area):	8.7 percent
Balance of US (National Draw Area):	16.0 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

The local and regional draw areas represent slightly smaller proportions of market potential for new housing in Downtown than for the city as a whole. Conversely, the national draw areas represents a somewhat larger segment of market potential for Downtown than for the city as a whole.

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How many households are likely to move to Downtown Toledo?

As determined by the target market methodology, which accounts for household mobility within the City of Toledo and the balance of Lucas County, as well as mobility patterns for households currently living in all other cities and counties, in the year 2004, up to 3,360 younger singles and couples, empty nesters and retirees, and family-oriented households currently living in the draw areas represent the potential market for new and existing market-rate housing units within Downtown Toledo. The housing preferences of these draw area households—according to tenure (rental or for-sale) and broad financial capacity—can be arrayed as follows (*see also* Table 1):

Potential Market For New Housing Units
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent	850	25.3%
Multi-family for-sale	590	17.6%
Single-family attached for-sale	530	15.8%
Low-range single-family detached	530	15.8%
Mid-range single-family detached	490	14.5%
High-range single-family detached	<u>370</u>	<u>11.0%</u>
Total	3,360	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

These 3,360 households comprise approximately 24 percent of the more than 13,800 households that represent the potential market for all of the City of Toledo, a share of the total market that is consistent with Zimmerman/Volk Associates' experience in other cities. For example, in recent analyses, the downtown market was found to represent approximately 26 percent of the city's total potential market in Norfolk, Virginia, Redding, California, and Spokane, Washington; 30 percent in Detroit and Grand Rapids, Michigan and Baltimore, Maryland; and 36 percent and 38 percent in Louisville, Kentucky and New Haven, Connecticut, respectively.

Table 1

Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To Downtown In 2004

Downtown Toledo

The City of Toledo, Lucas County, Ohio

The City of Toledo; The Balance of Lucas County, Ohio

Wood and Fulton Counties, Ohio and Monroe County, Michigan; All Other US Counties

Draw Areas

Total Target Market Households
With Potential To Rent/Purchase In
The City of Toledo, Lucas County, Ohio 13,860

Total Target Market Households
With Potential To Rent/Purchase In
Downtown Toledo 3,360

Potential Housing Market

	<i>Multi- Family</i>		<i>Single- Family</i>				
			<i>.. Attached ..</i>	<i>..... Detached</i>			
	<i>For-Rent</i>	<i>For-Sale</i>	<i>All Ranges</i>	<i>Low-Range</i>	<i>Mid-Range</i>	<i>High-Range</i>	<i>Total</i>
Total Households:	850	590	530	530	490	370	3,360
{Mix Distribution}:	25.3%	17.6%	15.8%	15.8%	14.5%	11.0%	100.0%

Downtown Residential Mix (Excluding Suburban Single-Family Detached)

	<i>Multi- Family</i>		<i>Single- Family</i>	
			<i>.. Attached ..</i>	<i>.. Detached ..</i>
	<i>For-Rent</i>	<i>For-Sale</i>	<i>All Ranges</i>	<i>Urban</i>
Total Households:	850	590	530	230
{Mix Distribution}:	38.6%	26.8%	24.1%	10.5%
				<i>Total</i>
				2,200
				100.0%

NOTE: Reference Appendix One, Tables 1 through 11.

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

As in Toledo, many of these cities are in slow-growth regions, where the majority of any increase in the number of households has typically occurred outside the city limits. In most cases, the introduction of newly-created, appropriately-positioned housing units within the city limits, particularly in the downtown, has had an impact on settlement patterns by providing appropriate new housing options for households that previously had none in the region.

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

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

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale);
- Townhouses, rowhouses, live-work (single-family attached for-sale); and
- Houses on urban lots (single-family detached for-sale).

The residential re-use of existing non-residential structures is one of the most beneficial downtown redevelopment types because it creates and enhances a pedestrian-oriented street environment at a familiar, and often historic, urban scale. In downtown locations, buildings that contain more potential adaptive re-use square footage than can be absorbed for housing within a feasible time frame can be redeveloped with a mix of uses, including retail and office.

The creation of “loft” dwelling units through adaptive re-use of existing buildings has been instrumental in the establishment of successful residential neighborhoods in or near the downtowns

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of numerous American cities, from Louisville, Kentucky, where the first loft apartment building was successfully introduced and leased in 2002, to Saint Louis, Missouri, where, over the past three years, more than 900 loft apartments in the Washington Avenue Loft District are completed and occupied, under construction, or in development. In addition to the major cities of New York, Boston, San Francisco and Chicago, other cities where intensive loft development has occurred or is underway include Albuquerque, Baltimore, Birmingham, Charlotte, Dallas, Denver, Detroit, Lexington, Grand Rapids, Richmond, Nashville, New Orleans, Portland, Roanoke, and Saint Paul.

Live-work is a unit or building type that accommodates non-residential uses in addition to, or combined with living quarters. The growing number of home-based businesses in the United States (reported in 1997 as four million) is often cited as a justification for live-work. However, there is an important distinction between a “home-based business” and a “business-based home.” Most home-based businesses can be accommodated in almost any kind of dwelling unit. In contrast, the business-based home is a true live-work unit: a dwelling unit with a configuration that is influenced or even dictated by the non-residential activities.

The raw space version of a loft, or “hard” loft, is adaptable for a wide range of non-residential uses, from an art or music studio to a small office, as well as residential living areas. The loft is not dependent upon building form, other than that it is almost always within a multi-unit building.

However, the typical live-work unit is a building, either attached or detached, with only one principal dwelling unit that includes flexible space that can be used as office, retail, or studio space, or as an accessory dwelling unit. Live-work units could therefore be developed through adaptation of a rowhouse or even the combination of two adjacent rowhouses. The non-residential ground-floor uses could be helpful in establishing a daytime presence in neighborhoods that are largely residential, thereby adding an element of security.

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Live-work units can be an important tool for revitalization, representing an opportunity for the small investor: a resident investor can lease the flex space for residential, retail or office use; a non-resident investor can lease both the main residential space or the flex space. Since experience shows that it is uncommon for retail operators to live above the store, live-work units should meet appropriate local codes permitting the legal separation of uses in order to maintain investor flexibility.

• • •

This analysis has determined that in the year 2004 up to 2,200 households currently living in the defined draw areas represent the pool of potential renters/buyers of new market-rate housing units (new construction and/or adaptive re-use of formerly non-residential structures), excluding suburban single-family detached units, within Downtown Toledo (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached and detached housing types would be as follows:

Downtown Residential Mix
Market-Rate Higher-Density Housing Units
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

Multi-family for-rent (lofts/apartments, leaseholder)	850	38.6%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	590	26.8%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	530	24.1%
Single-family detached for-sale (houses, fee-simple ownership)	<u>230</u>	<u>10.5%</u>
Total	2,200	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

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Again, these numbers indicate the depth of the potential market for market-rate housing units within Downtown Toledo if appropriate housing options were available. These households currently represent a “lost” opportunity for the city. Without an appropriate range of available housing options throughout Downtown Toledo, these households have either moved elsewhere or have moved less frequently than their typical mobility rates would predict.

How fast will the units lease or sell?

—Market Capture—

After more than a decade’s experience in various cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that an annual capture of between 10 and 15 percent of the potential market, depending on housing type, is achievable. Based on a 15 percent capture of the potential market for multi-family units, and a 10 percent capture of single-family units, Downtown Toledo should be able to support more than 290 new units per year, as follows:

Annual Capture of Market Potential
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	850	15%	128
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	590	15%	89
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple/ condominium ownership)	530	10%	53
For-Sale Single-Family Detached (houses on small lots, fee-simple ownership)	<u>230</u>	10%	<u>23</u>
Total	2,200		293

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

Based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, more than 45 percent of the annual market potential of 293 new dwelling units in

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Downtown Toledo, or approximately 130 units per year, could be from households moving from outside the City of Toledo. Over five years, the realization of that market potential could lead to an increase of up to 650 households living in Downtown Toledo that moved from elsewhere in the region or the country.

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

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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TARGET MARKET ANALYSIS

Who is the potential market?

—The Target Markets—

As determined by this analysis, the potential market for new and existing market-rate housing units in the Downtown Toledo can be characterized by general household type as follows (*see also* Table 2):

Downtown Residential Mix By Household Type DOWNTOWN TOLEDO *City of Toledo, Lucas County, Ohio*

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE ROWHOUSES	FOR-SALE HOUSES
Empty-Nesters & Retirees	38%	35%	41%	36%	43%
Traditional & Non-Traditional Families	9%	7%	2%	13%	22%
Younger Singles & Couples	<u>53%</u>	<u>58%</u>	<u>57%</u>	<u>51%</u>	<u>35%</u>
Total	100%	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

- The largest general market segment is composed of younger, mostly childless households (younger singles and couples). These households typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses.

The largest potential markets for Downtown Toledo in this segment are *University/College Affiliates*, *Suburban Achievers*, *Urban Achievers*, *New Bohemians* and *Fast-Track Professionals*—young professionals, office workers, small business owners, artists or artisans, and graduate students, teachers, or other higher-education affiliates. These households are true urbanites who prefer to live downtown for its diversity, as well as for the availability of a variety of activities, including employment and cultural opportunities, as well as restaurants and clubs.

Table 2

Downtown Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To Downtown In 2004

Downtown Toledo

City of Toledo, Lucas County, Ohio

Number of Households:	Multi- Family			Single- Family	
	Total	For-Rent	For-Sale	.. Attached .. All Ranges	.. Detached .. Urban
	2,200	850	590	530	230
Empty Nesters & Retirees	38%	35%	41%	36%	43%
Traditional & Non-Traditional Families	9%	7%	2%	13%	22%
Younger Singles & Couples	53%	58%	57%	51%	35%
	100%	100%	100%	100%	100%

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

Younger singles and couples currently represent between 35 and 58 percent of the market, depending on housing type, for market-rate housing units in Downtown Toledo. However, the “Millennials”—also known as “Generation Y,” those persons born between 1977 and 1996 and the second largest generation after the “Baby Boomers”—could become an even larger market. If the preference for urban housing demonstrated by the leading edge of this group is representative of the entire generation, the market potential from this segment is likely to increase significantly over the next decade.

- **The next largest market segment is comprised of older households (empty nesters and retirees). A significant number of these households have children who have grown up and moved away; another large percentage are retirees, with incomes from pensions, savings and investments, and social security.**

These older households are quite dissimilar in their attitudes from either younger or family-oriented households. They have different expectations, and paramount among them is the perceived ease and convenience of single-level living, meaning a master suite on the same floor as the living area, and few stairs in the unit. They want their dwelling units to accommodate, to the fullest extent possible, their ability to age in place.

The largest potential market for Downtown Toledo in this segment is *Affluent Empty Nesters*, predominantly empty-nest couples (many of whom lived in downtown locations in their youth) who are likely to be attracted to appropriately-designed housing in a vibrant downtown. Additional significant empty-nester markets are *Rowhouse Empty Nesters*, *Nouveau Money* and *Post-War Suburban Pioneers*. In other cities, these households have been among the first to move into downtown units, particularly once larger and more expensive condominiums have become available.

Empty-nest and retiree households represent between 38 percent and 43 percent of the market for housing units in Downtown Toledo, depending on housing type. However, as with the Millennial Generation, over the next several years this market segment should

substantially increase, because larger numbers of the “Baby Boom” generation—the huge population cohort born between 1946 and 1964—will be entering the empty-nest life stage. In 2004, the oldest Baby Boomers are celebrating their 58th birthdays; in city after city across the country, a significant number of Baby Boomers have already made the decision to move from detached houses in the suburbs to rental or condominium apartments in or near downtowns, when those units have been available.

- The third, and smallest, general market segment is comprised of family-oriented households (traditional and non-traditional families). Non-traditional families, which during the 1990s became an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single parent with one or more children, an adult caring for younger siblings, a grandparent with grown children and grandchildren, to an unrelated same-sex couple with children. Traditional families contain a married man and woman with an average of two or more children. These can also include “blended” families, in which each parent was previously married to another individual and each has children from that marriage.

Households with school-age children have historically been among the first to leave a city when one or all of three significant neighborhood elements—good schools, safe and secure streets, and sufficient green space—are perceived to be at risk. Although this is the smallest market segment, the households within the five family groups—*Multi-Cultural Families*, *Full-Nest Urbanites*, *Cosmopolitan Families*, *Black Urban Families* and *Unibox Transferees*—are households that have a preference for urban living. Most of the adults in these households were raised in or near an urban center and have rejected the suburban alternative; most will already have made appropriate school accommodations—public, charter, parochial or private.

Depending on housing type, family-oriented households comprise between two and 22 percent of the market for housing units in Downtown Toledo.

Residential Market Potential
Downtown Toledo
City of Toledo, Lucas County, Ohio
September, 2004

The primary target groups, their median and range of incomes, and median home values, are as follows:

Primary Target Groups
(In Order of Median Income)
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
<i>Nouveau Money</i>	\$123,100	\$75,000–\$200,000	\$390,100
<i>Urban Establishment</i>	\$91,600	\$50,000–\$175,000	\$336,900
<i>Post-War Suburban Pioneers</i>	\$91,100	\$45,000–\$150,000	\$276,400
<i>Affluent Empty Nesters</i>	\$79,800	\$45,000–\$125,000	\$262,400
<i>Middle-Class Move-Downs</i>	\$57,000	\$35,000–\$90,000	\$236,200
<i>Active Retirees</i>	\$56,700	\$35,000–\$85,000	\$207,400
<i>Rowhouse Retirees</i>	\$47,000	\$30,000–\$80,000	\$191,000
Traditional & Non-Traditional Families			
<i>Cosmopolitan Families</i>	\$92,000	\$60,000–\$150,000	\$347,900
<i>Unibox Transferees</i>	\$84,300	\$45,000–\$135,000	\$278,300
<i>Full-Nest Urbanites</i>	\$80,100	\$45,000–\$120,000	\$272,800
<i>Multi-Cultural Families</i>	\$53,900	\$35,000–\$90,000	\$172,300
<i>Black Urban Families</i>	\$47,500	\$30,000–\$80,000	\$169,300
Younger Singles & Couples			
<i>Urban Elite</i>	\$99,800	\$50,000–\$150,000	\$317,000
<i>The VIPs</i>	\$93,000	\$45,000–\$135,000	\$276,000
<i>e-Types</i>	\$86,000	\$40,000–\$125,000	\$326,400
<i>Fast-Track Professionals</i>	\$70,200	\$40,000–\$110,000	\$230,600
<i>Suburban Achievers</i>	\$59,000	\$35,000–\$100,000	\$184,800
<i>Urban Achievers</i>	\$54,300	\$35,000–\$95,000	\$225,900
<i>New Bohemians</i>	\$52,300	\$30,000–\$100,000	\$312,700
<i>Twentysomethings</i>	\$49,700	\$35,000–\$90,000	\$181,600
<i>University/College Affiliates</i>	\$49,300	\$30,000–\$95,000	\$180,500

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain “anomalous” households, such as empty-nester households within a “full-nest” category.

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

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

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Downtown Toledo
City of Toledo, Lucas County, Ohio
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The mix of general household types often progresses during the establishment of downtown living. In city after American city, the successful establishment of new market-rate housing options in previously non-residential areas has often been initially dependent upon “risk-oblivious” households. “Risk-oblivious” households are mostly young singles and couples, often with a large contingent of gays and a high percentage of artists and artisans seeking inexpensive space. These pioneers will typically begin neighborhood transformation by living illegally in commercial space. Eventually, once the area becomes populated, restaurants, bars, clubs and innovative or off-beat retail establishments begin to define the neighborhood character. At this point, these neighborhoods become sought after by “risk-tolerant” households. “Risk-tolerant” households are also usually young and almost always childless. The “risk-tolerant” includes those willing to make investments in ownership housing—sometimes they are the former “risk oblivious” seeking to recoup years of sweat equity.

In every case, however, the neighborhood established by these households has grown to encompass more than simply housing; its flavor and tone has been reinforced by the non-residential uses—*avant garde* shops, cutting-edge galleries, trendy clubs, and stylish eating and drinking establishments—that follow the risk-oblivious and risk-tolerant households, make the neighborhood acceptable for the “risk-aware” households that follow and contribute to the area’s residential rent/price escalation and perceived economic stability.

The target market analysis indicates that there is a growing number of risk-oblivious and risk-tolerant households who already live within the city limits, and a significant market with the potential to move from other urban areas in Ohio and Michigan.

Residential Market Potential
Downtown Toledo
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DOWNTOWN MARKET-RATE RENT AND PRICE RANGES

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 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:

Rent, Price and Size Range Newly-Created Housing DOWNTOWN TOLEDO <i>City of Toledo, Lucas County, Ohio</i>			
HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
Rental—			
Hard Lofts*	\$450-\$1,075/month	450-1,200 sf	\$0.90-\$1.00 psf
Soft Lofts†	\$475-\$1,500/month	450-1,500 sf	\$1.00-\$1.05 psf
For-Sale—			
Hard Lofts*	\$75,000-\$175,000	550-1,500 sf	\$117-\$136 psf
Soft Lofts†	\$85,000-\$300,000	650-1,800 sf	\$131-\$167 psf
Townhouses	\$135,000-\$335,000	1,000-2,000 sf	\$135-\$168 psf
Urban Houses	\$165,000-\$375,000	1,200-2,200 sf	\$138-\$170 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., 2004.

The above rents and prices are in year 2004 dollars and are exclusive of consumer options and upgrades, or floor or location premiums. Significant premiums are typically achievable on units that face parks or greens, or are located on high floors with view potential.

Table 3

Optimum Market Position
Downtown Toledo

City of Toledo, Lucas County, Ohio

September, 2004

<i>Housing Type</i>	<i>Base Rent/Price Range*</i>	<i>Base Unit Size Range</i>	<i>Base Rent/Price Per Sq. Ft.*</i>
Multi-Family For-Rent			
Hard Lofts	\$450 to	450 to	\$0.90 to
<i>Hard Lofts</i>	\$1,075	1,200	\$1.00
Soft Lofts	\$475 to	450 to	\$1.00 to
<i>Studios to 3-Bedrooms</i>	\$1,500	1,500	\$1.06
Multi-Family For-Sale			
Hard Lofts	\$75,000 to	550 to	\$117 to
<i>Open Floorplans</i>	\$175,000	1,500	\$136
Soft Lofts	\$85,000 to	650 to	\$131 to
<i>1- to 3-Bedrooms</i>	\$300,000	1,800	\$167
Single-Family Attached For-Sale			
Townhouses	\$135,000 to	1,000 to	\$135 to
	\$335,000	2,000	\$168
Single-Family Setached For-Sale			
Urban Houses	\$165,000 to	1,200 to	\$138 to
	\$375,000	2,200	\$170

NOTE: Base rents/prices in year 2004 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Residential Market Potential
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The above rents and prices are “market rates”—that is, within the economic context of both older and more recently-constructed market-rate rental units in Toledo and relative to price ranges and prices per square foot of new construction elsewhere in the city.

—Rental Distribution—

The market-rate rent range covers leases by households with annual incomes ranging between \$25,000 and \$75,000 or more. A one-person household with an income of \$25,000 per year, paying no more than 30 percent of gross income for rent (the national standard for affordability) is qualified for a rent of \$450 per month. A two- or three-person household, with an income of \$75,000 or more per year, paying no more than 30 percent of gross income for rent, is qualified for a rent of \$1,500 per month.

Based on the target household mix (*listed on* Table 4) and the incomes of the target households, the distribution by rent range of the 128 new rental units that could be absorbed each year over the next five years in Downtown Toledo is as follows:

Loft/Apartment Distribution By Rent Range
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

MONTHLY RENT RANGE	NUMBER OF UNITS	PERCENTAGE
\$250–\$500	18	14.1%
\$500–\$750	29	22.7%
\$750–\$1,000	35	27.3%
\$1,000–\$1,250	27	21.1%
\$1,250 and up	19	14.8%
Total:	128	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

Table 4

Target Groups For Rental Lofts/Apartments
Downtown Toledo

City of Toledo, Lucas County, Ohio

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 15 Percent Capture</i>
Urban Establishment	10	2
Post-War Suburban Pioneers	30	5
Affluent Empty Nesters	100	14
Middle-Class Move-Downs	10	2
Active Retirees	50	8
Rowhouse Retirees	100	14
Subtotal:	300	45
Traditional & Non-Traditional Families		
Full-Nest Urbanites	10	2
Multi-Cultural Families	30	5
Black Urban Families	20	3
Subtotal:	60	10
Younger Singles & Couples		
Urban Elite	10	2
The VIPs	30	5
Fast-Track Professionals	20	3
Suburban Achievers	150	21
Urban Achievers	60	9
New Bohemians	60	9
University / College Affiliates	160	24
Subtotal:	490	73
Total Households:	850	128

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

Residential Market Potential
 Downtown Toledo
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—*For-Sale Distribution*—

The market-rate price range covers purchases by households with annual incomes generally ranging between \$30,000 and \$150,000. A one-person household with an income of \$30,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest at current rates, taxes, insurance and utilities, is qualified for a mortgage of \$65,000. A two- or three-person household with an income of \$150,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest at current rates, taxes, insurance and utilities, is qualified for a mortgage of \$375,000.

Based on the target household mix (*listed on* Table 5) and incomes of the target households, the distribution by price range of the 89 market-rate for-sale apartments that could be absorbed each year over the next five years in Downtown Toledo is as follows:

Loft/Apartment Distribution By Price Range
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$50,000–\$100,000	23	25.8%
\$100,000–\$200,000	33	37.1%
\$200,000–\$300,000	22	24.7%
\$300,000 and up	11	12.4%
Total:	89	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

Table 5

Target Groups For For-Sale Apartments
Downtown Toledo

City of Toledo, Lucas County, Ohio

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 15 Percent Capture</i>
Nouveau Money	30	5
Urban Establishment	10	2
Post-War Suburban Pioneers	30	5
Affluent Empty Nesters	80	12
Middle-Class Move-Downs	10	2
Active Retirees	40	6
Rowhouse Retirees	40	6
Subtotal:	240	38
Traditional & Non-Traditional Families		
Multi-Cultural Families	10	2
Subtotal:	10	2
Younger Singles & Couples		
Urban Elite	10	2
The VIPs	20	3
e-Types	10	2
Fast-Track Professionals	10	2
Suburban Achievers	50	7
Urban Achievers	40	6
New Bohemians	60	9
Twentysomethings	10	2
University/College Affiliates	130	16
Subtotal:	340	49
Total Households:	590	89

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

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City of Toledo, Lucas County, Ohio
September, 2004

Based on the target household mix (*listed on* Table 6) and incomes of the target groups, the distribution by price range of the 53 market-rate townhouses/rowhouse/live-work units that could be absorbed each year over the next five years in Downtown Toledo is as follows:

Townhouse/Rowhouse/Live-Work Distribution By Price Range
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$75,000–\$150,000	17	32.1%
\$150,000–\$250,000	23	43.4%
\$250,000 and up	13	24.5%
Total:	53	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

Based on the target household mix (*listed on* Table 7) and incomes of the target groups, the distribution by price range of the 23 market-rate urban houses that could be absorbed each year over the next five years in Downtown Toledo is as follows:

Urban House Distribution By Price Range
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$150,000–\$250,000	8	34.8%
\$250,000–\$350,000	9	39.1%
\$350,000 and up	6	26.1%
Total:	23	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

Table 6

**Target Groups For For-Sale Townhouses/
Rowhouses/Live-Work
Downtown Toledo**

City of Toledo, Lucas County, Ohio

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 10 Percent Capture</i>
Nouveau Money	10	1
Urban Establishment	20	2
Post-War Suburban Pioneers	30	3
Affluent Empty Nesters	50	5
Middle-Class Move-Downs	10	1
Active Retirees	20	2
Rowhouse Retirees	50	5
Subtotal:	190	19
Traditional & Non-Traditional Families		
Cosmopolitan Families	20	2
Unibox Transferees	10	1
Full-Nest Urbanites	10	1
Multi-Cultural Families	20	2
Black Urban Families	10	1
Subtotal:	70	7
Younger Singles & Couples		
The VIPs	20	2
e-Types	10	1
Fast-Track Professionals	10	1
Suburban Achievers	40	4
Urban Achievers	40	4
New Bohemians	30	3
Twentysomethings	10	1
University/College Affiliates	110	11
Subtotal:	270	27
Total Households:	530	53

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

Table 7

Target Groups For Urban Houses
Downtown Toledo

City of Toledo, Lucas County, Ohio

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 10 Percent Capture</i>
Urban Establishment	10	1
Post-War Suburban Pioneers	30	3
Affluent Empty Nesters	40	4
Middle-Class Move-Downs	10	1
Active Retirees	10	1
Subtotal:	100	10
Traditional & Non-Traditional Families		
Cosmopolitan Families	20	2
Multi-Cultural Families	20	2
Black Urban Families	10	1
Subtotal:	50	5
Younger Singles & Couples		
The VIPs	10	1
e-Types	10	1
Fast-Track Professionals	10	1
Urban Achievers	10	1
University / College Affiliates	40	4
Subtotal:	80	8
Total Households:	230	23

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

THE CURRENT CONTEXT

The majority of new residential development in the Toledo area is occurring outside of the city. Relatively few new construction projects have been developed within the existing neighborhoods in and around downtown, although a number are currently in the planning stages. To date, new residential construction in the Toledo region has been dominated by local and regional builders and developers. Base sales prices (exclusive of consumer options and upgrades and location premiums) are typically below \$125 per square foot and market-rate rents rarely exceed \$0.95 per square foot.

Currently, the large-scale rental properties located in Downtown Toledo are adaptive re-use of older, often historic, non-residential buildings. (See Table 8.) All have a significant component of affordable units—units that have income restrictions—and one, the Riverfront at 245 Summit Street, has no market-rate units at all. Two properties, New Cheney Flats and Uptown Arts, are new construction, and each has only a small number of market-rate units. The rental properties in the Warehouse District are small, typically fewer than 15 units, and are renovations or adaptive re-use of one or more adjacent buildings. All of the rental properties are leasing one- and two-bedroom apartments; both the Riverfront and Hillcrest Apartments are leasing three-bedroom apartments; only the Riverfront has studios.

For reference, several rental properties, constructed since 1986 and located outside of Downtown, were included in the survey. All of these are garden-style market-rate properties and nearly all are leasing one- and two-bedroom units; three properties are also leasing three-bedroom apartments, and two properties are only leasing two-bedroom units.

Of the properties included in the survey, market-rate rents for one-bedroom units generally range between approximately \$550 to \$750 a month for apartments typically ranging in size from 650 to 900 square feet (\$0.60 to \$0.96 per square foot). Two-bedroom apartments generally start at under \$700 per month and go up to \$1,400 a month, for approximately 900 square feet to 1,600 or more square feet of living space (\$0.65 to \$0.84 per square foot, although a few individual units

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fall above or below this rent-per-square-foot range). Three-bedroom units, which are relatively rare, start at \$775 per month (for 1,100 square feet at the Heathergate Club outside of Downtown) to as much as \$1,550 per month (for 950 square feet at the Hillcrest Apartments in Uptown), or \$0.70 to \$1.56 per square foot. Occupancy rates generally range between 90 and 100 percent; however, the majority of the rental properties are at functional full occupancy (more than 95 percent occupied).

At the time of the field investigation, a small number of for-sale housing units were being marketed in the Downtown, all of them located in the Warehouse District. (See Table 9.) Two projects—Barley Lofts and the Ottawa—are adaptive re-use of existing buildings. A third, River West Townhomes, is new construction and the first phase has already been completed. On the south riverfront, a 26-unit townhouse project called The Starboard has been under development for several years; construction has recently started on the first units, which are estimated to be priced between \$250,000 and \$330,000. Base prices at Bartley Lofts start at \$97,400 for a 723-square-foot apartment on the second floor and go as high as \$520,000 for a 3,800-square-foot penthouse, or \$135 to \$143 per square foot. At the time of the field survey, up to 18 of the 52 units had been reserved.

The townhouses at River West are priced between \$179,900 and \$244,500 for 1,680- to 2,160-square-foot units (\$107 to \$113 per square foot) and the four remaining condominiums at The Ottawa are priced between \$169,900 to \$189,900 for 1,480- to 1,542-square-foot lofts. Sales have averaged one-and-a-half units per month at River West, and more than two per month at the Ottawa.

Resales at 100 South Huron demonstrate rising values in the Warehouse District; the original price range for the 1,100- to 1,800-square-foot apartments was \$116,000 to \$225,000 (\$106 to \$125 per square foot). During the first six months of 2004, several units in the building sold for considerably more than the original prices. For example, the smallest 1,100-square-foot unit sold for \$159,900 (\$146 per square foot) and the largest 1,800-square-foot unit sold for \$235,000 (\$131 per square foot).

Summary Of Selected Rental Properties

City of Toledo, Lucas County, Ohio

June, 2004

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
..... Core Downtown					
Riverfront Apts. (2000) 245 Summit Street	113				93% occupancy. (Conversion in 2000)
	Studio	\$350	500	\$0.70	
	1BR/1BA	\$400 to	725 to	\$0.55 to	100% Affordable Units
		\$426	750	\$0.57	
	2BR/1BA	\$508	900	\$0.56	
	3BR/1BA	\$600	1,000	\$0.60	
Commodore Perry Apts. (1999) 505 Jefferson Avenue	156				94% occupancy. (Conversion) Arcade; Clubhouse; Fitness Center 60% Market-Rate Units
	1BR/1BA	\$530	650	\$0.82	
	2BR/1BA	\$595	920	\$0.65	
LaSalle Apts. 513 Adams Street	131				89% occupancy. (Conversion) 64 Market-Rate Units Fitness Center
	1BR/1BA	\$650 to	820 to	\$0.79	
		\$720	1,200	\$0.60	
	2BR/1BA	\$775 to	1,185 to	\$0.65 to	
		\$1,200	1,600	\$0.75	
..... Uptown					
New Cheney Flats (2002) 10 Southard Ave.	65				95% occupancy. (New Construction) 30% Market-Rate Units
	1BR/1BA	\$480			
	2BR/1BA	\$580			
	3BR/2BA	\$580			
Hillcrest Apartments (1999) 241 16th Street	106				95% occupancy. (Conversion in 1999) Clubhouse; Fitness Center 40% Market-Rate Units
	1BR/1BA	\$585 to	797 to	\$0.73 to	
		\$630	898	\$0.70	
	2BR/1BA	\$700	940	\$0.74	
	2BR/2BA	\$850	1,206	\$0.70	
	3BR/2BA	\$1,250 to	800 to	\$1.56 to	
		\$1,550	950	\$1.63	

Summary Of Selected Rental Properties*City of Toledo, Lucas County, Ohio***June, 2004**

<u>Property</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Warehouse District</i>					
Bakery Building 33 S. Michigan Street	8 Lofts	\$695 to \$1,200	950 to 2,000	\$0.60 to \$0.73	100% occupancy.
St. Clair Village (2003) 44 South St. Clair Street	11 1BR/1BA 2BR/1.5BA	\$750 to \$1,145	917 to 1,400	\$0.82 to \$0.82	3 Units Available <i>Renovated and Opened in November of 2003</i>
Oliver House 27 Broadway	7 2BR	\$850 to \$1,400			100% occupancy.
Sunflower Building 802 Lafayette	14 2BR	\$850 to \$1,200			100% occupancy.
<i>..... Other Toledo</i>					
Heathergate Club (1995) 2450 Heathergate Blvd.	168 1BR/1BA 2BR/2BA 3BR/2BA	\$564 \$672 \$774	700 920 1,100	\$0.81 \$0.73 \$0.70	96% occupancy. <i>Fitness Center; Clubhouse; Pool; Playground; Picnic Area.</i>
The Ridge (2003-04) 5727 Tibaron Lane	66 1BR/1BA 2BR/2BA 3BR/2BA	\$569 to \$649 \$699 \$799 \$969	710 to 692 935 1,020 1,250	\$0.80 to \$0.94 \$0.75 \$0.78 \$0.78	90% occupancy. <i>All 1BR Units are Leased.</i>
Country Club Apartments at InverWest (1989) 1130 Pine Valley Drive	315 1BR/1BA 2BR/2BA	\$575 to \$700 \$730 to \$815	598 to 710 868 to 999	\$0.99 to \$0.96 \$0.82 to \$0.84	95% occupancy. <i>Pool; Fitness Center; Tennis Courts; Sand Volleyball</i>

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties*City of Toledo, Lucas County, Ohio***June, 2004**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. Other Toledo (continued).					
Orchard Lakes Apts. (2001-02)	240				97% occupancy.
2161 Orchard Lakes Place East	1BR/1BA	\$630 to	709 to	\$0.83 to	
		\$695	842	\$0.89	
	2BR/2BA	\$765 to	1,015 to	\$0.77 to	
		\$790	1,022	\$0.75	
Country View (1996-97)	315				95% occupancy.
1210 Country View Lane	2BR/1BA	\$675	916	\$0.74	Pool
	2BR/2BA	\$770	1,016	\$0.76	
Steeplechase Apts (1999)	155				96% occupancy.
1205 Steeplechase Circle	2BR/1BA	\$695	915	\$0.76	Pool; Exercise Facility
	2BR/2BA	\$735	1,017	\$0.72	
	2BR/2BA	\$1,095	1,000	\$1.10	
Twinplex Unit with 2-Car Garage					
	3BR/2BA	\$1,295	1,255	\$1.03	
Twinplex Unit with 2-Car Garage					

SOURCE: Zimmerman/Volk Associates, Inc.

Table 9

Summary Of Selected For-Sale Multi-Family And Single-Family Attached Developments

City of Toledo, Lucas County, Ohio

June, 2004

<i>Development</i>	<i>Unit Type</i>	<i>Unit Price Range</i>	<i>Unit Size Range</i>	<i>Price Per Sq. Ft.</i>	<i>Total Units</i>	<i>Total Sales (Monthly Average)</i>
<i>Developer/Builder</i>						
<i>..... Warehouse District</i>						
Bartley Lofts (02/04)					52	18 (4.5)
<i>Park West Development, L.L.C.</i>	CO	<i>..... Floors 2-6</i>				Pre-Sales
		\$97,400 to	723 to	\$135 to		
		\$335,700	2,342	\$143		
		<i>..... Floor 7</i>				
		\$425,000 to	3,223 to	\$132 to		
		\$520,000	3,805	\$137		
River West Townhomes, Phase I (10/03)					18	9 (1.5)
<i>River West Toledo, Ohio, Ltd.</i>	TH	\$179,900 to	1,680 to	\$107 to		
		\$244,500	2,160	\$113		
The Ottawa (12/02)*					27	23 (2.2)
<i>McCarthy Builders</i>	CO	\$169,900 to	1,480 to	\$115 to		
		\$189,900	1,542	\$123		
100 South Huron	CO	\$116,000 to	1,097 to	\$106 to	27	27
	<i>Original Price Range:</i>	\$225,000	1,798	\$125		
	<i>Resales:</i>	\$158,900	1,368	\$116		
		\$159,900	1,097	\$146		
		\$187,500	1,654	\$113		
		\$225,600	1,654	\$136		
		\$235,000	1,798	\$131		
<i>..... South Riverfront</i>						
The Starboard (2001)	TH	\$250,000 to			26	6
		\$330,000				Pre-Sales
						Under Construction

* Size and price range of remaining units.

SOURCE: Zimmerman/Volk Associates, Inc.

DOWNTOWN HOUSING TYPES

Adaptive re-use of existing, non-residential buildings can yield either lofts or fully-finished apartments. The lofts, whether for-rent or for-sale, new construction or adaptive re-use, should include work space as a permitted use.

Building and unit types most successfully used in residential redevelopment or new residential construction in other downtowns comparable in size and scale to Downtown Toledo, include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is four 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. Parking is either below grade, at grade behind or interior to the building, or in an integral structure.

The building's apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price.

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

Hard Lofts: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with limited architectural elements 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 brick walls and iron railings, particularly if the building is an adaptive re-use of an existing industrial structure.

The building’s loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. (Loft apartments can also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

- Mansion Apartment Building: A two- to four-story flexible-use structure with a street façade resembling a large detached house (hence, “mansion”). 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. The form of the parking can be in open lots, in garages with units above, or integral to the building.

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.

- Townhouse/Rowhouse/Live-Work: 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. To provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk. Live-work units are rowhouses or townhouses where a portion of the unit, typically the ground floor, is allocated to a small office or retail space.

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 be flexible in order to comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

- Urban House: A two- to three-story single-family detached house on a narrow lot. The garage is located to the rear of the house and accessed from an alley or auto court. Urban houses also conform to the pattern of streets, typically with shallow front-yard setbacks or dooryards.

DOWNTOWN HOUSING STRATEGIES

From the perspective of draw area target market propensities and compatibility, a broad range of new construction as well as adaptive re-use of existing buildings will be required to support and sustain residential diversity in Downtown Toledo.

An effective housing strategy to attract the target households should include:

- The creation of a variety of housing types, both rental and for-sale, including higher-value market-rate as well as affordable housing units, throughout Downtown;
- The establishment of general neighborhood guidelines to assure the compatibility of every scale and type of housing;
- Preservation of the built environment: the restoration, repositioning and/or adaptive re-use of existing buildings;
- New residential construction: the introduction of housing types not currently available or under-represented in Downtown Toledo; and
- Mixed-use development: the inclusion of a residential component within mixed-use buildings, either adaptive re-use or new construction.

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The City of Toledo should continue to encourage residential redevelopment of existing buildings, particularly those of architectural merit, because of the demonstrated positive impact historic rehabilitation has had on housing and neighborhood values nationally.

• • •

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

1. Target Areas For Residential Development

Because Downtown Toledo is large in size and varied in character, the distinctive neighborhoods that currently exist—the Warehouse District, Uptown, and the West Side—should be encouraged to maintain their individual characteristics. Each of these neighborhoods has significant vacant or underutilized parcels of land. In the Warehouse District, in addition to adaptive re-use of existing buildings, the City should encourage new multi-family and/or mixed-use development on vacant lots. With two strong anchors at either end of the District—the Farmer’s Market on the south side and Fifth Third Field on the north side—this neighborhood could accommodate significant new residential development.

The Uptown and West End neighborhoods contain a wide variety of mostly older one- and two-story buildings, although there are a few multi-story residential and office buildings scattered throughout the area. Industrial and large-scale uses occupy most of the area north of Adams Street, and Mercy College and Mercy Healthcare own several blocks on the west side. New residential development in these neighborhoods could include smaller-scale residential buildings, ranging from mansion apartment buildings to rowhouses and live-work units to urban detached houses.

In addition, new neighborhoods could emerge within the Downtown core, particularly along the riverfront. A neighborhood is established when enough “mass” is created—both in number of people and in number of residential buildings. Market-rate rental apartments in particular can be instrumental in the rapid establishment of “critical mass.” Market-rate rentals allow more

affluent households to experiment with living in a particular location without the commitment of home ownership; and downtown renters form a pool of potential purchasers of ownership units that may be developed at a later date.

In general, areas or buildings slated for new development or redevelopment should be evaluated relative to the following criteria for successful urban housing initiatives:

- (a) Advantageous adjacency. It is critical to “build on strength,” not only to provide maximum support for any proposed housing initiatives, but also, conversely, so that housing initiatives will reinforce existing or proposed adjacent developments (commercial, retail, or residential).
- (b) Building and/or land availability. At present, several buildings or parcels within the Downtown are underutilized or vacant. From the City’s perspective, poorly-located or under-used surface parking lots are better utilized as sites for new infill mixed-use development.
- (c) Potential for expansion. Each housing initiative should be located in an area where, at the successful completion of the initial project, adjacent or nearby buildings and/or land appropriate for the continuation or extension of the neighborhood, either through new construction or adaptive re-use would potentially be available. Each housing initiative should be viewed not as a “stand-alone” project, but rather as a potential catalyst for additional residential development in surrounding areas.
- (d) Anchors/linkage. Each housing initiative must be seen as part of an overall urban strategy to build a critical mass of both housing and related non-residential uses. “Anchor” locations establish the potential for economic activity in an underutilized area; “linkage” locations build on the strength of two or more established, but disconnected assets.

2. Ensure Appropriate Urban Design

A neighborhood is the sum of a variety of elements: the configuration of the street and block network, the arrangement of lots on those blocks, and the manner in which buildings are disposed on their lots and address the street. A downtown residential neighborhood succeeds when its physical characteristics consistently emphasize urbanity and the qualities of city life; conversely, attempts to introduce suburban scale and housing types (or, indeed, suburban building forms in general) into urban areas have invariably yielded disappointing results. Therefore, appropriate urban design—which places as much emphasis on creating quality streets and public places as on creating or redeveloping quality buildings—will be essential to success. The important elements can be summarized in several practical inter-related guidelines:

- (a) Preservation or restoration of the urban fabric. Emphasis should be on adaptive re-use, with new construction used as infill among rehabilitated structures.
- (b) Respect for the urban context. Major renovation and new infill construction should maintain the building lot disposition and “build-to” line. When building heights are increased, the new floors should be set back from the historic cornice line. Pedestrian entrances should always be from the sidewalk; automobile entrances should always be minimized. Buildings should never present a blank wall to the street.
- (c) Streets designed for pedestrian comfort. Automobiles are accommodated on great urban streets; however, they are not given precedence over ease of pedestrian movement. The emphasis on streets can have significant, long-term impact on both street safety (providing “eyes on the street”) and usable parks and squares.
- (d) Improvement of the streetscape. Local artists can create a unique physical environment which could be extended to the Downtown’s “street furniture”—the trash receptacles, seating areas, public sculptures, and other small street amenities that make the difference between an “automobile-oriented road” and a “neighborhood street.”

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- (e) Resident parking on designated streets should be ensured through a permit system; permits should be issued at the cost of administering the program, including the added cost of enforcement.

Throughout Downtown Toledo, urban, rather than suburban, parking ratios should be utilized. Although lack of parking is a recurring complaint in many cities, detailed analysis of parking capacity typically reveals under-utilization of existing parking.

Shared parking should be encouraged in the Downtown. The overall number of required parking spaces could be significantly reduced if businesses and residential development shared parking facilities.

3. Market and Monitor the Downtown

A high-profile marketing program should be undertaken to promote the Downtown as a viable and exciting housing option. An effective marketing program will require advertising and public relations, merchandising and promotion. This could be undertaken as an adjunct to the marketing of Downtown as a destination for shopping and entertainment.

- (a) Advertising and public relations should include an “image” campaign that not only keeps the Downtown within the public consciousness, but also reinforces the positive aspects of urban living.
- (b) Merchandising includes consistent street amenities, such as lighting and trash receptacles with uniform and distinctive designs.
- (c) Promotion should include a series of special events that attract large numbers of households to the Downtown.

Marketing efforts are most effective when they are constantly fine-tuned based on results, which requires some means of monitoring marketing impact. In the City of Baltimore, Maryland, the Downtown Partnership maintains a database of all existing residential properties located within

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the Downtown. The Partnership updates, on a quarterly basis, the monthly rents, vacancy and turnover rates at each rental building; the values and sales of newly-developed units in new construction or adaptive re-use of existing buildings; and the values and frequency of resale activity within older condominium buildings, to determine value escalation, if any. In addition, the Partnership monitors the status of all new development proposals. This information is readily available to potential developers via the Partnership's website.

Downtown, and most of Baltimore's in-town neighborhoods, are actively marketed through another website, linked to the Downtown Partnership website. This site describes in detail each neighborhood's assets, from cultural institutions to architectural characteristics, and also provides comprehensive listings of available rental and for-sale units (with location, asking rent/price, unit size and photograph).

—*Urban Amenities*—

Since the diversity, and social and cultural amenities of the city are one of the attractions of urban living, successful downtown housing is not necessarily dependent upon the creation of extensive (and expensive) recreational amenities.

However, locations that are within walking distance of parks and greenways, and entertainment venues—such as theaters, clubs and restaurants, as well as provide convenient access to a variety of retailers, including a grocery store—hold a significant market advantage.

Although Downtown Toledo is directly west of and adjacent to Promenade Park (and across the river from International Park), there are few green spaces within the Downtown that provide public gathering places. Because of the high value placed by the potential market on urban green spaces, it is in the City's interest to undertake or encourage the development of small "pocket parks" or green spaces wherever possible throughout the Downtown.

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METHODOLOGY

The technical analysis of city-wide and Downtown market potential included delineation of the draw area(s) and evaluation of Downtown Toledo's market potential.

The delineation of the draw areas for housing within the City of Toledo was based on historic settlement patterns, migration trends for Lucas County, and other market dynamics.

The evaluation of Toledo's market potential was derived from target market analysis of households in the draw areas, and yielded:

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

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

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to the City of Toledo. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns.

Appendix One, Table 1. **Migration Trends**

Between 1998 and 2002, the number of households moving into Lucas County ranged between the high of nearly 8,000 households in 2000 to just over 7,300 households in 2002. A significant percentage of the county's in-migration is regional—households moving to the area from adjacent or nearby counties. Approximately a third of all households who move to Lucas County move from Wood or Fulton Counties, Ohio or Monroe County, Michigan.

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Over the study period, Lucas County has experienced significant net migration losses, *i.e.*—the county lost more households through out-migration than it gained through in-migration. These losses ranged from just under 1,000 households in 2000 to approximately 1,500 households in 1998.

NOTE: Although net migration provides insights into the city's historic ability to attract or retain households compared to other locations, it is those households likely to move into the city (gross in-migration) that represent the city's external market potential.

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

- The local (internal) draw area, covering households currently living within the Toledo city limits, as well as those currently living in the balance of Lucas County. Between 10 and 15 percent of the households living in the city move to another residence within the city each year. Up to seven percent of the households living in the balance of Lucas County move to a residence within the city each year.
- The regional draw area, covering households with the potential to move to the City of Toledo from surrounding counties (Wood and Fulton Counties, Ohio; Monroe County, Michigan). Households moving from this region comprise approximately one-third of total Lucas County in-migration.
- The national draw area, covering households with the potential to move to the City of Toledo from all other U.S. cities and counties.

Anecdotal information obtained from developers, real estate brokers, leasing agents, sales persons, and other knowledgeable sources corresponded to the migration data.

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

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migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables. 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

Just over 49 percent, or 63,175 households, of the estimated 128,495 households living in the City of Toledo in 2003 had the capacity to rent or buy market-rate housing. Median income within the city was \$35,900, approximately 23 percent lower than the national median of \$46,900 in 2003. Median home value within the city was \$83,400, nearly 35 percent below the national median of \$128,300. Up to 53.6 percent of Toledo's "market-rate" households are classified as empty nesters and retirees, another 27.4 percent are younger singles and couples, and the remaining 27.4 percent are traditional and non-traditional families. (See Appendix One, Table 2.)

Of the estimated 184,565 households living in Lucas County in 2003, including those in the City of Toledo, approximately 60 percent, or 110,785 households, had the capacity to rent or buy market-rate housing. Median income within Lucas County was \$42,400, almost 10 percent lower than the national median in 2003. Median home value within Lucas County was \$101,100, just over 21 percent below the national median. Approximately half of Lucas County's "market-rate" households can be classified as empty nesters and retirees, up to 26.5 percent are traditional and non-traditional families, and 23.3 percent are younger singles and couples. (See Appendix One, Table 3.)

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Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM geo-demographic 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.

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

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing. The most affluent of the 41 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.

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

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

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move to the City of Toledo in the year 2004. The total number from each city/county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.

Internal Mobility (Households Moving Within The City Of Toledo)—

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

Using these data, Zimmerman/Volk Associates has determined that nearly 7,400 households, currently living in the City of Toledo and with the capacity to rent or purchase market-rate housing, have the potential to move from one residence to another within the city this year. Approximately 47 percent of these households are likely to be empty nesters and retirees (as characterized within eight Zimmerman/Volk Associates' target market groups); another 35.3 percent are likely to be younger singles and couples (in five market groups); and the remaining 17.3 percent are likely to be traditional and non-traditional families (in four market groups).

Appendix One, Table 5.

External Mobility (Households Moving To The City Of Toledo From The Balance Of Lucas County)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county. Using these data, more than 3,300 households, currently living in the balance of Lucas County and with the capacity to rent

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or purchase market-rate housing, have the potential to move from a residence in the county to a residence in the City of Toledo this year. Up to 44 percent of these households are likely to be empty nesters and retirees (in seven market groups); 33.8 percent are likely to be traditional and non-traditional families (in eight groups); and the remaining 22 percent are likely to be younger singles and couples (in three groups).

Appendix One, Tables 6 through 8; Appendix Two, Tables 1 through 4.

External Mobility (Households Moving To The City Of Toledo From Outside The County)—

These tables determine the number of households in each target market group and living in the regional (Wood and Fulton Counties, Ohio; Monroe County, Michigan) and national draw areas that are likely to move to the City of Toledo this year (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 8.

Market Potential for the City of Toledo—

Appendix One, Table 8 summarizes Appendix One, Tables 4 through 7. The numbers in the Total column on page one of this table indicate the depth and breadth of the potential market for new and existing market-rate dwelling units in the City of Toledo in the year 2004 originating from households currently living in the draw areas. More than 13,800 households with the potential to rent or purchase market-rate housing have the potential to move within or to the City of Toledo this year. Empty nesters and retirees are likely to account for 42 percent of these households (in 12 market groups); nearly 30 percent are likely to be younger singles and couples (in 10 groups); and 28 percent are likely to be traditional and non-traditional families (in 15 groups).

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

Market Potential By Draw Area
City of Toledo, Lucas County, Ohio

City of Toledo/Lucas County(Local Draw Area):	77.4 percent
Adjacent Counties (Regional Draw Area):	8.9 percent
Balance of US (National Draw Area):	13.7 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

DETERMINATION OF THE POTENTIAL MARKET FOR DOWNTOWN TOLEDO—

The total potential market for Downtown Toledo also includes the local, regional and national draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to Downtown Toledo in a given year.

Appendix One, Tables 9 through 11.

Market Potential for Downtown Toledo—

As derived by the target market methodology, up to 3,680 of the 13,860 households that represent the market for new and existing housing units in the City of Toledo are a market for new or existing housing units within Downtown, or approximately one-quarter of the total potential market. (See Appendix One, Table 9.) Empty nesters and retirees are likely to account for 44 percent of these households (in seven market groups); 47 percent are likely to be younger singles and couples (in nine groups); and nine percent are likely to be traditional and non-traditional families (in five groups).

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The distribution of the draw areas as a percentage of the market for Downtown Toledo is:

Market Potential By Draw Area
DOWNTOWN TOLEDO
City of Toledo, Lucas County, Ohio

City of Toledo/Lucas County(Local Draw Area):	75.3 percent
Adjacent Counties (Regional Draw Area):	8.7 percent
Balance of US (National Draw Area):	16.0 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2004.

The 3,680 draw area households that have the potential to move to Downtown Toledo this year have been categorized by tenure propensities to determine renter/owner ratios. Nearly 32 percent of these households (or 1,170 households) comprise the potential market for rental units, of which 850 households comprise the potential market for rental units at the rent levels required to support newly-constructed market-rate housing. The remaining 68.2 percent (or 2,510 households) comprise the market for market-rate for-sale (ownership) housing units. (See Appendix One, Table 10.)

Of these 2,510 households, 23.5 percent (or 590 households) comprise the market for multi-family for-sale units (condominium apartments and lofts); and another 21.1 percent (530 households) comprise the market for attached single-family (townhouse or duplex) units. More than 55 percent (or 1,390 households) comprise the market for all ranges of single-family detached houses. (See Appendix One, Table 11.)

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—Target Market Data—

Target market data are based on the Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

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

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

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

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-

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economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications are based on the Claritas PRIZM geo-demographic segmentation system, which was established in 1974 and is the most widely-used neighborhood target marketing system in the United States. Claritas uses 15 unique clustering algorithms to define various domains of affluence and settlement density. These algorithms isolate the key factors in each density-affluence domain that accounted for the most statistical difference among neighborhoods within that group.

Over the past 15 years, Zimmerman/Volk Associates has augmented the PRIZM cluster system for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.



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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.

