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Research & Strategic Analysis

STUDY CONTENTS

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Research & Strategic Analysis

UPDATE

RESIDENTIAL MARKET POTENTIAL

Downtown Springfield

City of Springfield, Hampden County, Massachusetts

September, 2013

INTRODUCTION

The purpose of this study is to re-examine the market potential for newly-introduced market-rate housing units—created both through adaptive re-use of existing non-residential buildings as well as through new construction—that could be leased or sold in Downtown Springfield (Metro Center). The original Downtown study was published in February 2007, although the analysis took place in 2006. The update has been commissioned as part of the Housing Strategy in the ReBuild Springfield Tornado Recovery Plan; sections of the city had been devastated by the 2011 New England tornado outbreak, which left four persons dead (none in Springfield), 300 people injured, and more than 500 people homeless in the region. Springfield and the surrounding region were declared a Federal disaster area less than two weeks after the tornado struck.

For the current study, the boundaries of the Downtown remain the same as those defined in 2006, covering the area bounded by the Amtrak railroad tracks, including Union Station, in the north, Byers and Myrtle Streets in the east, Union Street in the south, and the Connecticut River in the west. The Downtown Springfield study area encompasses most of the Metro Center neighborhood, including the Central Business District; the Business Improvement District; the Quadrangle-Mattoon Street and Lower Maple Historic Districts; the Club Quarter, the city's entertainment district; and several public parks—including Court Square, Tower Square Park, Stearns Square, and Riverfront Park.

In July, the citizens of Springfield voted to approve the agreement between the city and MGM Resorts International to develop the MGM resort, which encompasses most of three city blocks between State and Union Streets, in both Downtown and the South End. In addition to the MGM casino, the development is proposed to include a hotel, a variety of entertainment venues, retail, housing, and significant parking. The proposal will now be forwarded for consideration by the Massachusetts Gaming Commission. If approved by the Gaming Commission, the project will have a significant positive impact on the prospects for development and redevelopment in both Downtown and the South End.

The depth and breadth of the potential market have been updated using Zimmerman/Volk Associates' proprietary target market methodology. The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues.

For this update, Zimmerman/Volk Associates re-examined the following:

- Where the potential renters and buyers for new and existing housing units in the City of Springfield and the Downtown are likely to move from (the draw areas);
- How many have the potential to move to the Downtown 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);
- Who is the potential market for new housing in the Downtown (the target markets);
- What their alternatives are (new construction or adaptive re-use of existing buildings in the Springfield market area);
- What they will pay to live in Downtown Springfield (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (market capture/absorption forecasts over the next five years).

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

OVERVIEW OF THE CITY OF SPRINGFIELD

The remarkable transformation of American households (particularly the emerging predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and rising gasoline prices, has resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density, auto-oriented suburbs to a diverse mix of detached houses, attached houses and higher-density apartments in downtowns and walkable, transit-served, mixed-use traditional neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade, representing an unprecedented demographic foundation on which cities can re-build their downtowns and in-town neighborhoods.

However, although showing signs of recovery, the housing market continues to be weak by historical measures, and uncertainty concerning housing values continues to hold a significant percentage of potential homebuyers out of the market in all but a few metro areas. These market constraints do not reduce the size of the potential market; however, full realization of the ownership market potential will be delayed until housing finance is readily available and sustained consumer confidence returns; until then, the initial percentage of the potential market able to overcome the persistent constraints of the deep recession and restrictive mortgage underwriting is likely to be reduced. In contrast, and contrary to typical performance during economic recessions with high unemployment levels, rental occupancies have, in general, risen over the past year

The City of Springfield lies on the eastern bank of the Connecticut River and is the largest city in western Massachusetts. The city is less than 24 miles north of Hartford, the capital of Connecticut, and the Hartford-Springfield region has been dubbed the Knowledge Corridor because of its large concentration of higher-learning institutions, the second-highest concentration in the country. Springfield is home to several educational institutions, including Springfield College, Western New England University, American International College, and Springfield Technical Community College, among others.

As the economic center of western Massachusetts, the city is home to the world headquarters of MassMutual Financial Group, a Fortune 100 company, Smith & Wesson, the Peter Pan Bus Lines, Big Y Supermarkets, Merriam-Webster, and Baystate Health, the western campus of Tufts University School of Medicine and the third largest employer in Massachusetts, as well as two other nationally ranked hospitals, Mercy Medical and Shriners Hospital for Children.

Springfield is now a much safer city than in 2006. The incidence of crime in the city has decreased dramatically since the wave of violent crime that peaked during the first decade of the 21st Century, placing Springfield as high as 18th in the annual national City Crime Rankings. As of 2010, the city had fallen to 35th in the rankings.

Based on past demographic trends, the City of Springfield's estimated population of 152,845 in 2013 is projected to increase by approximately 0.2 percent to 153,123 persons by 2018. Over the same time frame, the number of <u>households</u> in the City of Springfield will rise from an estimated 56,810 households in 2013 to 57,075 households in 2018, an increase of nearly one-half of one percent.

In 2013, it is estimated that nearly 42 percent of the population is Hispanic/Latino of any race, predominantly Puerto Rican. Just over half the population is white, another 22 percent is African American, and the remainder a mix of American Indian, Asian, Hawaiian, or some other race.

Currently, over 57.5 percent of all households that live in Springfield contain just one or two persons (compared to 59.5 percent nationally); 17.5 percent contain three persons, and the remaining 25 percent contain four or more persons (compared to 24.3 percent nationally).

Less than 14 percent of the city's households could be characterized as traditional families, *e.g.*—married couples with children under age 18 (compared to 21.6 percent of all U.S. households). Non-traditional family households, headed by single persons with children under age 18, represent 23.5 percent of the city's households. The remaining 62.7 percent of Springfield households do not have children under 18 and include married couples (18.1 percent), other non-traditional family households (8.7 percent), and 35.9 percent non-family households (primarily single- and two-person households).

Median household income in the city is currently estimated at $34,500, compared to the national median of $49,300. Nearly 36 percent of the households in the city have annual incomes of $50,000 or more.

Almost 45 percent of Springfield's 61,755 housing units are single-family detached houses; four percent are single-family attached (rowhouses or townhouses); 16 percent are in two-unit buildings; 22.2 percent are located in buildings of three to 19 units; and 11.8 percent are in buildings of 20 or more units. Slightly over half of the city's households are renters; just under half own their units, an ownership share higher than most American cities. Of those units that are owned, the median home value is $152,700, almost 11 percent below the national median home value of $171,300. One reason for the lower housing value is that the median year built of Springfield's housing units is 1946, and most of the units constructed since then were built between 1950 and 1980. Less than three percent of the housing stock in Springfield has been built since 2000.

Approximately 22 percent of Springfield's households do not own an automobile (compared to just over nine percent nationally), and over 44 percent own only one vehicle (33.8 percent nationally). Just under 26 percent own two vehicles. As a result, nearly 3.6 percent of employed residents over age 16 walk to work (compared to 2.9 percent nationally), 4.5 percent take public transportation (compared to 4.9 percent nationally), 10.8 percent car-pool (compared to 9.95 percent nationally), and 77.6 percent drive alone (76.3 percent nationally). The remaining 3.5 percent either work at home (2.9 percent), ride bicycles (0.2 percent), or have other means of getting to work (0.4 percent).

Approximately 17.1 percent of all residents aged 25 or older have a college or advanced degree, 11 percentage points below the national share of 28.1 percent. More than 51 percent of the city's residents over age 16 are employed in white-collar occupations, 21.3 percent blue-collar, and 27.3 percent service occupations. This is a significantly lower rate of white-collar employment than that of the nation, where 60.8 percent are white-collar workers.

Data Sources: The Nielsen Company; U.S. Census Bureau;
Zimmerman/Volk Associates, Inc.

CITY-WIDE MARKET POTENTIAL

The extent and characteristics of the potential market for new residential units within the City of Springfield and the Downtown have been re-examined through detailed analysis of households living within the appropriate draw areas. These draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2011 American Community Survey for the City of Springfield.

Where are the potential renters and buyers of new and existing housing units in the City of Springfield likely to move from?

Analysis of the most recent Hampden County migration and mobility data available from the Internal Revenue Service—from 2005 through 2009—shows that although the county continued to experience net migration losses throughout the study period, that number dropped from the peak of 1,595 households lost in 2006 to less than 1,000 households in 2009. (*See* Appendix One, Table 1.) The 2006 analysis showed that Hampden County's net household losses between 2000 and 2004 ranged between 385 households in 2001 to 1,250 households in 2004.

Over the study period, annual in-migration to Hampden County has ranged between 5,460 households in 2009 to nearly 6,000 households in 2007. Over the same period, annual out-migration from Hampden County has ranged between more than 7,400 households in 2005 and 2007, to less than 6,500 households in 2009. Between 22 and 23 percent of the out-migration is to Hampshire County, up from 18 percent in the 2006 analysis, although collectively, the majority of out-migration remains to other Massachusetts counties and urban areas in New England and along the East Coast.

Based on the updated migration and mobility data, the draw areas for the City of Springfield have been confirmed as follows (*see also* METHODOLOGY):

- The primary (internal) draw area, covering households in groups with median incomes of $50,000 or more currently living within the Springfield city limits.

- The local draw area, covering households in groups with median incomes of $50,000 or more currently living in the balance of Hampden County.

- The regional draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Springfield from Hampshire and Worcester Counties, Massachusetts, and Hartford County, Connecticut.

- The metropolitan Boston draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Springfield from Middlesex, Suffolk, Essex, and Norfolk Counties, Massachusetts.

- The national draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Springfield from all other U.S. counties.

As derived from the updated migration, mobility and target market analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Springfield) would be as follows (*see also* Appendix One, Table 9):

Market Potential by Draw Area
City of Springfield, Hampden County, Massachusetts

City of Springfield (Primary Draw Area):	44.6%
Balance of Hampden County (Local Draw Area):	32.7%
Hampden, Worcester, and Hartford Counties (Regional Draw Area):	8.3%
Middlesex, Suffolk, Essex, and Norfolk Counties (Boston Draw Area):	1.7%
Balance of US (National Draw Area):	12.7%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

MARKET POTENTIAL FOR DOWNTOWN SPRINGFIELD

Downtown Springfield is the location of most of the county and city's civic buildings, the MassMutual Convention Center, Tower Square, several office buildings, the new Federal Courthouse completed in 2006, a number of historic churches, several banks, the Marriott and Sheraton Hotels and a new LaQuinta Inn & Suites in the central business district, and a Hilton Garden Inn on the riverfront. Estimates of the downtown workforce range from 8-to-10,000 to 17,000 employees.

Several arts and cultural institutions are located in Downtown, from CityStage and Symphony Hall—home to the Springfield Symphony Orchestra—to the Museums at the Quadrangle, where the Museum of Fine Arts, the Science Museum, the Connecticut Valley Historical Museum, the Museum of Springfield History, and the George Walter Vincent Smith Art Museum surround the Dr. Seuss National Memorial Sculpture Garden. Major downtown attractions include the Naismith Memorial Basketball Hall of Fame; the Springfield Falcons, an American Hockey League team, and the NBA D-League's Springfield Armor, which play at the MassMutual Center; and the city's entertainment district with numerous restaurants, clubs and bars.

Court Square Park, across from the Convention Center, is surrounded by extraordinary buildings: the 1819 Old First Church, the 1871 H.H. Richardson-designed Courthouse, and the 1909 City Hall and Symphony Hall. During the summer, Stearns Square is the venue for Thursday night free live music, and the Springfield Armory National Park hosts an annual Big Band Concert. The Mattoon Street Arts Festival, which features the work and crafts of dozens of artists and artisans, as well as food vendors and street musicians, is held every year in early September. Also in September is the annual induction ceremony to the Basketball Hall of Fame, attracting thousands of spectators, along with the greatest players in the history of the game.

Where *are the potential renters and buyers of new housing units in Downtown Springfield likely to move from?*

As in the 2006 analysis, the target market methodology identifies those households with a preference for living in downtowns and other urban neighborhoods. After discounting for those segments of the city's potential market that typically choose suburban and/or rural locations, the distribution of draw area market potential for newly-created housing units within the Downtown is shown on the following table (*see also* Appendix One, Table 10):

Market Potential by Draw Area
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

City of Springfield (Primary Draw Area):	37.5%
Balance of Hampden County (Local Draw Area):	31.6%
Hampshire, Worcester, Hartford Counties (Regional Draw Area):	10.0%
Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area):	5.5%
Balance of US (National Draw Area):	15.4%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Springfield and Hampden County account for a greater share of market potential for the Downtown in 2013, at 69.1 percent, than in 2006, at 55.9 percent. This can be attributed in large part to the Great Recession and the concurrent collapse of housing prices. Historically, households have moved much less frequently during recessionary periods.

How many households have the potential to move to the Downtown if appropriate housing units were to be made available?

Based on the updated target market analysis, which accounts for household mobility within the City of Springfield and the balance of Hampden County, as well as mobility patterns for households currently living in all other cities and counties, an average of 2,280 households represent the potential market for new and existing housing units within Downtown each year over the next five years, slightly higher than the 2,110 households in 2006.

These 2,280 households comprise 29.6 of the approximately 7,700 households that represent the potential market for new and existing market-rate units in the city as a whole, a higher percentage than in 2006.

What are their housing preferences in aggregate??

The protracted ownership housing slump has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households, yielding a higher share of consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical just five years ago. At the same time, there has been a significant shift in preferences from suburban subdivisions toward mixed-use neighborhoods, preferably in urban locations.

The updated housing preferences of the draw area households—according to tenure (rental or ownership) choices and broad financial capacity and demonstrating the shift in tenure preferences—are outlined on the following table (*see also* Table 1):

Potential Market for New Housing Units
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	820	36.0%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	180	7.9%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	300	13.2%
Low-range single-family detached (houses, fee-simple ownership)	360	15.8%
Mid-range single-family detached (houses, fee-simple ownership)	380	16.7%
High-range single-family detached (houses, fee-simple ownership)	240	15.4%
Total	2,280	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

There is a considerably larger number of renter households comprising the annual market potential in 2013 (820 compared to 430 households in 2006), who also represent a considerably higher share of the market (36 percent compared to 20.4 percent). As a result of the collapse of the housing market, confidence in condominiums has dropped dramatically. The number of households with preferences for multi-family for-sale is significantly lower in 2013 (180 households compared to 400 households in 2006), and their share has fallen from 19 percent in 2006 to 7.9 percent in 2013. The number of households with preferences for single-family attached housing is slightly lower in 2013 than in 2006 (by 20 households). The preference for single-family detached units has risen slightly in number, from a combined 960 households in 2006 (45.5 percent of all households) to a combined 980 households in 2013, but has fallen in share (from 45.5 percent of all households in 2006 to 43 percent of all households in 2013).

These changes in tenure and housing preferences are a result of the continuing demographic transformation of American households (*see* TARGET MARKET ANALYSIS *below*), the broad impact of the Great Recession, and the higher gasoline and energy prices in 2013 over 2006, spurring renewed interest in living closer to employment, in downtowns and in-town neighborhoods.

As in 2006, residential development in the Downtown should concentrate on redevelopment of existing buildings, supplemented by new construction of higher-density housing types including:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale); and
- Townhouses, rowhouses, live-work or flex units (single-family attached for-sale).

Therefore, this analysis has determined that, excluding households with a preference for single-family detached units, an annual average of approximately 1,300 households currently living in the defined draw areas represent the pool of potential renters/buyers of new housing units (new construction and/or adaptive re-use of non-residential structures,) within the Downtown each year over the next five years (*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 housing types would be as follows:

Potential Market for New Housing Units
Higher-Density Housing Units
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Rental Multi-Family (lofts/apartments, leaseholder)	820	63.1%
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	180	13.8%
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	300	23.1%
Total	1,300	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Table 1

Annual Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Study Area Each Year Over The Next Five Years
Households In Groups With Median Incomes At Or Above $50,000

Downtown Springfield

The City of Springfield, Hampden County, Massachusetts

City of Springfield; Balance of Hampshire County;
Regional Draw Area; Metropolitan Draw Area; All Other U.S. Counties
Draw Areas

Total Target Market Households With Potential To Rent/Purchase In The City of Springfield, Hampden County, Massachusetts	7,695
Total Target Market Households With Potential To Rent/Purchase In Downtown Springfield	2,280

Annual Potential Housing Market

	Multi-Family		*Single-Family*				
			Attached	*Detached*			
	For-Rent	*For-Sale*	*All Ranges*	*Low-Range*	*Mid-Range*	*High-Range*	Total
Total Households:	820	180	300	360	380	240	2,280
{Mix Distribution}:	36.0%	7.9%	13.2%	15.8%	16.7%	15.5%	100.0%

Downtown Residential Mix
(Excluding Single-Family Detached)

	Multi-Family		*Single-Family*	
			Attached	
	For-Rent	*For-Sale*	*All Ranges*	Total
Total Households:	820	180	300	1,300
{Mix Distribution}:	63.1%	13.8%	23.1%	100.0%

NOTE: Reference Appendix One, Tables 1 through 12.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Since the first study was conducted in 2006, there has been a small increase in the size of the annual market potential for higher-density housing units—from approximately 1,150 households in 2006 to 1,300 households in 2013—and considerable changes in the type of housing that best matches target household preferences. As a share of the market, multi-family for-rent has risen from 37.4 percent in 2006 to over 63 percent in 2013; multi-family for-sale (condominium) units now represent just under 14 percent of the market (down from 34.8 percent in 2006); and single-family attached for-sale (townhouses) comprise 23.1 percent of the market, down from 27.8 percent in 2006.

—*Rental Distribution*—

Based on the incomes and financial capabilities of the 820 households that represent the target markets for new market-rate rental units (lofts and apartments) each year over the next five years, the distribution of annual market potential by rent range is summarized as follows (*see also* Table 2):

Annual Market Potential For Rental Lofts/Apartments
Distributed By Rent Range
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

Monthly Rent Range	Households Per Year	Percentage
\$750–\$1,000	100	12.2%
\$1,000–\$1,250	285	34.8%
\$1,250–\$1,500	170	20.7%
\$1,500–\$1,750	105	12.8%
\$1,750–\$2,000	95	11.6%
\$2,000 and up	65	7.9%
Total:	820	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Table 2

Target Groups For New Multi-Family For-Rent Market-Rate Lofts/Apartments

Downtown Springfield

City of Springfield, Hampden County, Massachusetts

Empty Nesters & Retirees	*Number of Households*	*Percent*
Small-Town Establishment	10	1.2%
Cosmopolitan Elite	5	0.6%
Suburban Establishment	15	1.8%
Affluent Empty Nesters	10	1.2%
New Empty Nesters	40	4.9%
Mainstream Retirees	5	0.6%
Middle-Class Move-Downs	75	9.1%
Subtotal:	160	19.5%
Traditional & Non-Traditional Families		
Unibox Transferees	5	0.6%
Late-Nest Suburbanites	5	0.6%
Full-Nest Suburbanites	10	1.2%
Full-Nest Urbanites	5	0.6%
Multi-Ethnic Families	35	4.3%
Multi-Cultural Families	5	0.6%
Subtotal:	65	7.9%
Younger Singles & Couples		
The Entrepreneurs	5	0.6%
e-Types	15	1.8%
Fast-Track Professionals	10	1.2%
The VIPs	35	4.3%
Upscale Suburban Couples	55	6.7%
New Bohemians	35	4.3%
Suburban Achievers	155	18.9%
Twentysomethings	85	10.4%
Small-City Singles	165	20.1%
Urban Achievers	35	4.3%
Subtotal:	595	72.6%
Total Households:	**820**	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

—For-Sale Distribution—

Based on the incomes and financial capabilities of the 180 households that represent the target markets for new market-rate for-sale multi-family units (condominium lofts and apartments) each year over the next five years, the distribution of annual market potential by price range is summarized as follows (*see also* Table 3):

Annual Market Potential For For-Sale Lofts/Apartments
Distributed By Price Range
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$100,000–\$150,000	30	16.7%
\$150,000–\$200,000	55	30.6%
\$200,000–\$250,000	40	22.2%
\$250,000–\$300,000	40	22.2%
\$300,000 and up	15	8.3%
Total:	180	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Table 3

Target Groups For New Multi-Family For-Sale Market-Rate Lofts/Apartments

Downtown Springfield

City of Springfield, Hampden County, Massachusetts

Empty Nesters & Retirees	*Number of Households*	*Percent*
Cosmopolitan Elite	5	2.8%
Suburban Establishment	5	2.8%
Affluent Empty Nesters	5	2.8%
New Empty Nesters	5	2.8%
Mainstream Retirees	5	2.8%
Middle-Class Move-Downs	20	11.1%
Subtotal:	45	25.0%
Traditional & Non-Traditional Families		
Full-Nest Suburbanites	5	2.8%
Multi-Ethnic Families	5	2.8%
Subtotal:	10	5.6%
Younger Singles & Couples		
The Entrepreneurs	5	2.8%
e-Types	5	2.8%
Fast-Track Professionals	5	2.8%
The VIPs	10	5.6%
Upscale Suburban Couples	20	11.1%
New Bohemians	5	2.8%
Twentysomethings	15	8.3%
Suburban Achievers	30	16.7%
Small-City Singles	25	13.9%
Urban Achievers	5	2.8%
Subtotal:	125	69.4%
Total Households:	**180**	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Based on the incomes and financial capabilities of the 300 households that represent the target markets for new market-rate for-sale single-family attached units (townhouses/rowhouses/live-work units) each year over the next five years, the distribution of annual market potential by price range is summarized as follows (*see also* Table 4):

Annual Market Potential For For-Sale Townhouses/Rowhouses/Live-Work Units
Distributed By Price Range
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$100,000–\$150,000	40	13.3%
\$150,000–\$200,000	55	18.3%
\$200,000–\$250,000	70	23.4%
\$250,000–\$300,000	65	21.7%
\$300,000–\$350,000	40	13.3%
\$350,000 and up	30	10.0%
Total:	300	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

In the current constrained housing market, however, the realization of the for-sale (ownership) market potential could be quite challenging, in particular given the restrictive development financing and mortgage underwriting by financial institutions, and the inability of many owner households to sell their existing single-family units even at reduced prices, or their reluctance to sell at a perceived loss of value.

Table 4

Target Groups For New Single-Family Attached For-Sale Market-Rate Rowhouses/Townhouses/Live-Work

Downtown Springfield

City of Springfield, Hampden County, Massachusetts

Empty Nesters & Retirees	*Number of Households*	*Percent*
Small-Town Establishment	5	1.7%
Cosmopolitan Elite	5	1.7%
Suburban Establishment	15	5.0%
Affluent Empty Nesters	10	3.3%
New Empty Nesters	20	6.7%
Mainstream Retirees	5	1.7%
Middle-Class Move-Downs	35	11.7%
Subtotal:	95	31.7%
Traditional & Non-Traditional Families		
Unibox Transferees	5	1.7%
Full-Nest Suburbanites	5	1.7%
Full-Nest Urbanites	5	1.7%
Multi-Ethnic Families	15	5.0%
Subtotal:	30	10.0%
Younger Singles & Couples		
The Entrepreneurs	5	1.7%
e-Types	5	1.7%
Fast-Track Professionals	5	1.7%
The VIPs	20	6.7%
Upscale Suburban Couples	35	11.7%
New Bohemians	5	1.7%
Twentysomethings	25	8.3%
Suburban Achievers	30	10.0%
Small-City Singles	40	13.3%
Urban Achievers	5	1.7%
Subtotal:	175	58.3%
Total Households:	**300**	100.0%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

TARGET MARKET ANALYSIS

Who is the potential market for new housing in Downtown Springfield?

American households have been changing dramatically in ways that enhance and support urban neighborhoods. This transformation has been driven by the convergence of the preferences of the two largest generations in the history of America: the Baby Boomers (currently estimated at 77 million), born between 1946 and 1964, and the estimated 78 million Millennials, who were born from 1977 to 1996 and, in 2010, surpassed the Boomers in population.

In addition to their shared preference for urban living, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (married couples with children) that comprised the typical post-war American household, Boomers and Millennials are households of predominantly singles and couples. As a result, the 21st Century home-buying market now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are equally likely to be non-traditional as traditional families. A major consequence of this evolution is that mixed-use development in urban neighborhoods is now more likely to succeed than when suburban preferences dominated the housing market.

As updated by the target market analysis, then, the annual potential market—represented by lifestage—for new housing units in Downtown Springfield can be characterized by general household type as shown on the following table (*see also* Table 5):

Downtown Residential Mix By Household and Unit Types
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATTACHED
Empty-Nesters & Retirees	23%	20%	25%	32%
Traditional & Non-Traditional Families	8%	8%	6%	10%
Younger Singles & Couples	69%	72%	69%	58%
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

- As noted in the 2006 analysis, younger singles and couples prefer to live in downtowns and in-town neighborhoods for their diversity, and for the availability of employment, entertainment, and cultural opportunities within walking distance of their residences.

  At 69 percent, younger singles and couples make up by far the largest share of the market for all housing types. This is a significant increase since 2006, when this segment represented 53 percent of the market. Some of the same target household groups—from the *Twentysomethings, Upscale Suburban Couples, Small-City Singles, New Bohemians,* and *Urban Achievers* to *e-Types*, *The VIPs* and *Fast-Track Professionals*—and now including *The Entrepreneurs* and *Suburban Achievers*—are represented in the potential market. Approximately 37 percent of these households would be moving to Downtown Springfield from elsewhere in the city, up from 33 percent in 2006. New Downtown housing should be very attractive to the sizeable and increasing LGBT population that already lives in the city; Springfield was named second-best city in the country in 2013 for gays and lesbians by the national magazine, The Advocate, and with the introduction of appropriate downtown housing, that trend should continue.

  The continuing challenge in capturing this potential market is to produce new units that are attractive to young people (lofts, not suburban-style apartments), at rents and prices the majority can afford. Since land and construction costs in downtowns are typically higher than in other neighborhoods, this remains difficult to achieve without some form of development incentives.

- Older households (empty nesters and retirees) continue to be the second largest potential market, more than 80 percent of whom are currently living in Springfield's older neighborhoods and suburbs.

  Empty nesters and retirees—*including the same target groups as in 2006*—now represent approximately 23 percent of the potential market, down from 35 percent in 2006, in part because of their inability to sell—or reluctance to sell at a loss—their existing housing units. However, as the national, regional, and local housing markets continue to stabilize, and with the introduction of a variety of new units in a broad range of rents and prices, older households will again become a larger share of the potential market.

- The third, and smallest, general market segment—family-oriented households (traditional and non-traditional families)—continues to decline as a percentage of the potential market for Downtown Springfield, from 12 percent in 2006, to eight percent in 2013.

  Nearly half of the traditional and non-traditional family households with the potential to move to Downtown Springfield would be moving from outside the city limits, down from 73 percent in 2006.

  Depending on housing type, family-oriented households, many of whom are single parents with one or two children, will now comprise between six percent (for-sale multi-family) and 10 percent (for-sale single-family attached) of the market for new housing units within the Downtown, compared to five percent and 16 percent, respectively, in 2006.

The primary target groups, their estimated median and range of incomes, and estimated median home values in 2013, are:

Primary Target Groups
(In Order of Median Income)
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
Old Money	$157,700	$100,000–$325,000	$320,600
Urban Establishment	$122,400	$75,000–$195,000	$306,800
Small-Town Establishment	$113,700	$70,000–$175,000	$302,400
Cosmopolitan Elite	$107,000	$50,000–$165,000	$300,100
Suburban Establishment	$99,100	$50,000–$145,000	$279,700
Affluent Empty Nesters	$98,500	$55,000–$140,000	$293,200
New Empty Nesters	$98,200	$55,000–$130,000	$243,700
Mainstream Retirees	$72,800	$60,000–$105,000	$210,200
Middle-Class Move-Downs	$71,400	$50,000–$100,000	$177,300

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HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Traditional & Non-Traditional Families			
Unibox Transferees	$115,300	$75,000–$165,000	$272,900
Late-Nest Suburbanites	$104,200	$55,000–$140,000	$269,800
Full-Nest Suburbanites	$99,100	$50,000–$140,000	$227,000
Full-Nest Urbanites	$86,200	$45,000–$125,000	$247,700
Multi-Ethnic Families	$71,400	$40,000–$95,000	$175,400
Multi-Cultural Families	$58,100	$35,000–$80,000	$150,700
Younger Singles & Couples			
The Entrepreneurs	$142,500	$95,000–$200,000	$352,700
e-Types	$118,000	$75,000–$150,000	$313,600
Fast-Track Professionals	$101,900	$60,000–$140,000	$295,300
The VIPs	$99,900	$55,000–$125,000	$286,000
Upscale Suburban Couples	$94,000	$50,000–$135,000	$251,400
New Bohemians	$74,600	$50,000–$105,000	$313,600
Twentysomethings	$69,700	$45,000–$95,000	$201,700
Suburban Achievers	$67,800	$45,000–$90,000	$210,000
Small-City Singles	$54,900	$40,000–$75,000	$147,300
Urban Achievers	$51,000	$45,000–$70,000	$155,500

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., 2013.

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

Table 5

Downtown Housing Market By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Study Area Each Year Over The Next Five Years
Households In Groups With Median Incomes At Or Above $50,000

Downtown Springfield

The City of Springfield, Hampden County, Massachusetts

		Multi- . . . . . . Family		*Single- . . . Family . . . . . Attached . .*
	Total	*For-Rent*	*For-Sale*	*All Ranges*
Number of Households:	1,300	820	180	300
Empty Nesters & Retirees	23%	20%	25%	32%
Traditional & Non-Traditional Families	8%	8%	6%	10%
Younger Singles & Couples	69%	72%	69%	58%
	100%	100%	100%	100%

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

THE CURRENT CONTEXT

What are the alternatives?

More than 4,500 people are currently estimated to live in 2,292 dwelling units in Downtown Springfield (census tracts 8011.01 and 8012; estimates by The Nielsen Company). Approximately 96 percent of the occupied 2,292 units are rental units, and just four percent are owner-occupied; an additional 10.3 percent (264 units) are estimated to be vacant. As in 2006, approximately 78 percent of the Downtown households contain just one or two persons.

Downtown housing units are concentrated in buildings with five or more units, comprising more than 84 percent of the housing stock. Less than four percent of Downtown units are single-family detached houses, 1.4 percent are single-family attached units, just under four percent are duplexes (two-unit buildings), and 6.8 percent are units in three- or four-unit buildings.

The median value of the 92 owner-occupied Downtown housing units is estimated at $119,600, well below the city median of $152,700.

Government-assisted units—including public housing, low-income housing tax credit projects, and Section 8—represent the vast majority of Downtown rental units, with 13 properties containing approximately 1,765 subsidized units, and an additional 324 units occupied by residents with Section 8 vouchers. This means that more than 90 percent of all downtown units are subsidized in one form or another.

As a result, the estimated median income of Downtown residents is $16,500, less than half the city median of $34,500. Almost 58 percent of Downtown residents do not own an automobile, and another 36 percent own only one vehicle. Nearly 20 percent of Downtown residents walk to work, almost 14 percent take public transportation, more than 14 percent carpool, and just under 52 percent drive.

-- Multi-Family For-Rent --

There are four Downtown rental properties, totaling 860 units, that provide studios, and one-and two-bedroom apartments (*see* Table 3). Armoury Commons was purchased by Fannie Mae at a foreclosure auction in September, 2012. Rents currently range between $585 per month for a 395-square-foot studio to $975 per month for an 1,100-square-foot two-bedroom unit ($0.89 to $1.48 per square foot), with 39 vacant units for an occupancy rate of 88 percent.

Similar in size to Armory Commons, at 266 units, Morgan Square is the adaptive re-use of several buildings flanking Taylor Street east of Main Street. The unit configurations range from studios to two-bedroom flats, and include "live-work loft" units fronting on Taylor Street. Rents start at $690 per month for a 365-square-foot studio and reach $975 and $1,050 for the two-bedroom unit at 825 square feet ($1.18 to $1.27 per square foot). As of August 2013, Morgan Square had 20 vacant units for an occupancy rate of 85 percent

Stockbridge Court, which remodeled in 2006, is an adaptive re-use of the former Milton Bradley toy factory buildings on Willow Street. The 233 units include a mix of studios, and one- and two-bedroom flats, ranging in rent from $757 per month for a 470-square-foot studio to $1,615 per month for a 1,073-square-foot two-bedroom/two-bath apartment ($1.25 to $1.73 per square foot). Stockbridge Court had 10 vacant units, for an occupancy rate of 91 percent.

The fourth property, 122 Chestnut, is an adaptive re-use of the former YMCA on Chestnut Street. The building, which contains 99 units in 33 different configurations, from one- and two-bedroom flats to two-bedroom two-story units, has rents starting at $750 per month for a 665-square-foot one-bedroom flat to $1,200 per month for a 1,250-square-foot two-bedroom, two-story unit ($0.86 to $1.09 per square foot).

At the time of the survey, occupancies in Downtown Springfield were comparatively lower than in in the fall when students attending Springfield's higher education institutions return for fall classes.

Bigelow Commons, the adaptive re-use of a former carpet factory located in Downtown Enfield, Connecticut is a redevelopment similar to those in Downtown Springfield. The 471 units range in rent from $890 per month for a 515-square-foot studio ($1.73 per square foot) to $2,500 for a three-bedroom, two-bath apartment containing 1,525 square feet of living space ($1.64 per square foot). The property, which provides a fitness center, tennis courts, a pool, and a raquetball court for use of its tenants, is 97 percent occupied.

As noted in 2006, Downtown Hartford, Connecticut demonstrates what could happen in Springfield, with appropriate incentives and concentration of efforts. Hartford continues to experience a resurgence in downtown housing, as occupancy rates exceed 95 percent (functional full occupancy) at all but one downtown building.

Excluding the $585 per month rent for a 515-square-foot studio at The Hollander, a mixed-income LEED-certified property, current Downtown Hartford rents start at $815 per month for a 400-square-foot studio at Capitol View ($2.04 per square foot). The most expensive studio leases for $1,750 a month for 958 square feet of living space on an upper floor at The Lofts at Main and Temple ($1.83 per square foot), which is an adaptive re-use of the former Sage Allen department store.

Rents for two-bedroom units start at $1,060 per month for a 1,050-square-foot apartment at Park Place Towers ($1.01 per square foot), with the most expensive two-bedroom units leasing for $2,800 or more per month on an upper floor at Trumbull on the Park (1,078 square feet of living space, $2.60 per square foot) and for 1,435 square feet at Hartford 21 ($2.01 per square foot).

In 2013, the majority of the rents per square foot in Downtown Hartford range between $1.40 and $2.00, although some units are as low as $1.01 per square foot, and some are as high as $2.60.

Summary Of Selected Rental Properties

Downtown Springfield, Massachusetts; Downtown Enfield and Downtown Hartford, Connecticut

July, 2013

Property (Date Opened) *Address*	*Number of Units*	*Reported Base Rent*	*Reported Unit Size*	*Rent per Sq. Ft.*	*Additional Information*
		. . . . . Downtown Springfield			
Armoury Commons					
(1920s: Renovated 1977)	**262**				**88% occupancy**
69 Winter Street	Studio/1ba	$585 to	395 to	$1.35 to	*Sport courts.*
		$640	475	$1.48	*High speed internet.*
	1br/1ba	$755 to	675 to	$1.12 to	
		$825	700	$1.18	
	2br/1 - 2ba	$875 to	875 to	$0.89 to	
		$975	1,100	$1.00	
Morgan Square					
(1983: Remodeled 2000)	**266**				**85% occupancy**
15 Taylor Street	Studio/1ba	$690	365	$1.89	*Gated,*
	1br/1ba	$775 to	550 to	$1.41 to	*fitness center.*
		$835	750	$1.11	
	1br/1.5ba w/loft	$900	900	$1.00	
	2br/1ba	$975	825	$1.18 to	
		$1,050		$1.27	
Stockbridge Court					
(1980: Remodeled 2005-6)	**233**				**91% occupancy**
45 Willow Street	Studio/1ba	$757 to	470	$1.61 to	*Gated parking,*
		$813		$1.73	*fitness center,*
	1br/1ba	$868 to	670 to	$1.30 to	*laundry room.*
		$1,106	800	$1.38	
	2br/1ba	$1,081	800 to	$1.41 to	
		$1,256	890	$1.35	
	2br/2ba	$1,339	1,073	$1.25 to	
		$1,615		$1.51	
122 Chestnut (1916)	**99**				**n/a**
122 Chestnut	1br/1ba	$750 to	690 to	$0.86 to	*Fitness center,*
		$950	1,100	$1.09	*community room,*
	2br/1ba	$925 to	920	$1.01 to	
		$1,075	990	$1.09	
	2br/1.5ba TH	$1,100 to	1,250	$0.88 to	
		$1,200		$0.96	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Downtown Springfield, Massachusetts; Downtown Enfield and Downtown Hartford, Connecticut

July, 2013

Property (Date Opened) *Address*	*Number of Units*	*Reported Base Rent*	*Reported Unit Size*	*Rent per Sq. Ft.*	*Additional Information*
		. . . . . Enfield, Connecticut			
Bigelow Commons (1828: 2002)	**471**				**97% occupancy**
55 Main Street	Studio/1ba	$890 to	515	$1.73 to	*Tennis, pool,*
		$1,200		$2.33	*clubhouse,*
Adaptive re-use	1br/1ba	$1,000 to	763	$1.31 to	*fitness center,*
of former carpet factory		$1,425		$1.87	*raquetball.*
	2br/2ba	$1,380 to	1,150	$1.20 to	
		$1,925		$1.67	
	2br/1ba	$1,400 to	1,050	$1.33 to	
		$1,785		$1.70	
	3br/2ba	$1,955 to	1,525	$1.28 to	
		$2,500		$1.64	
		. . . . . Downtown Hartford			
Capitol View	**264**				**99% occupancy**
600 Asylum Street	Studio/1ba	$815 to	400 to	$1.90 to	*Fitness center,*
		$855	450	$2.04	*clubhouse,*
	1br/1ba	$1,040 to	550 to	$1.56 to	*lounge.*
		$1,090	700	$1.89	
	2br/1ba	$1,150 to	700 to	$1.40 to	
		$1,400	1,000	$1.64	
55 On the Park	**136**				**98% occupancy**
(1930: Renovated 2003)	Studio/1ba	$875 to	600 to	$1.46 to	*Concierge,*
55 Trumbull Street		$1,075	715	$1.50	*game room,*
	1br/1ba	$1,100 to	700 to	$1.50 to	*fitness center.*
		$1,300	866	$1.57	
860-527-6683	2br/1ba	$1,450	1,000 to	$1.32 to	
			1,100	$1.45	
	2br/2ba	$1,700	1,200 to	$1.27 to	
			1,340	$1.42	
Park Place Towers (1987)	**451**				**n/a**
24 Park Place	1br/1ba	$910 to	600	$1.52 to	*Outdoor courts,*
		$1,035		$1.73	*pool,*
	2br/2ba	$1,060 to	1,050	$1.01 to	*park.*
		$1,240		$1.18	
	2br/2ba TH	$1,645	1,550	$1.06	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Downtown Springfield, Massachusetts; Downtown Enfield and Downtown Hartford, Connecticut

July, 2013

Property (Date Opened) *Address*	*Number of Units*	*Reported Base Rent*	*Reported Unit Size*	*Rent per Sq. Ft.*	*Additional Information*
		. . . . . Downtown Hartford {continued}.			
Trumbull on the Park (2005)	**100**				**96% occupancy**
100 Temple Street	Studio/1ba	$1,075 to	483	$2.23 to	*Concierge,*
		$1,200		$2.48	*fitness center.*
	1br/1ba	$1,150 to	706 to	$1.63 to	
		$1,650	752	$2.19	
	2br/1ba	$1,750 to	935	$1.87 to	
		$1,900		$2.03	
	2br/2ba	$1,750 to	1,007 to	$1.74 to	
		$2,800	1,078	$2.60	
Bushnell on the Park	**129**				**100% occupancy**
100 Wells Street	Studio/1ba	$1,150	600	$1.92	*Fitness center.*
	1br/1ba	$1,325	760 to	$1.66 to	
			800	$1.74	
	2br/2ba	$1,710 to	1,150 to	$1.49 to	
		$1,850	1,225	$1.51	
The Lofts					
at Main and Temple (2006)	**78**				**100% occupancy**
(Adaptive Re-Use)	Studio/1ba	$1,175 to	607 to	$1.83 to	*Concierge,*
21 Temple Street		$1,750	958	$1.94	*business center,*
	1br/1ba	$1,350 to	726 to	$1.35 to	*fitness center.*
Former Sage Allen		$2,300	1,701	$1.86	
department store	2br/2ba	$1,750 to	1,193 to	$1.47 to	
		$2,200	1,489	$1.48	
	2br/2ba PH	$2,600	1,807	$1.44	
Hartford 21 (2006)	**262**				**93% occupancy**
221 Trumbull Street	1br/1ba	$1,530 to	745 to	$2.05 to	*Concierge,*
		$2,070	971	$2.13	*business center,*
	2br/2ba	$1,815 to	1,089 to	$1.67 to	*fitness center.*
		$2,890	1,435	$2.01	

SOURCE: Zimmerman/Volk Associates, Inc.

-- Multi-Family and Single-Family Attached For-Sale --

In Downtown Springfield, the three largest condominium buildings are Kimball Tower, the former Sheraton Hotel on Chestnut Street, with 132 units; the Classical Condominiums, an adaptive re-use of Springfield's Classical High School on State Street, with 111 units; and McIntosh Condominiums, on Worthington Street, with 40 units. (*See* Table 7.) Only a small number of units were on the market in July, 2013. At Kimball Tower, one-bedroom flats ranging in size from 556 to 866 square feet were listed at prices ranging from $29,900 to $89,500 ($43 to $103 per square foot); a two-bedroom unit, containing 1,330 square feet, was listed at $69,900 ($53 per square foot).

Two condominiums at the McIntosh building were listed, both one-bedroom units, one containing 710 square feet, and the 745 square feet. Both were priced at $70,000 ($94 and $99 per square foot).

Four units were listed at Classical High, the highest-value condominium property in Downtown, with the least expensive unit, a 746-square-foot one-bedroom flat, priced at $72,000, and the most expensive, a 1,710-square-foot two-bedroom, priced at $149,900. The prices per square foot for units listed for sale at Classical High currently range between $78 and $111, a range comparable to condominiums on the market in Forest Park and Sixteen Acres.

There are far fewer condominiums on the market in Downtown Hartford now than there were in 2006. The newest condominium property at the time, the Metropolitan, is now predominantly a rental, although two resale units were on the market in July for $159,900 (1,030 square feet) and $179,000 (852 square feet). In July, the least expensive condominium on the market was a 742-square-foot one-bedroom flat, priced at $144,900 ($195 per square foot), at Bushnell on the Park. The most expensive, a 2,226-square-foot two-bedroom, two-and-a-half bath flat on an upper floor at Bushnell Tower, was listed at $599,900 ($265 per square foot). In general, due to the collapse of the housing market, prices have come down since 2006, when few units were listed at less than $200 per square foot. In the current market, approximately a third of the units are now priced at less than $200 per square foot, and all are below $300 per square foot.

Summary of Selected Multi-Family Listings

City of Springfield, Massachusetts; Downtown Hartford, Connecticut

July, 2013

Building/Area	*Year Built*	*Unit List Price*	*Unit Size*	*Price psf*	*Configuration*
		. . . . . Downtown Condominiums			
Kimball Tower	1910	$29,900	697	$43	1br/1ba
140 Chestnut Street		$37,999	556	$68	1br/1ba
132 du		$69,900	1,330	$53	2br/2ba
		$89,500	866	$103	1br/1ba
McIntosh Building	1905	$70,000	745	$94	1br/1ba
385 Worthington Street		$70,000	710	$99	1br/1ba
40 du					
Classical High	1897	$72,000	746	$97	1br/1ba
State Street		$105,000	1,350	$78	2br/1ba
111 du		$113,800	1,026	$111	2br/1ba
		$149,900	1,710	$88	2br/2ba
		. . . . .Other Springfield Condominiums			
Mulberry House	1955	$49,900	715	$70	1br/1ba
101 Mulberry Street					
120 du					
Sumner Place	1991	$109,900	925	$119	2br/2ba
Sumner Avenue		$119,999	925	$130	2br/2ba
48 du					
Georgetown	1968	$118,000	686	$172	1br/1.5ba
Sixteen Acres	1972	$88,000	860	$102	1br/1ba
	1972	$92,900	805	$115	1br/1ba
	1988	$114,900	1,106	$104	2br/2ba
	1975	$117,500	865	$136	1br/1.5ba
	1975	$117,500	865	$136	1br/1.5ba
	1988	$124,900	1,070	$117	2br/2ba
	1972	$125,000	1,287	$97	3br/2ba
	1972	$129,900	1,053	$123	2br/2ba
	1988	$136,900	1,106	$124	2br/2ba
Forest Park	1920	$42,500	950	$45	2br/1ba
	1895	$44,000	664	$66	1br/1ba
	1920	$45,000	950	$47	2br/1ba
	1968	$159,500	1,096	$146	2br/1ba

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

Summary of Selected Multi-Family Listings

City of Springfield, Massachusetts; Downtown Hartford, Connecticut

July, 2013

Building/Area	*Year Built*	*Unit List Price*	*Unit Size*	*Price psf*	*Configuration*
		. . . . . *Springfield Townhouses*			
East Forest Park	1950	$28,000	875	$32	2br/1ba
		$32,000	875	$37	2br/1ba
		$38,000	875	$43	2br/1ba
		$38,000	875	$43	2br/1ba
		$45,000	950	$47	3br/1ba
		$48,000	875	$55	2br/2ba
Sixteen Acres	1989	$89,000	1,526	$58	2br/2ba
	1975	$109,900	1,091	$101	2br/2ba
	1988	$121,900	1,150	$106	2br/2ba
	1988	$132,900	1,296	$103	2br/2ba
	1975	$135,000	1,470	$92	2br/2ba
	1975	$147,000	1,514	$97	3br/2.5ba
Marengo Park *21 Marengo Park*	1991	$109,900	2,193	$50	3br/1ba
Forest Park	1968	$158,900	884	$180	2br/2ba

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

Summary of Selected Multi-Family Listings

City of Springfield, Massachusetts; Downtown Hartford, Connecticut

July, 2013

Building/Area	*Year Built*	*Unit List Price*	*Unit Size*	*Price psf*	*Configuration*
		. . . . . Downtown Hartford Condominiums			
Bushnell on the Park	1978	$144,900	742	$195	1br/1ba
100 Wells Street					
129 du					
The Metropolitan	2005	$159,900	1,030	$155	2br/2ba
266 Pearl Street		$179,000	852	$210	1br/1ba
49 du					
Bushnell Tower	1969	$164,900	796	$207	1br/1ba
1 Gold Street		$167,300	1,133	$148	2br/2ba
176 du		$179,000	796	$225	1br/1ba
		$205,000	809	$253	1br/1ba
		$249,900	1,133	$221	2br/1ba
		$259,000	1,133	$229	2br/2ba
		$285,000	1,258	$227	2br/2ba
		$299,900	1,440	$208	1br/1.5ba
		$325,000	1,927	$169	2br/2ba
		$339,900	1,445	$235	2br/2ba
		$599,900	2,266	$265	2br/2.5ba
The Linden	1895	$183,900	1,133	$162	1br/1ba
Linden Place		$194,900	1,704	$114	2br/2ba
71 du		$349,000	2,193	$159	3br/2.5ba
Goodwin Estate	2004	$525,000	2,072	$253	2br/2ba
1280 Asylum Avenue					
63 du					

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

MARKET-RATE RENT AND PRICE RANGES: DOWNTOWN SPRINGFIELD

From the development and market perspective, major obstacles to new residential development in Downtown Springfield, noted in the 2006 analysis, that continue to be a challenge include:

- Safety concerns: Although there have been significant safety improvements in Downtown, there is still a perception that safety is an issue.
- Neglected or vacant properties: Vacant properties and empty lots are a deterrent to potential urban residents, as they contribute to the perception that downtown and the surrounding areas are neglected, and/or dangerous neighborhoods.
- High costs: The high costs of materials and labor, in addition to the typically high cost of adaptive re-use, without incentives or subsidies, drive rents and prices beyond the reach of many potential residents.
- Financing challenges: Restrictive mortgage underwriting and development finance continues to be a challenge to developers and mortgages are still difficult to obtain for many potential buyers.

From the perspective of the housing consumer, the existing assets of Downtown Springfield that make it an attractive place to live include:

- Historic buildings: There are numerous civic, commercial, and residential buildings that are architecturally and/or historically significant, that would be impossible to recreate with new construction, and that provide a distinctive identity for the city.
- Employment: Downtown remains a significant regional employment center.
- Culture and Entertainment: Nearly all of the major cultural venues of the region are located in Downtown Springfield.
- Walkability: The Downtown is compact enough to walk from one end to the other, although, due to the number of open parking lots, the quality of the pedestrian experience is still less than optimum.
- Parks: Stearns Square and Tower Square Park are gathering places for city residents; Court Square is the civic heart of the city.
- The Riverfront: The riverfront continues to be a tremendous asset for Downtown, particularly the Riverwalk and Bikeway projects.

- Tourism: Venues such as the Museum Quadrangle, the MassMutual Center, the Basketball Hall of Fame, Symphony Hall and City Stage, the Club Quarter, and the summer concerts which make Downtown a tourist destination are also great assets to downtown residents.
- Location and Access: Downtown continues to be well positioned in the citywide and regional transportation and arterial network, which makes it a convenient and highly accessible area.

What will they pay to live in Downtown Springfield?

The market-rate rent range covers leases by households with annual incomes starting at $35,000. A single-person household with an income of $35,000 per year, paying no more than 30 percent of gross income for rent and utilities (the national standard for affordability) would qualify for a rent of $700 per month for a studio or one-bedroom apartment. A two- or three-person household, with an income of $85,000 or more per year, paying no more than 30 percent of gross income for rent and utilities, would qualify for a rent of $2,000 per month.

The market-rate price range covers purchases by households with annual incomes ranging starting at $45,000. As in 2006, this analysis did not assess affordability based on the use of non-standard mortgage instruments, but rather typical 30-year mortgages, with either a 10 or 20 percent down payment, at prevailing interest rates.

Based on the housing preferences and the socio-economic and lifestyle characteristics of the target households in 2013, and the relevant residential context in the Springfield market area, the general range of rents and prices for newly-developed market-rate residential units in the Downtown that could currently be sustained by the market is shown on the following page (*see also* Table 8):

Rent, Price and Size Range
Newly-Created Housing (Adaptive Re-Use and New Construction)
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
RENTAL—			
Soft Lofts/Apartments †	$700–$1,500/month	450–1,000 sf	$1.50–$1.56 psf
Luxury Apartments	$1,200–$2,000/month	650–1,250 sf	$1.60–$1.85 psf
FOR-SALE—			
Soft Lofts/Apartments †	$130,000–$175,000	700–1,000 sf	$175–$186 psf
Luxury Condominiums	$215,000–$395,000	1,100–2,000 sf	$195–$198 psf
Rowhouses	$185,000–$250,000	1,000–1,450 sf	$172–$185 psf
Live-Work	$225,000–$265,000	1,250–1,500 sf	$177–$180 psf

† 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., 2013.

The above rents and prices are in year 2013 dollars, are exclusive of consumer options and upgrades, floor or location premiums, and cover the broad range of rents and prices that could, in normal economic conditions, be sustained by the market in Downtown Springfield. Although annual incomes have risen for many households in the city over the past five years, the higher down payments currently required by lenders will preclude many younger households from becoming first-time buyers. Because of these affordability issues, it would seem that older households should therefore comprise a greater percentage of the market over the next two or three years. However, continued weakness in the resale market is currently constraining a significant number of these buyers as well.

Buyers with low down payments remain at a disadvantage when seeking mortgages; however, FHA is still insuring loans for credit-worthy buyers (500 minimum credit score, although most lenders require credit scores of at least 620) at a 3.5 percent down payment. Buyers with low down payments will face mortgage insurance surcharges whether financing with an FHA loan or a conventional mortgage conforming to Fannie Mae and Freddie Mac guidelines. High loan-to-value mortgages are available again to buyers with good credit ratings.

Table 8

Optimum Market Position--Market-Rate Dwelling Units
Downtown Springfield

City of Springfield, Hampden County, Massachusetts

August, 2013

Housing Type	*Base Rent/Price Range**	*Base Unit Size Range*	*Base Rent/Price Per Sq. Ft.**	*Annual Market Capture*
Multi-Family For-Rent				**82 to 123 units**
Soft Lofts/Apartments *Studios to Two-Bedrooms*	$700 to $1,500	450 to 1,000	$1.50 to $1.56	
Luxury Apartments *One- and Two-Bedrooms*	$1,200 to $2,000	650 to 1,250	$1.60 to $1.85	
Multi-Family For-Sale				**9 to 18 units**
Soft Lofts/Apartments *One- and Two-Bedrooms*	$130,000 to $175,000	700 to 1,000	$175 to $186	
Luxury Condominiums *Two- and Three-Bedrooms*	$215,000 to $395,000	1,100 to 2,000	$195 to $198	
Single-Family Attached For-Sale				**15 to 30 units**
Rowhouses *Two- and Three-Bedrooms*	$185,000 to $250,000	1,000 to 1,450	$172 to $185	
Live-Work *One- and Two-Bedrooms* *500 sf work space*	$225,000 to $265,000	1,250 to 1,500	$177 to $180	

NOTE: Base rents/prices in year 2013 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

For the most part (and depending on location), the rents and prices outlined above cannot be achieved by the development of one or two infill units, but require that projects be of sufficient size (at least 10 units) to achieve development efficiency and to support a high-impact marketing campaign. Location will also have a significant impact on rents and prices; projects situated within a short walking distance of high-value amenities, such as restaurants, theaters, shops, or employment, will likely command rents and prices at the upper end of values. Those projects in less desirable locations are likely to command rents and prices at the lower end of values.

Apartments located in the upper floors of buildings with ground-floor commercial uses (mixed-use buildings) would be especially appropriate in Downtown Springfield. The upper floors of smaller buildings are usually suitable for conversion to apartments; however, many of the owners of these buildings have no experience with residential and are therefore reluctant to commit to residential conversion. Several cities have upper-floor programs to assist in these conversions. A very successful example is the Pittsburgh Vacant Upper Floors Program that provides free pre-development consultation and schematic drawings for building owners considering renovation of their upper floors as well as gap financing to owners of buildings with up to eight floors of potential residential development.

In addition to adaptive re-use of existing vacant buildings, the residential conversion of Class B office buildings, particularly if the office market for Class B space is very soft, can have a salutary effect on a downtown. These buildings are likely to yield a greater number of dwelling units than two- and three-story conversions, increasing the downtown population at a more rapid pace. In addition, the conversion of high-vacancy Class B buildings to residential takes them out of the commercial market, resulting in a decline in office vacancy rates, sometimes to the extent that demand for new office construction is induced.

How fast will the units lease or sell?

After more than 25 years' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, over the near term, those households that can afford, and would prefer new construction, rather than existing or renovated previously-occupied units, currently represent 10 percent of the potential rental market, and five percent of the potential for-sale market, given the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation; in 2012, that percentage had dropped to just 8.5 percent of all units sold) However, short-term absorption projections (market capture) could potentially be lower than the annual number of units described below due to the uncertain timing of a full recovery of the mortgage and housing markets.

Longer-term, those households that can afford, and would prefer new construction, rather than existing or renovated previously-occupied units, would comprise 15 percent of the potential rental market, and 10 percent of the potential for-sale market, again given the production of appropriately-positioned new housing.

Based on a 10 percent (short-term) to 15 percent (longer-term) capture of the potential market for new rental housing, and a five percent (short-term) to 10 percent (longer-term) capture of the potential market for new for-sale housing units, Downtown Springfield should be able to support up to 106 new market-rate housing units per year over the short term (next three years) and up to 171 units per year in the longer term (four to seven years), as follows:

Annual Capture of Market Potential
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	820	10% to 15%	82 to 123
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	180	5% to 10%	9 to 18
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	300	5% to 10%	15 to 30
Total	1,300		106 to 171

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

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.

IN-UNIT AMENITIES

Many of the amenities outlined in the 2006 analysis are still relevant in 2013. However, as more and more Millennials join the housing market, their preferences for sustainability and environmentally-friendly dwelling units should be included in unit and building design and renovation.

In-unit amenities need not be elaborate, simply well-chosen. Renters will expect contemporary, durable finishes appropriate to urban living, as opposed to the "beige" interiors of conventional multi-family housing.

As recommended in 2006, all units should be wired for cable television and high-speed internet or, if practical, be served by a building-wide Wi-Fi system. For loft units in adaptive re-use structures, existing floors should be salvaged and refinished wherever possible. Although many lofts are designed without interior walls, with the exception of the bathroom, as much closet and storage space as possible should be provided. Wherever possible, masonry walls should be exposed

All units types should include as much closet and storage space as possible; this is particularly important for the smaller units.

All kitchens should be designed to include an island or peninsula counter with integral or undermount sinks.

Although until recently, granite kitchen countertops have been the norm for urban development and redevelopment, it is recommended that "green" alternatives be considered as an appeal to the target markets' environmental sensitivity. Products to consider include Fireslate, Richlite and PaperStone, which are composed of recycled materials; CaesarStone and Silestone—quartz composite materials—or new terrazzo products such as Vetrazzo or IceStone. Durability and maintenance issues should be the criteria when selecting from among these relatively-new materials. For example, "solid surface" materials, such as the Corian, should be avoided because they are susceptible to damage by hot cookware.

Kitchen backsplashes should either match the countertop material or be finished in tile. Cabinets should have flush fronts with integral or contemporary pulls, in one or two distinctive finishes, such as frosted glass for upper cabinets. Appliances should be at least mid-grade with white, black or stainless fronts. The standard appliance package should include range, range hood/microwave, garbage disposer, dishwasher, refrigerator and a stacked washer-dryer.

Lighting fixtures should have clean and minimalist designs, capable of accommodating compact fluorescent or LED bulbs. Each unit should include one combination duplex outlet/USB charging socket located at the dry end of the kitchen counter. Walls should be drywall-finished with simple contemporary baseboards. Doors should be flush, matched-grain wood with stainless handles and hardware. Flooring should be a contemporary material such as bamboo or stained and scored concrete, with carpet in the bedrooms and ceramic in the bathrooms.

Bathrooms should have a standard contemporary finish package, including tile floors, countertops of materials similar to the grade used in the kitchens, and integral or vessel-style lavs. All fixtures, faucets and lighting should be clean, minimalist and contemporary. Again, lighting should accommodate compact fluorescent or LED bulbs.

In two-bathroom units, one bath should have a tiled stall shower. All the studios, and half of the one-bedroom units should have a stall shower rather than the typical tub/shower combination. Baths should feature massaging showerhead and clear glass enclosure for stall showers.

Units should also include unexpected features such as heated towel racks in baths, or a kitchen accent wall finished in a neutral hue "chalkboard" paint.

Building security should be provided with a video intercom entrance system with key fob-activated entry for residents. Unit-specific alarm security could be provided for an extra monthly fee.

Special unit types appropriate for Downtown apartments are the alcove studio, the mezzanine loft, the split two-bedroom, and the maisonette.

- Alcove Studio: A relatively-large, L-shaped efficiency unit with a small sleeping alcove. Usually of a size that would accommodate a separate bedroom, these units cater to renters who prefer a more open, loft-like plan.

- Mezzanine Loft: A large open floorplan with high ceilings, one wall of large scaled windows, and the sleeping area located on a raised platform that is open to the space below (the mezzanine), usually with a workspace/kitchen beneath it. A small mezzanine loft will have the bathroom on the main floor; larger mezzanine lofts will have a primary bathroom on the mezzanine and a half bath on the main floor.

- Split Two-Bedroom: A two-bedroom, two-bath apartment that has non-adjacent bedrooms. Typically one bedroom has an en-suite bath, while the other is located directly next to the hall bath. Split two-bedroom units cater to roommates and small families.

- Maisonette Apartment: An apartment that is integral to a multifamily apartment building, but that includes a private, individual entrance at ground level facing the street, a pedestrianway or an internal courtyard.

Additional Amenities

Compared to national averages, the target households for downtown housing units lead active lives, with higher-than-average participation rates in a variety of recreational activities. These households also have an urban orientation and have relatively high participation rates in many cultural and social activities. 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—therefore hold a significant market advantage.

Because of the high value placed by the potential market on intimate urban green spaces, additional small "pocket parks" should be created on "leftover" land throughout the Downtown. Some of these parks could be specialized, such as "Bark Parks," where residents can take their dogs, or just a small green area, perhaps enhanced by a sculpture, but including seating that is shaded by trees.

Bicycle ownership and usage has been rising rapidly in downtowns and urban neighborhoods across the country, particularly in cities that have actively encouraged bicycling on city streets, most simply by the use of "sharrows," more aggressively by the use of delineated bike lanes. Given the target households' higher-than-average participation in bicycling, sharrows and/or bike lanes should be a high priority for Downtown streets.

METHODOLOGY

The update of the technical analysis of market potential for Downtown Springfield included confirmation of the draw areas—based on the most recent migration data for Hampden County, and incorporating additional data from the 2011 American Community Survey for the City of Springfield—as well as compilation of the current limited residential rental and for-sale activity in the Springfield market area.

The evaluation of the city's market potential was derived from the updated 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 referenced here 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 Springfield. These data are maintained at the county and "county equivalent" level by the Internal Revenue Service and provide a clear representation of mobility patterns. The migration data for the city has been supplemented by mobility data from the 2011 American Community Survey.

Appendix One, Table 1.
Migration Trends

Analysis of the most recent Hampden County migration and mobility data available from the Internal Revenue Service—from 2005 through 2009—shows that the county continued to experience net migration losses throughout the study period, with net out-migration ranging from a loss of 730 households in 2008 to a loss of just under 1,600 households in 2006. (*See* Appendix One, Table 1.) The 2006 analysis showed that Hampden County's net household losses ranged between 385 households in 2001 to more than 1,250 households in 2004.

Annual in-migration into Hampden County ranged from 5,460 households in 2009, (the lowest in-migrating total over the study period) to 5,935 households in 2007 (the highest in-migrating total). Between 22 and 23 percent of the county's in-migration is from Hampshire County, the adjacent county to the north, with another eight to nine percent from Hartford County, Connecticut to the south. Worcester County, to the east, accounts for six to eight percent of Hampden County's in-migration. Households from the Boston region (Middlesex, Suffolk, Essex, and Norfolk Counties are also significant sources of Hampden County's in-migrating households.

Annual out-migration from Hampden County ranged between the low of 6,455 households in 2009 to the high of nearly 7,450 households in 2005 and 2007. Between 18 and 20 percent of the out-migration is also to Hampshire County; collectively, the majority of out-migration is to other New England counties.

As noted in the previous study, 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.

Based on the updated migration data, then, the draw areas for the City of Springfield have been confirmed as follows:

- The primary (internal) draw area, covering households in groups with median incomes of $50,000 or more currently living within the Springfield city limits.

- The local draw area, covering households in groups with median incomes of $50,000 or more currently living in the balance of Hampden County.

- The regional draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Springfield from Hampshire and Worcester Counties, Massachusetts, and Hartford County, Connecticut.

- The metropolitan Boston draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Springfield from Middlesex, Suffolk, Essex, and Norfolk Counties, Massachusetts.

- The national draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Springfield from all other U.S. counties.

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 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 The Nielsen Company (formerly 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 households in groups with median incomes above $50,000 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

Of the estimated 56,810 households living in the City of Springfield in 2013 (Nielsen estimates), 45.5 percent, or 25,830 households, are in groups with median incomes of $50,000 or more. (*Reference* Appendix One, Table 2.) Nearly 44 percent of these households can be classified as empty nesters and retirees (up from 36.2 percent in 2006), another 31.2 percent are traditional and non-traditional families (down slightly from 33.8 percent), and 25 percent are younger singles and couples (down from 30 percent).

Approximately 63.5 percent, or 114,620 households, of the 180,455 households estimated to be living in Hampden County in 2013 (again, Nielsen estimates) are in groups with median incomes of $50,000 or more. (*Reference* Appendix One, Table 3.) Just over 51 percent of these households are classified as empty nesters and retirees (up from 42 percent in 2006), another 25.7 percent are traditional and non-traditional families (down from 34.5 percent), and the remaining 22.9 percent are younger singles and couples (down slightly from 23.5 percent).

<u>Target Market Methodology</u>:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering 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.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant "predictable variables," ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as "behaviors," such as mobility rates, lifestage, and lifestyle patterns. Mobility rates detail how frequently a household moves from one dwelling unit to another; lifestage denotes what stage of life the household is in, from initial household formation (typically when a young person moves out of his or her parents' household into his or her own dwelling unit), through family formation (typically, marriage and children) to retirement (typically, no longer employed); and lifestyle patterns reflect the ways households choose to live, *e.g.*, an urban lifestyle includes residing in a dwelling unit in a city, most likely high-density, and implies the ability to walk to more locations than a suburban lifestyle, which is most likely lower-density and typically requires automobile ownership to get to non-residential locations. 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, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 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.

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 SPRINGFIELD (MOBILITY ANALYSIS)—

The updated mobility tables, individually and in summaries, indicate the average number and type of households that have the potential to move within or to the City of Springfield each year over the next five years. The total number from each county is derived from historical 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 Springfield)—

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

After updating these data, Zimmerman/Volk Associates has determined that an average of 3,435 households (up from 3,100 households in 2006), currently living in the City of Springfield, and in groups with median incomes of $50,000 or more, have the potential to move from one residence to another within the city each year over the next five years. This is an increase of 335 households since

2006. Nearly half of these households are likely to be younger singles and couples (as characterized within six Zimmerman/Volk Associates' target market groups and a considerably higher percentage than the 39 percent in 2006); another 33.5 percent are likely to be traditional and non-traditional families (in seven market groups, down two percentage points from 2006); and the remaining 17 percent are likely to be empty nesters and retirees (in seven market groups, down significantly from almost 25 percent in 2006).

Appendix One, Table 5.
Internal Mobility (Households Moving To the City of Springfield from the Balance of Hampden 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. Updating these data, and average of more than 2,500 households, currently living in the balance of Hampden County, and in groups with median incomes of $50,000 or more, have the potential to move from a residence in the county to a residence in the City of Springfield each year over the next five years. This represents little change since 2006. Nearly 47 percent of these households are likely to be younger singles and couples (in nine market groups, up from 28.4 percent in 2006); 29.6 percent are likely to be empty nesters and retirees (in 13 groups, down from 35.2 percent in 2006); and the remaining 23.7 percent are likely to be traditional and non-traditional families (in 11 groups, down from just over 36 percent in 2006).

Appendix One, Tables 6 through 8; Appendix Two, Tables 1 through 3; Appendix Three, Tables 1 through 4.
External Mobility (Households Moving To the City of Springfield from Outside Hampden County)—

These tables determine the average number of households in each target market group living in each draw area county that are likely to move to the City of Springfield each year over the next five years (through a correlation of Nielsen data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 9.
Market Potential for the City of Springfield—

Appendix One, Table 9 summarizes Appendix One, Tables 4 through 8. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing dwelling units in the City of Springfield each year over the next five years originating from households in groups with median incomes of $50,000 or more currently living in the draw areas. An average of 7,695 households in groups with median incomes of $50,000 or more have the potential to move within or to the City of Springfield each year over the next five years. This is an overall decrease of approximately 155 households since 2006. Younger singles and couples are likely to account for 51 percent of these households (in 12 market groups, up from approximately 35 percent in 2006); another 27.6 percent are likely to be traditional and non-traditional families (in 13 groups, down from approximately 35 percent in 2006); and 21.3 percent are likely to be empty nesters and retirees (in 14 groups, down from 28.2 percent in 2006).

The updated migration, mobility and target market analyses show that the draw areas remain relatively unchanged; however, the impact of the Great Recession on household mobility has been significant, with fewer households moving each year since 2006. Through 2009, again, the latest year for which information is available from the Internal Revenue Service, the draw area distribution of market potential (those households with the potential to move to City of Springfield) is shown on the following table:

Market Potential by Draw Area
City of Springfield, Hampden County, Massachusetts

City of Springfield (Primary Draw Area):	44.6%
Balance of Hampden County (Local Draw Area):	32.7%
Hampden, Worcester, and Hartford Counties (Regional Draw Area):	8.3%
Middlesex, Suffolk, Essex, and Norfolk Counties (Boston Draw Area):	1.7%
Balance of US (National Draw Area):	12.7%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

DETERMINATION OF THE POTENTIAL MARKET FOR DOWNTOWN SPRINGFIELD—

As in 2006, the total potential market for the new housing units developed within existing buildings or new construction within Downtown Springfield includes the same draw areas as for the city as a whole. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen data, to determine which target market groups, as well as how many households within each group, are likely to move to the Downtown each year over the next five years.

Appendix One, Tables 10 through 12.
Market Potential for Downtown Springfield—

As updated by the target market methodology, an average of 2,280 households have the potential to move to Downtown Springfield each year over the next five years, approximately eight percent higher than the 2006 number of 2,110 households. (*Reference* Appendix One, Table 10.) Over 50 percent of these households are likely to be younger singles and couples (in 10 market groups, and up from 48 percent in 2006); another 38.6 percent are likely to be empty nesters and retirees (in nine groups, down from 40.3 percent in 2006); and 10.9 percent are likely to be traditional and non-traditional family households (in six groups, down from 11.4 percent in 2006).

The updated distribution of the draw areas as a percentage of the market for Downtown Springfield is as follows:

Market Potential by Draw Area
DOWNTOWN SPRINGFIELD
City of Springfield, Hampden County, Massachusetts

City of Springfield (Primary Draw Area):	37.5%
Balance of Hampden County (Local Draw Area):	31.6%
Hampshire, Worcester, Hartford Counties (Regional Draw Area):	10.0%
Middlesex, Suffolk, Essex, Norfolk Counties (Boston Draw Area):	5.5%
Balance of US (National Draw Area):	15.4%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

The City of Springfield and Hampden County account for a significantly greater share of market potential for the Downtown in 2013, at 69.1 percent, than in 2006, at 55.9 percent. As noted above, this can in large part be attributed to the Great Recession and the concurrent collapse of housing prices. Historically households have moved less frequently during recessionary periods.

The 2,280 draw area households that have the potential to move within or to Downtown Springfield each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Thirty-six percent of these households (or 820 households, up from 430 households in 2006) comprise the potential market for new market-rate rentals. The remaining 64 percent (or 1,460 households, down from 1,680 households in 2006) comprise the market for new market-rate for-sale (ownership) housing units. (*Reference* Appendix One, Table 11.)

Of these 1,460 households, 12.3 percent (or 180 households) comprise the market for multi-family for-sale units (condominium apartments and lofts); this is a considerably smaller percentage of the ownership market than the 23.8 percent in 2006. Another 20.5 percent (300 households, down from 320 households, but up from 19 percent of the ownership market in 2006) comprise the market for attached single-family (townhouse or duplex) units. The remaining 67.1 percent (or 980 households, up from 57.1 percent and 960 households in 2006) comprise the market for all ranges and densities of single-family detached houses. (*Reference* Appendix One, Table 12.)

—Target Market Data—

Target market data are based on the Nielsen 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-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 were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 "behaviors."

Over the past 25 years, Zimmerman/Volk Associates has augmented the PRIZM cluster systems 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 households in groups with median incomes of $50,000 or more 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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