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Scott
COUNTY | MINNESOTA

Scott County Housing Needs Study Update

Presented to: Scott County 50 by 30 Housing Work Group

Presented by: | Maxfield Research & Consulting LLC

November 9, 2016

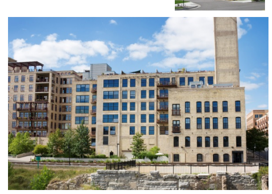
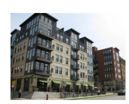
Maxfield Research & Consulting, LLC

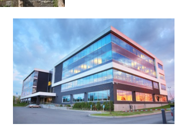
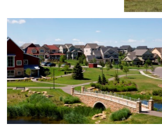
Overview

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

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



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Project Scope

OBJECTIVE	Update previous housing needs study from 2011 – Post-Recession
APPROACH	Identify current & future housing needs for cities and townships in Scott County
PROJECT DELIVERABLES	• Short and long-term housing needs • Recommendations guiding future housing development
KEY DATES	• Data collection: 2nd Quarter 2016 • Draft: June 2016 • Final: November 2016

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Housing Study Objective

- Identify existing and future housing needs for cities and townships in Scott County that will assist communities with guiding and attracting new housing development.

- Develop a basis for community leaders, stakeholders, and decision-makers to guide future housing needs initiatives throughout Scott County.

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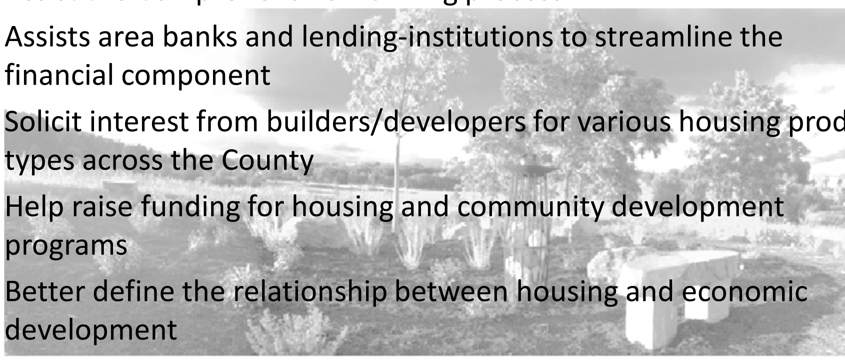
End User Benefits



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

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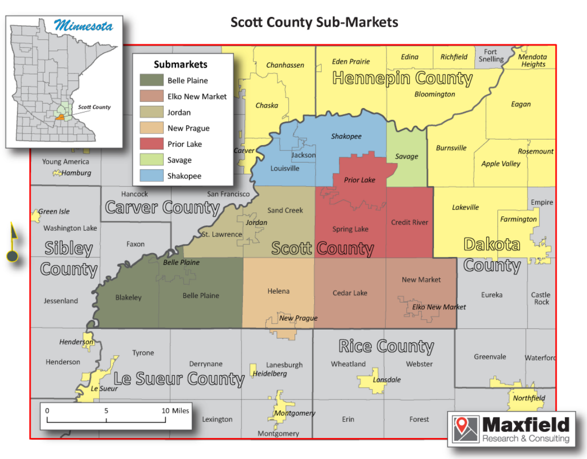
Market Areas



- Originally defined as:
  - Five submarkets
  - Demand is presented for each of the cities + the townships in aggregate
- Because of Scott County's location in the Metro Area, a portion of demand will be generated from outside of Co.

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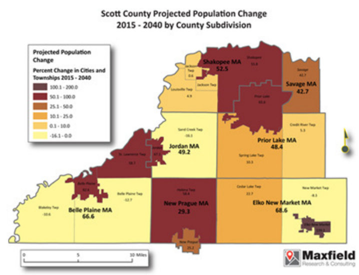
Strong Growth; but not as robust as last decade...

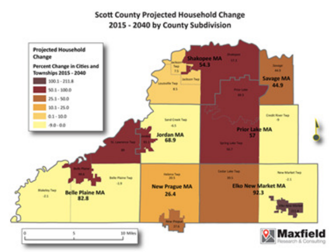
Historic Findings

- Scott County – 2000-2010
  - Population +42,069 (46.3%)
  - Households +14,975 (48.0%)

Projections

- Population and Households gains projected to 2040
- 2015-2020
  - Population +13,902 (+9.7%)
  - Households +7,263 (+14.8%)
- 2020-2030
  - Population +23,499 (+14.9%)
  - Households +9,461 (+16.8%)
- 2030-2040
  - Population +23,750 (+13.1%)
  - Households +9,710 (+14.7%)





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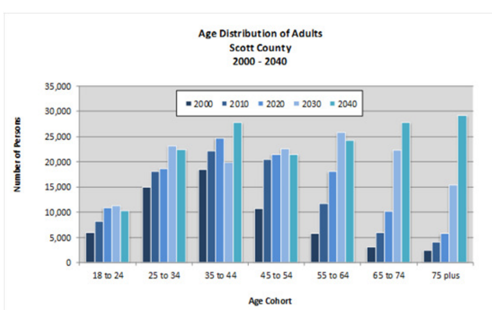
Projected growth in most age cohorts

- Scott County to experience population growth in all age cohorts except Under 18 and 25-34 ('30-'40) and 45-64 ('30-'40).
  - 65+ age cohort will account for the most adult population growth (2020 and beyond)
  - Baby boomers are 15% of the population in Scott Co. as of 2015; 47% of the growth between 2030 and 2040 is expected to be baby boomers.



- Household types:
  - Increase in all HH types
  - 33% of households are Married w/Children in Scott Co. (2016) followed by Married w/o Children (31%)
- Household size will gradually decrease from 2.72 (2016) to 2.56 (2040)
- Home ownership rate (2016)
  - 82% Scott County
  - 69% Twin Cities Metro

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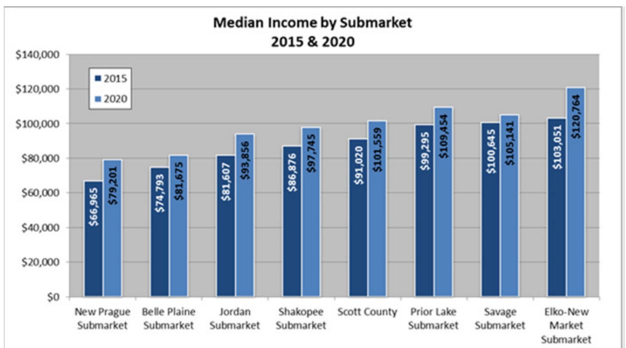
Above Average Household Incomes

- Median Income (2015):
  - $91,020 – Scott County
  - $67,795 – Twin Cities Metro
- Projected increase by 2020:
  - +11.6% to $101,559 (Scott Co.)
  - +16.1% to $78,703 (Twin Cities Metro)
- Highest earners (2015)
  - $107,854 – Scott County 35-44 age cohort
  - $88,167 – Twin Cities 45-54 age cohort
- 2015 Income disparity by tenure (Scott Co)
  - $95,959 (owner) vs. $43,338 (renter)



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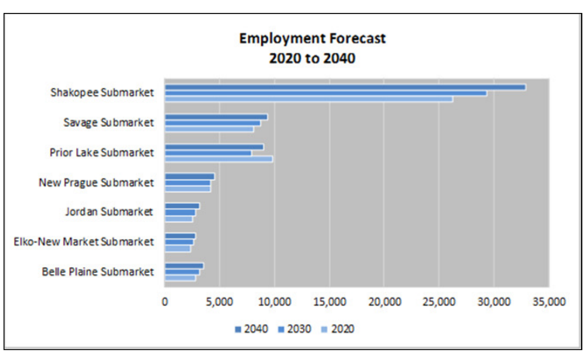
Commuting Patterns

Employment

- Scott County unemployment rate: 3.2% vs Metro Area 3.3%
- Job growth more rapid than labor force growth causing decrease in Unemp. Rate



- Scott County is an exporter of workers
  - 51,983 workers commuted out of the Co. while 20,821 workers came into the Co.
  - -31,162 daily outflow
- Avg. weekly wages (2015)
  - $909 in Scott Co. vs. $1,159 in Twin Cities Metro
  - Highest avg. weekly wage in Scott Co. in the Mfg. sector: $1,376

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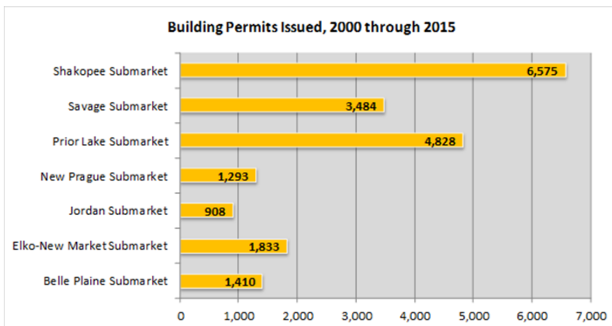
Housing starts beginning to increase

New Construction Activity

- 3,615 housing units constructed in Scott Co. (2010 through 2015)
  - Avg. 602 units/year, SF & MF
  - 2000 - 2009: 1,616 units/year SF & MF
  - Single-Family: 69% of all units

American Community Survey (2016)

- Housing stock:
  - 61% built prior to 2000s
  - 39% built after 2000
- Single Family Detached: 77% of all owner-occupied housing structures



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Rental Housing vacancy rates very low

Overall-May/June 2016

- 3,087 units
- 0.9% vacancy rate

Market Rate

- 2,307 units
- 1.2% vacancy rate
- Average Rent range:
  - 1BR: $849 | $1.24 psf
  - 2BR: $992 | $1.08 psf
  - 3BR: $1,178 | $0.94 psf

Shallow and Deep-Subsidy

- 513 SS units | 0% vacancy
- 267 DS units | 0% vacancy

5% Vacancy = Market Equilibrium

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Senior housing vacancy rates low

Market Area Overall
- 2,051 units
- 1.0% vacancy rate

Market Rate
- 522 units active adult rental
- 167 units active adult for-sale
- 300 units congregate (independent living)
- 359 units assisted living
- 166 units memory care

Deep-Subsidy
- 369 units active adult
- 0.8% vacancy rate

Shallow-Subsidy
- 168-unit active adult rental
- Under construction in Prior Lake

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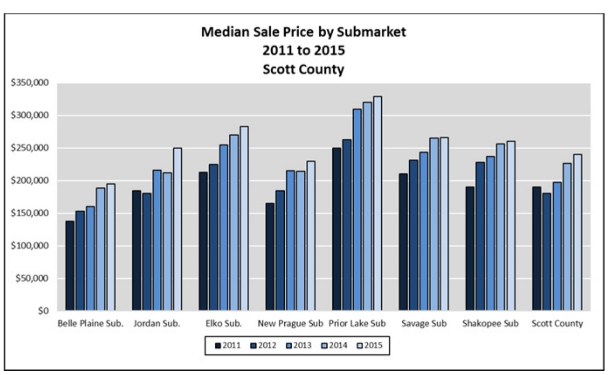
Home sales prices continue to rebound…

Overall
- Market activity improving
- New construction increasing, but still slow compared to last decade
- Lender-mediated proportions down substantially (7% - Scott Co.)

Resales
- Median resale price (SF):
  - Highest in 2006: $245,000
  - 2015: $245,000
  - Lowest in 2011: $180,000
  - Resales highest in 2015:
    - 1,838 SF | 710 MF



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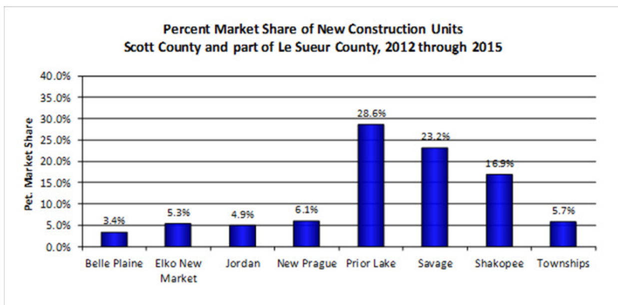
Supply Side-Scott County

Active Listings (September 2016)

- 322 SF listings | 83 MF listings
- Median/Average Price (Resales)
  - SF: $369,949 | $476,289
  - MF: $200,000 | $227,100

Avg. Price Per Sq. Ft.-Resales

- Scott Co.
  - SF: $151/PSF
  - MF: $114/PSF



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New Construction-Scott County

Lot Inventory/Supply

- 1,055 vacant SF lots | 287 vacant ASF lots
- Limited future lots in many areas as previous plats have expired
- Newer subdivisions
  - Avg. home value w/lot: $450+
  - Avg. lot widths '65 to '90 feet wide
  - Avg. new construction SF: $175 PSF
  - Avg. new construction MF: $166 PSF

New Construction Market

- Housing Starts - 2015
  - 358 SF |51 MF (owned)
- Pricing (includes upgrades)
  - SF - $450k+
  - MF - $340k+
- Some new plats brought forward, but insufficient to meet demand

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Demand Summary

Demand Overview

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

Demand Driver Examples

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

Demand Assumptions/Methodology

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

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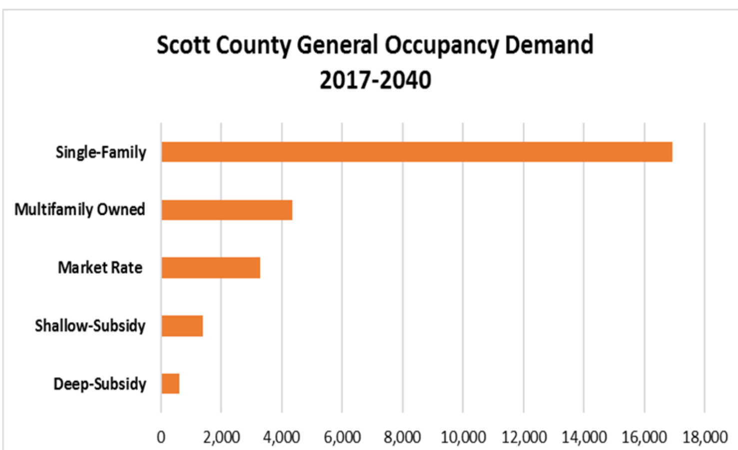
General Occupancy Demand by Type-Scott County



Note: vacant lots in active subdivisions are subtracted.

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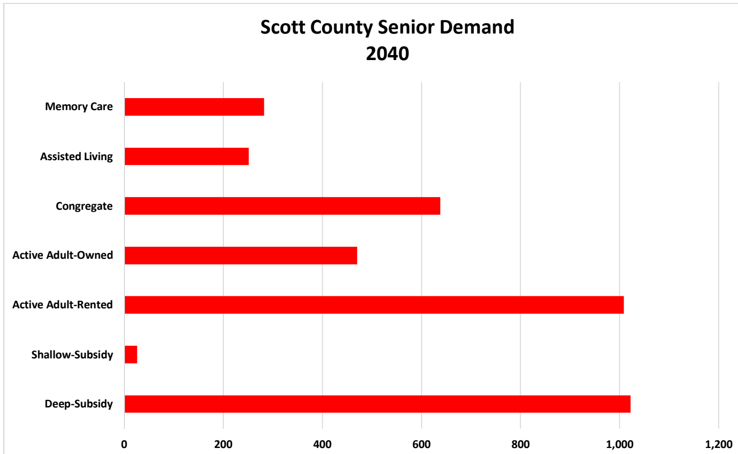
Senior Housing Demand – Scott County



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Single-Family Demand

- 1,055 vacant SF lots throughout Scott Co. with an average supply of 3 to 5 years, but lot supply is not distributed evenly across the Co.
  - Communities with the highest need for immediate new lot development are Shakopee and Elko New Market
- 287 vacant SF attached lots in Scott Co.; again, distributions are somewhat uneven
  - Still challenging to get builders to consider owned multifamily product, but gradually bringing more into the market
- Entry-level SF construction very difficult given development costs
- Months of supply for resales are very low

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Multifamily For-Sale Demand

- Demand for 4,353 units

- Potential housing types:
  - Detached townhomes
  - Twinhomes
  - Row Homes
  - Quad Homes (entry-level)

- Demand by price point:
  - Entry-level (<$250k)
  - Move-up ($250k - $500k)
  - Executive ($500k+)

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Rental Housing Demand

- Demand for 5,270 units
  - 3,281 market rate
  - 1,385 shallow-subsidy
  - 604 deep-subsidy

- Clear need for newer, contemporary rental units

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

- Recommend the following types:
  - Market rate rental – apartment & townhome style
  - Targeted shallow-subsidy - MN Housing-point system

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Senior Housing Demand

- Demand for 3,697 units by 2040 assuming no additional construction
- Demand across most service-levels.
- Independent living is currently in highest demand and experiencing the most rapid absorptions.
- Recommend the following:
  - Add to in the short-term primarily through expansions of existing facilities and construction of independent living
  - Affordable senior being added in Scott Co.

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Key Takeaways…

- Numerical growth remains strong; growth in the northern portion of Scott County has been stronger than the southern portion; growth is occurring across all of the County
- Younger (25 to 34) and older adult (55+) growth will impact alternative housing types to the greatest degree; mix of housing is likely to shift
- Low 3.2% unemployment rate (Scott County) & job exporter
- Limited new rental construction in most communities | very low vacancy rates throughout the County; job growth is fueling rental demand; are new rents achievable? (Springs at Egan Drive)
- Moderate but growing senior housing demand w/ current low vacancy rates
- Home resale prices increasing, months of supply for resales is very low; limited entry-level housing because of tight resale supply and lack of other options
- New construction sector primarily move-up/executive buyers | lot inventory generally low overall and very low in some communities
- Continued demand for all housing types, but development of some products will necessitate public-private partnerships

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Questions & Comments

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