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# **Marion County Comprehensive Housing Analysis Study**

**Presented to: Marion County Stakeholders**

**Presented by: Matt Mullins | Maxfield Research & Consulting LLC**

**March 31, 2016**

# Maxfield Research & Consulting, LLC

## Overview

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

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



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# Project Scope

## OBJECTIVE

Provide custom comprehensive housing study

## APPROACH

Identify current & future housing needs for residents in Marion County and provide framework for meeting housing needs

## PROJECT DELIVERABLES

- Short and long-term housing needs
- Recommendations guiding future housing development
- Tools/policies to implement the plan

## KEY DATES

- Data collection: 4<sup>th</sup> Quarter 2015/1<sup>st</sup> Quarter 2016
- Draft: February 2016
- Presentation: March 31, 2016
- Final: March 2016



# Housing Study Objective

- Identify existing and future housing needs for Marion County residents that will provide a framework for future housing development.
- Develop basis for community leaders, stakeholders, and decision-makers to guide future housing needs initiatives in Marion County.

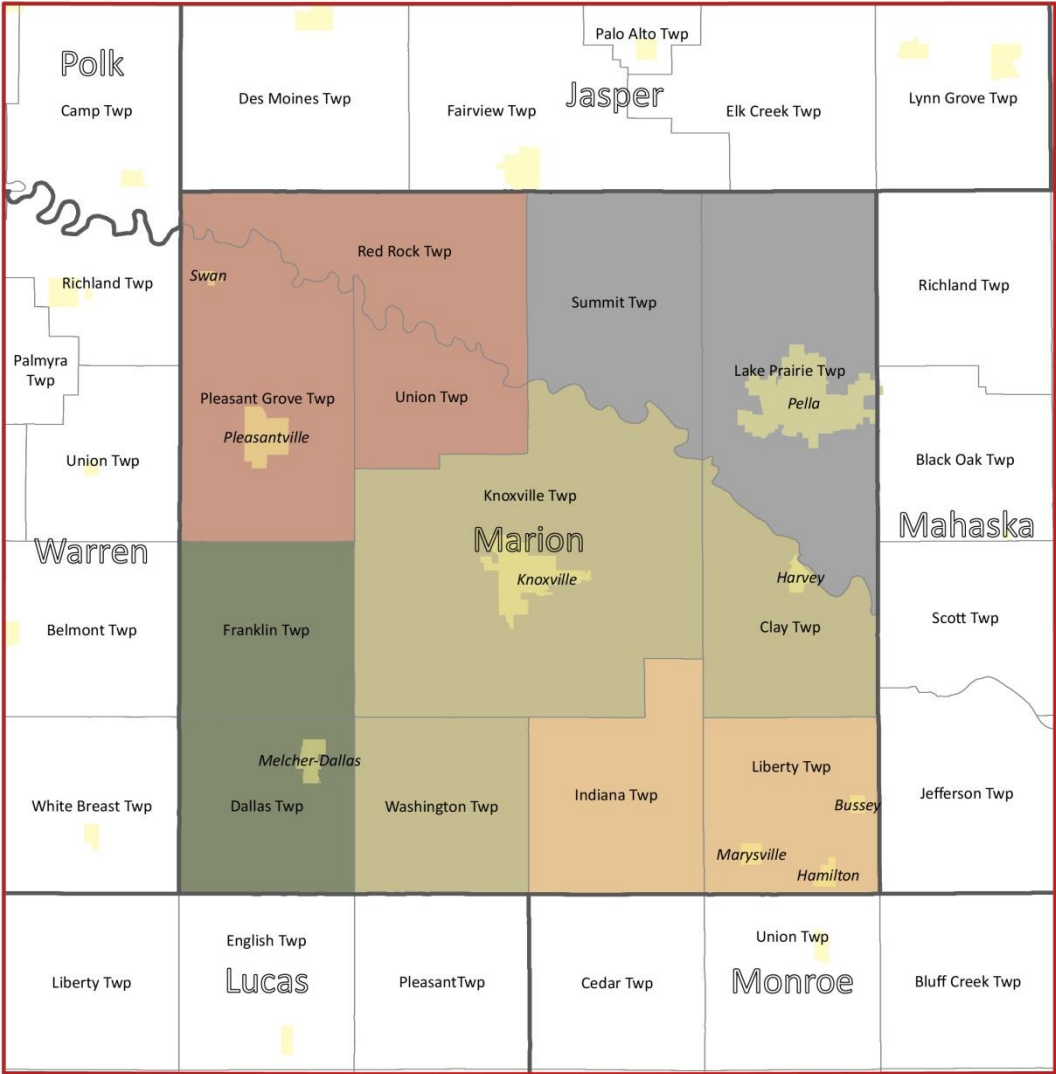


# End User Benefits

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



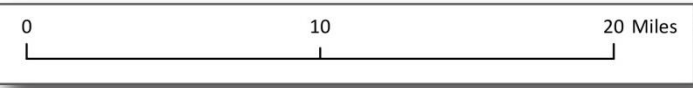
# Marion County Submarkets



Defined as five submarkets:

- Pella MA
- Knoxville MA
- Pleasantville MA
- Melcher-Dallas MA
- Southeast MA

1776-01\_Marion County Submarkets



# Growth through 2020

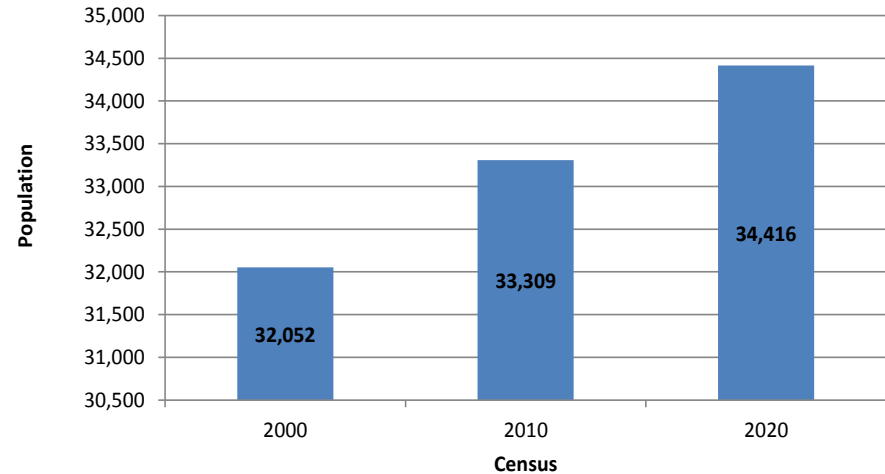
## Historic Findings

- Marion County last decade
  - Population +1,257 (3.9%)
  - Households +706 (5.9%)
  - Significant growth in Pella MA population +1,038 (8%)
  - Pella MA: 83% of county population growth

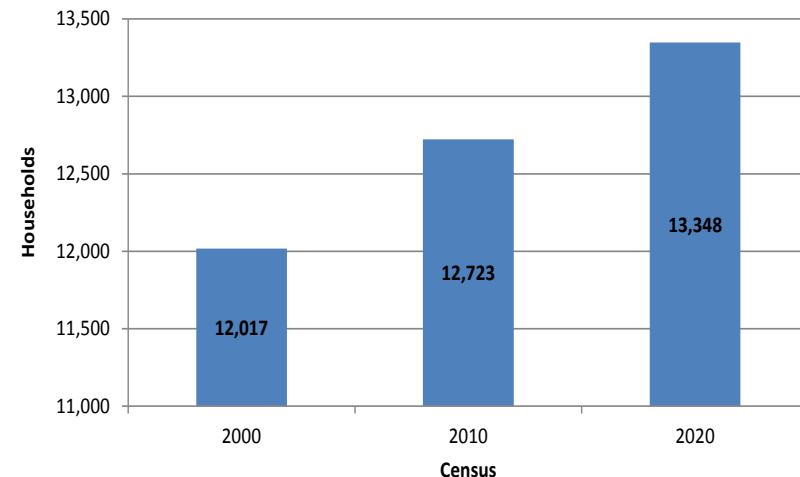
## Projections (2010-2020)

- Population and household growth projected through 2020
  - Marion County
    - Population +1,107 (3.3%)
    - Households +625 (4.9%)
- Growth led by Pella & Pleasantville MA's

Population Projections



Household Projections



# 55+ age cohorts driving growth

## ➤ Population is aging:

- 55+ age cohort accounts for most adult population growth
- Baby boomers account for 23% of total population (Marion County)
- 65-74 projected to have largest numerical growth (+19.8%) of total population from 2015 to 2020

## ➤ Household types:

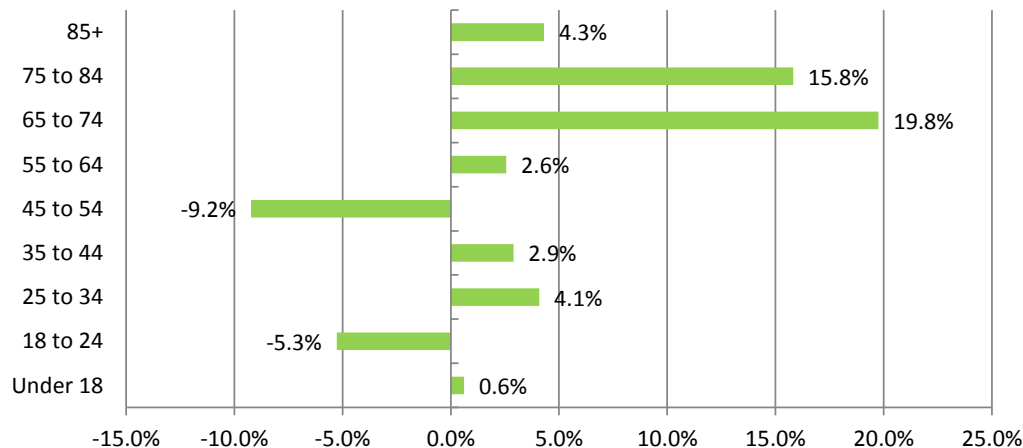
- Increase in all HH types except Married w/Children
- 26% of households live alone in Marion County (2010)

## ➤ Household size is decreasing: 2000: 2.67 | 2010: 2.62 | 2025: 2.57

## ➤ 75% Home ownership rate (2010)

- Pella MA: 72.4%
- Knoxville MA: 73.2%
- Pleasantville MA: 81.9%
- Melcher-Dallas MA: 85.5%
- Southeast MA: 84.4%
- Iowa: 72.1%

Marion County  
Projected Growth by Age Group  
2015-2020

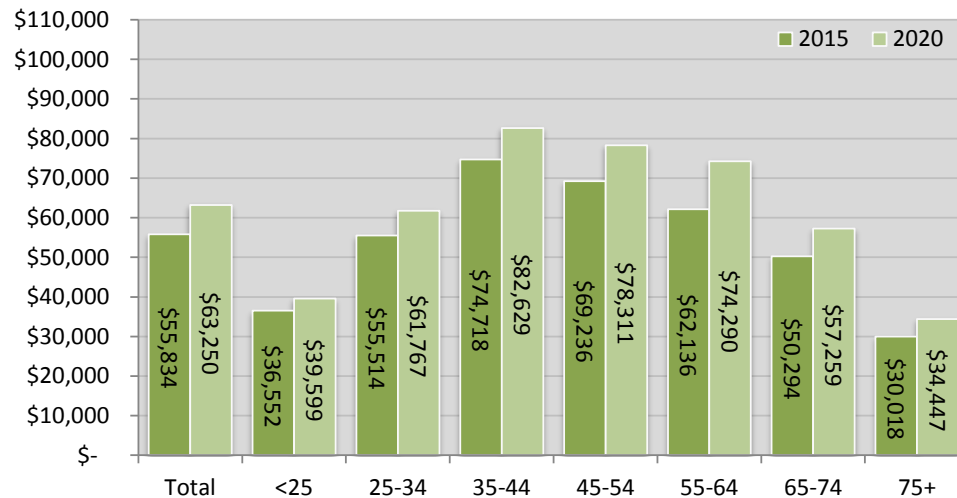




# Household Incomes

- Median Income (2015):
  - Marion County : \$55,834
  - Pella MA: \$64,203
  - Knoxville MA: \$50,944
  - Pleasantville MA: \$59,445
  - Melcher-Dallas MA: \$45,612
  - Southeast MA: \$49,457
- Projected increase by 2020:
  - +13.3% to \$63,250
  - +2.7% annual increase
- Highest earners : 35-44 age cohort (2015)
  - \$74,718
- 2015 Median income
  - Non-seniors: \$64,855
  - Seniors: \$49,455
- 2014 Income disparity by tenure
  - \$64,793 (owner) vs. \$29,869 (renter)

Median Income by Age of Householder  
Marion County: 2015 & 2020



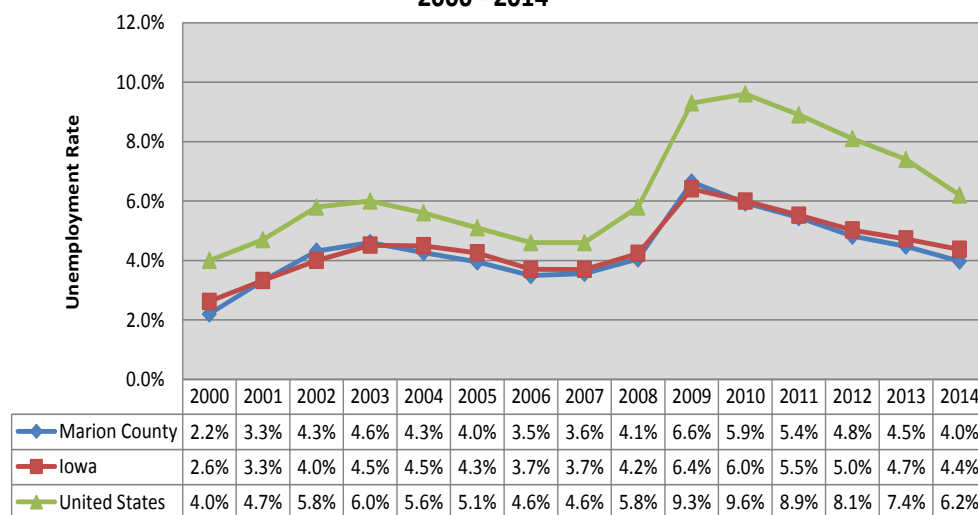
# Marion County is a major job importer

## Employment

- Slightly lower than Iowa's unemployment rate 4.3%
- Key Marion County Industry Sector Jobs:
  - Manufacturing: 38%
  - Education and Health Services: 21%

- Marion County is an importer of workers
  - 8,310 workers; inflow
  - 6,366 workers; outflow
  - +1,944 net job gain
- Avg. Ann. wages (2014): \$42,128
  - Manufacturing: \$58,003
  - Education/Health: \$35,924
  - Trade/Transp: \$31,550

Unemployment Rate  
Marion County  
2000 - 2014



# Slowdown in housing starts since recession...

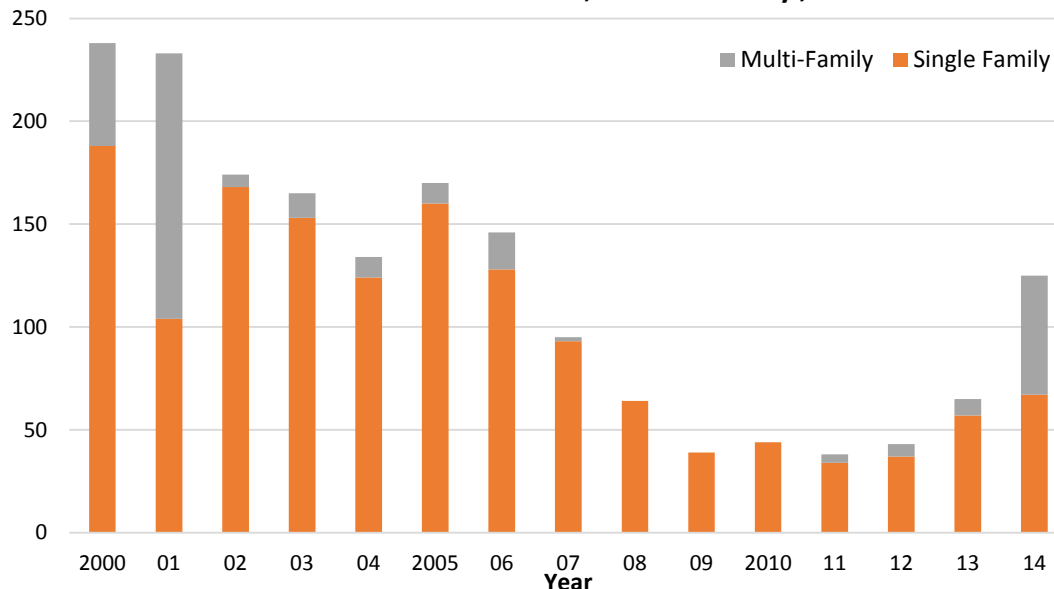
## New Construction Activity

- 1,773 housing units constructed in Marion County (2000-2014)
  - Avg. 97 SF & 21 MF units/year
  - 2000-06: Avg. 180 units/year
  - 2007-14: Avg. 64 units/year
- Pella Avg. 46 units/year
- Knoxville Avg. 14 units/year

## American Community Survey (2014)

- Housing stock:
  - 22% built prior to 1940s
  - 15% built in the 1990s
  - 14% built in the 2000s
- Single Family Detached: 93% of all owner-occupied housing structures
- 63% of Marion County owners have mortgage

New Construction Residential Units, Marion County , 2000-2014



# Older rental market supply

## Overall (interviewed properties only)

- 869 units | 40 projects
- 5.3% vacancy rate

## Market Rate

- 537 units | 25 projects
- 4.3% vacancy rate
- Avg. rent range:
  - 1BR: \$350 to \$675
  - 2BR: \$410 to \$800
  - 3BR: \$850
- Est. price per sq. ft. \$0.75

## Affordable/Subsidized

- 332 units | 15 projects
- 6.6% vacancy rate



5% Vacancy = Market Equilibrium



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# Lower senior vacancy rates

## Market Area Overall

- 374 units | 4.8% vacancy rate

## Market Rate

- 61 units active adult rental
- 91 units congregate (independent living)
- 117 units assisted living
- 35 units memory care



## Affordable/ Subsidized

- 70 units active adult rental
- Rents based on income



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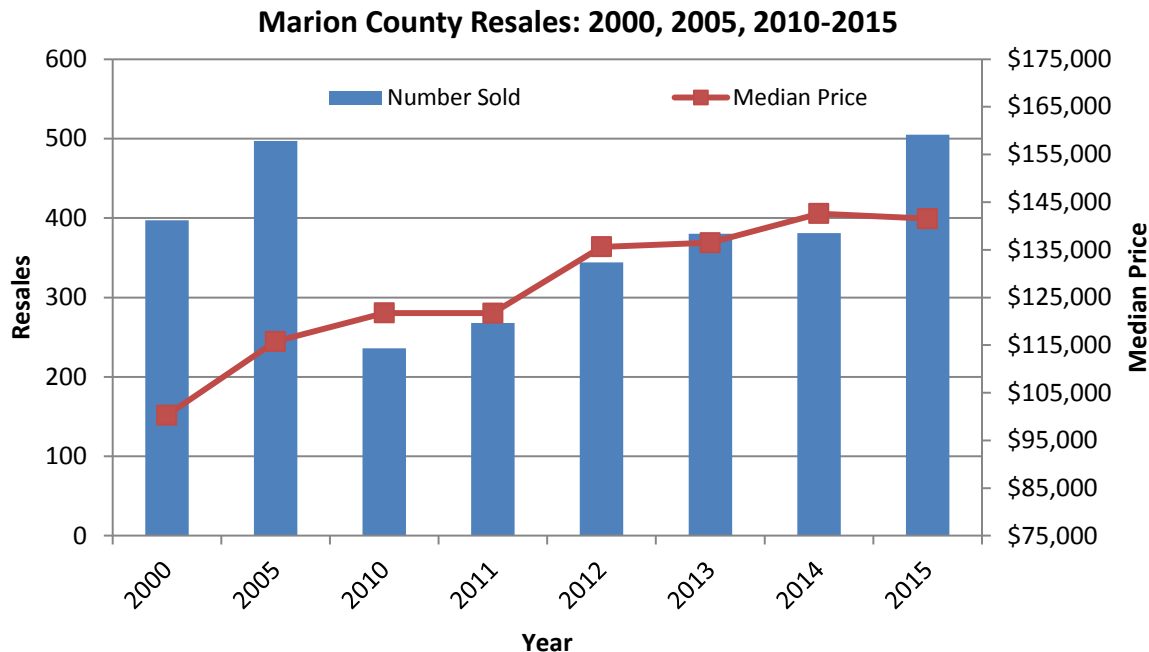
# Home prices at peak values last two years...

## Overall

- 2015 – healthy year w/strong activity
- Generally optimistic for 2016
- Lower inventory
- New construction still slow compared to last decade

## Resales

- Median sales price:
  - Peak in 2014: \$142,500
  - 2015: \$141,500
  - 2010/2011: \$121,700
  - Resales peaked in 2015: 500+
- Single-family: Nearly all resales
- Median sales price by submarket:
  - Pella: \$176,000
  - Pleasantville: \$135,000
  - Knoxville: \$107,750
  - Southeast: \$55,000
  - Melcher-Dallas: \$41,155



# Supply Side

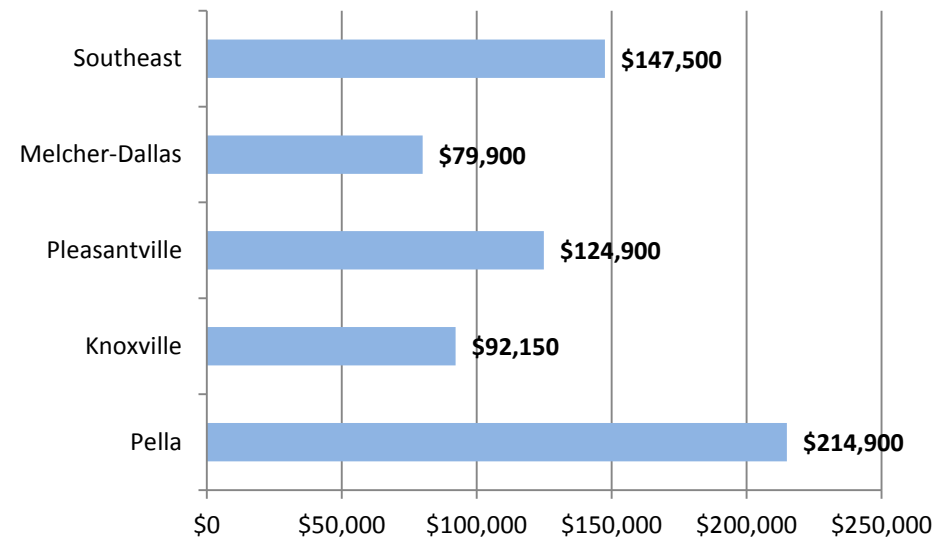
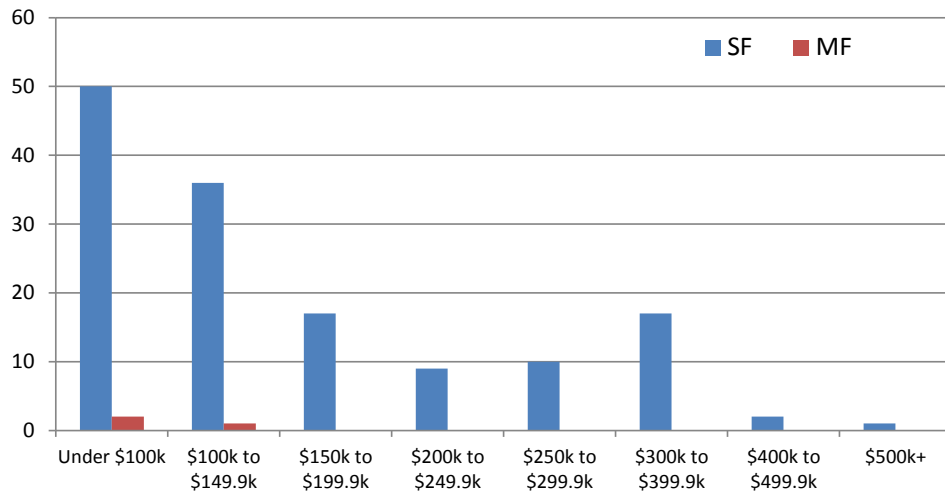
## Active Listings (January 2016)

- 145 listings in Marion County
- SF list price:
  - Median \$129,000
  - Avg: \$160,000
- SF dominated - only 3 MF listings
- 86% listings in Pella & Knoxville submarkets

## Avg. Price Per Sq. Ft.

- Single-family: \$102/PSF
- Multifamily: \$66/PSF
- PSF by type:
  - One-story: \$104/PSF
  - 1.5-story: \$79/PSF

Marion County Active Listings - Jan. 2016





# Few Housing Programs in Marion County

- Sample providers in Marion County include:
  - Habitat for Humanity
  - Central Iowa Regional Housing Authority
  - Knoxville Public Housing Agency
  - Iowa Community Action Assoc.
- Explore additional tools/programs to enhance housing stock



## Potential Housing Tools/Programs

- Land Acquisition/Banking
- Fix-up/Rehab Loans
- Public/Private Partnerships
- Energy Efficiency Programs
- Construction Mgt. Services
- Home Fair
- Realtor Forum
- Tax Abatement
- Fee Reductions/Waivers



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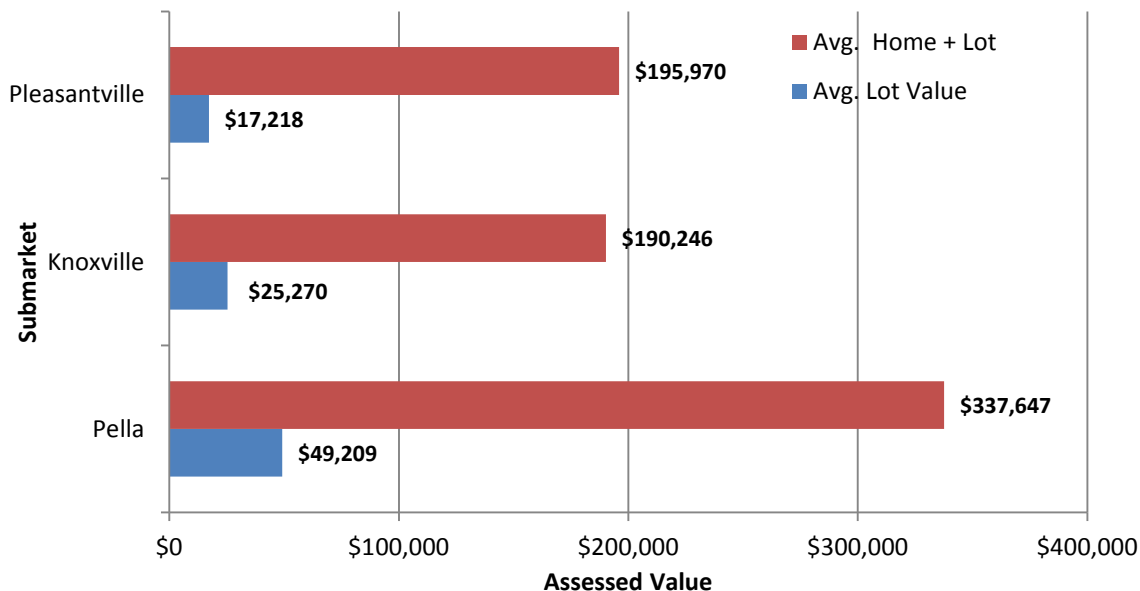


# New Construction targeting move-up buyers

## Lot Inventory/Supply

- 224 vacant lots | 13 active subdivisions
- 80% of lot inventory in Pella submarket
- Few choice lots in remaining submarkets
- Scattered infill lots available

New Construction Assessed Values



## New Construction Market

- Soft compared to last decade
- Targets move-up buyers
- Absent production builders
- Build-to-suite premium (\$160 PSF+)
- Newer subdivisions
  - ❑ Avg. marking lot cost \$20k-\$60k
  - ❑ Home value w/lot: \$200k-\$350k+
- No pending projects in development pipeline



# Housing Cost Burden

**Cost Burden:** more than 30% of gross income allocated to housing

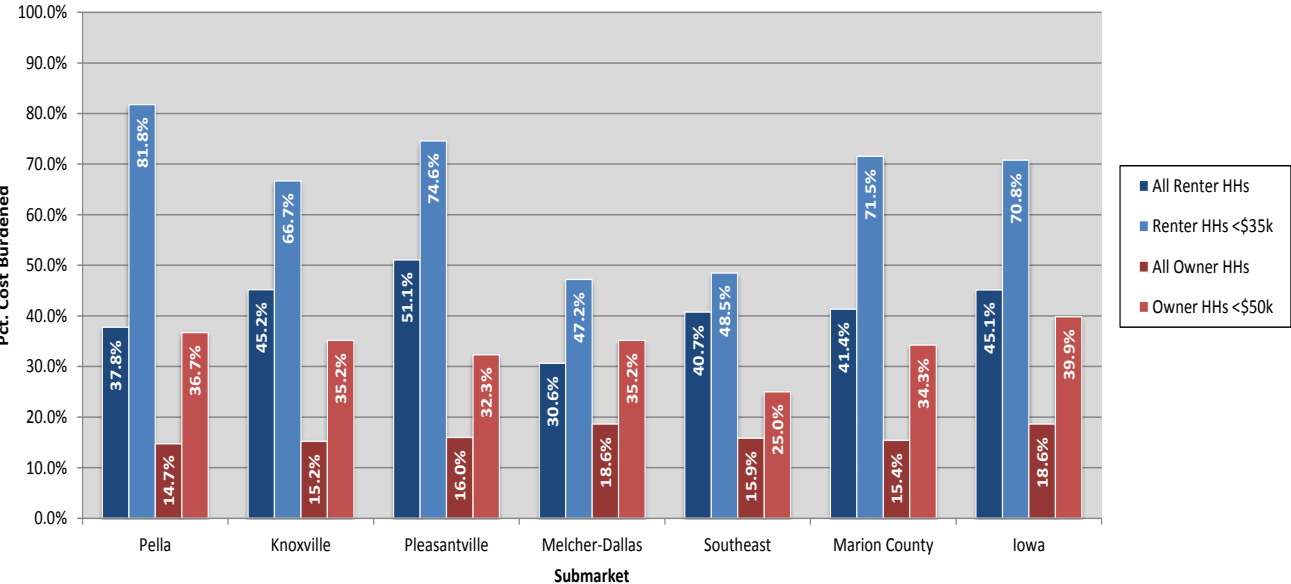
**Rental:**

- 41% of renters are cost burdened
  - 45% Iowa
- 72% of renter HHDS < \$35k are cost burdened
  - 71% Iowa

**Owners:**

- 15% of owners are cost burdened
  - 19% Iowa
- 34% of owners HHDS < \$50k are cost burdened
  - 40% Iowa

Cost Burdened Households by Tenure  
Marion County Submarkets & Iowa  
2013

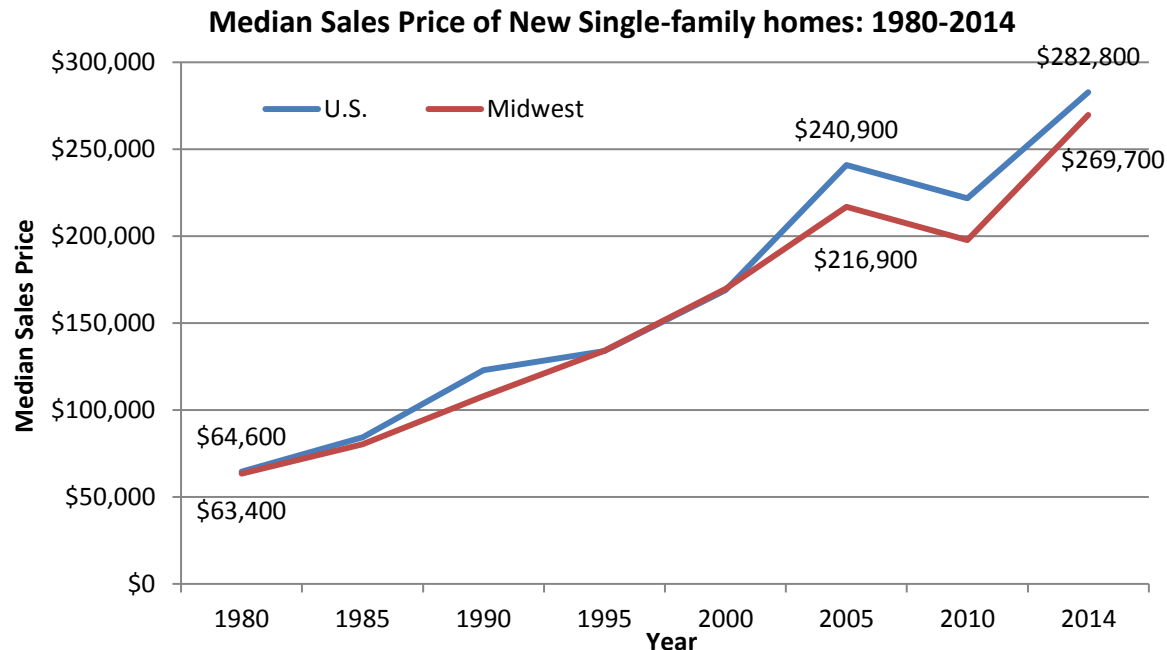


# Development costs restrain housing development...

Difficult to “break-even” on new housing products given the following costs:

- Infrastructure (i.e. street, curb & gutter, connection fees, etc.)
- Lack of skilled labor (increases expenses & delivery times)
- Rising construction costs

As a result, the price points for new construction will be significantly higher than existing housing products in Marion County.



# Why is the entry-level & middle market missing?

- Zoning regulations
- Density requirements
- Permit/impact fees
- Building code changes
- Increasing labor and material costs
- Land/acquisition costs increasing
- Financing challenges for smaller developers/builders
- Infrastructure costs
- Economies of scale needed
- Buyer preference – rambler/ranch style \$\$



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# Rental housing difficult to cash flow...

Apartment Macro-Level Financial Assessment 2015			
Assumptions		Development Costs	
No. of Units	24	Hard Costs	\$2,415,000
Avg. Sq. Ft./Unit	875	Soft Costs	\$724,500
Common Area Pct.	15%	Land Costs	\$120,000
Avg. Rent/Unit	\$1,000	Total Development Costs	\$3,259,500
Equilibrium Occupancy	95%		
Avg. Rent PSF	\$1.14	Development cost/unit	\$135,813
		Development cost/PSF	\$135
Total Rentable Sq. Ft.	21,000		
Total Bldg. Sq. Ft.	24,150		
Monthly Financials		Annual Financials	
Gross Monthly Rent	\$24,000	\$288,000	
Effective Rent	\$22,800	\$273,600	
Total Expenses	\$9,120	\$109,440	
NOI	\$13,680	\$164,160	
Less: Debt Service	(\$16,199.17)	(\$194,390.06)	
Net Operating Cash Flow	(\$2,519.17)	(\$30,230.06)	
Source: Maxfield Research & Consulting, LLC			

Existing rentals avg. \$0.75 PSF | New Construction =\$1.35 PSF to break-even



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# Demand Summary

## Demand Overview

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

### Demand Driver Examples

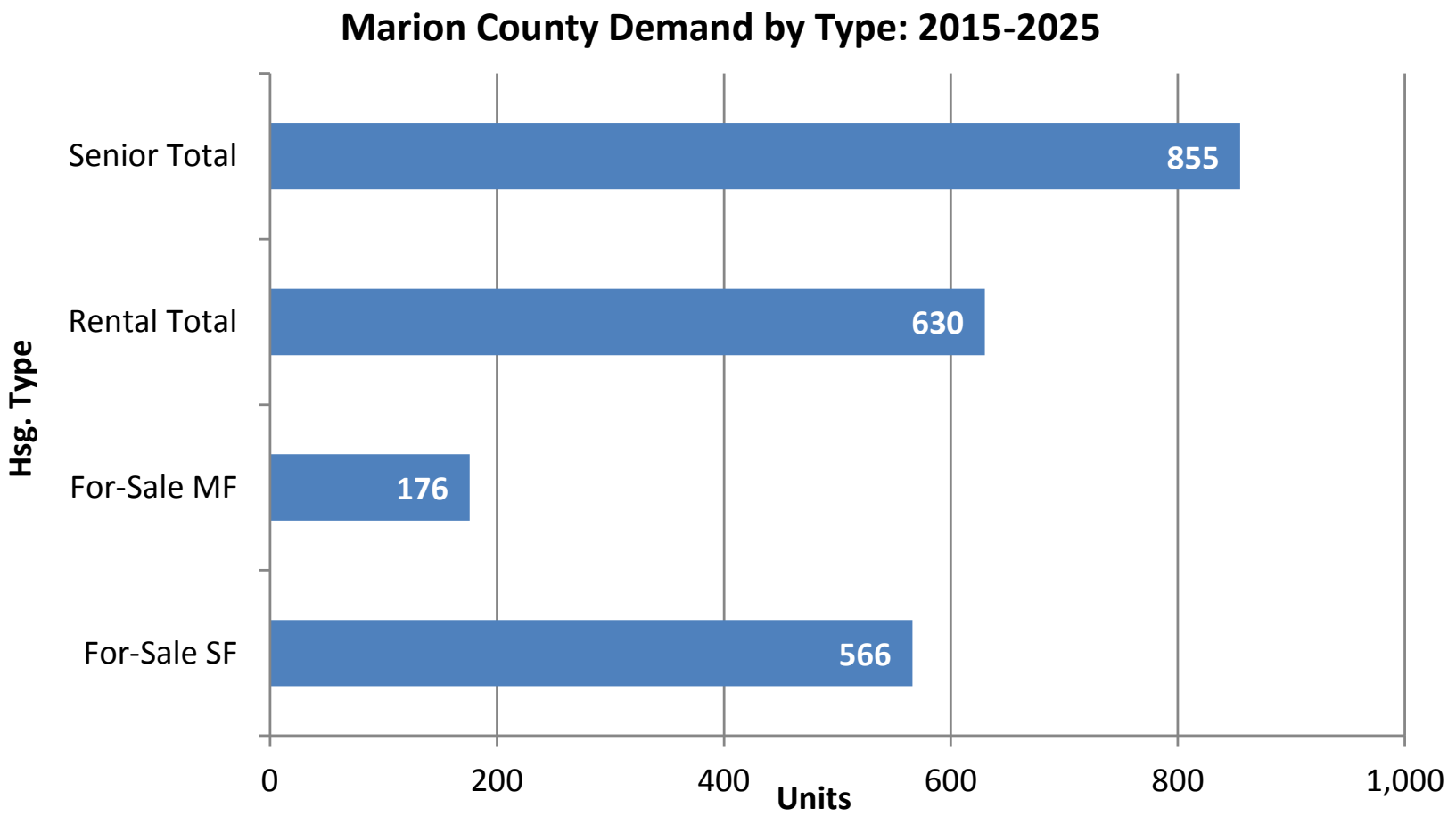
- Demographics
- Economy & Job Growth
- Consumer Choice | Preferences
- Turnover/Mobility
- Supply (i.e. Existing Hsg. Stock)
- Replacement need (i.e. functionally /physically obsolete)
- Financing

## Demand Assumptions/Methodology

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



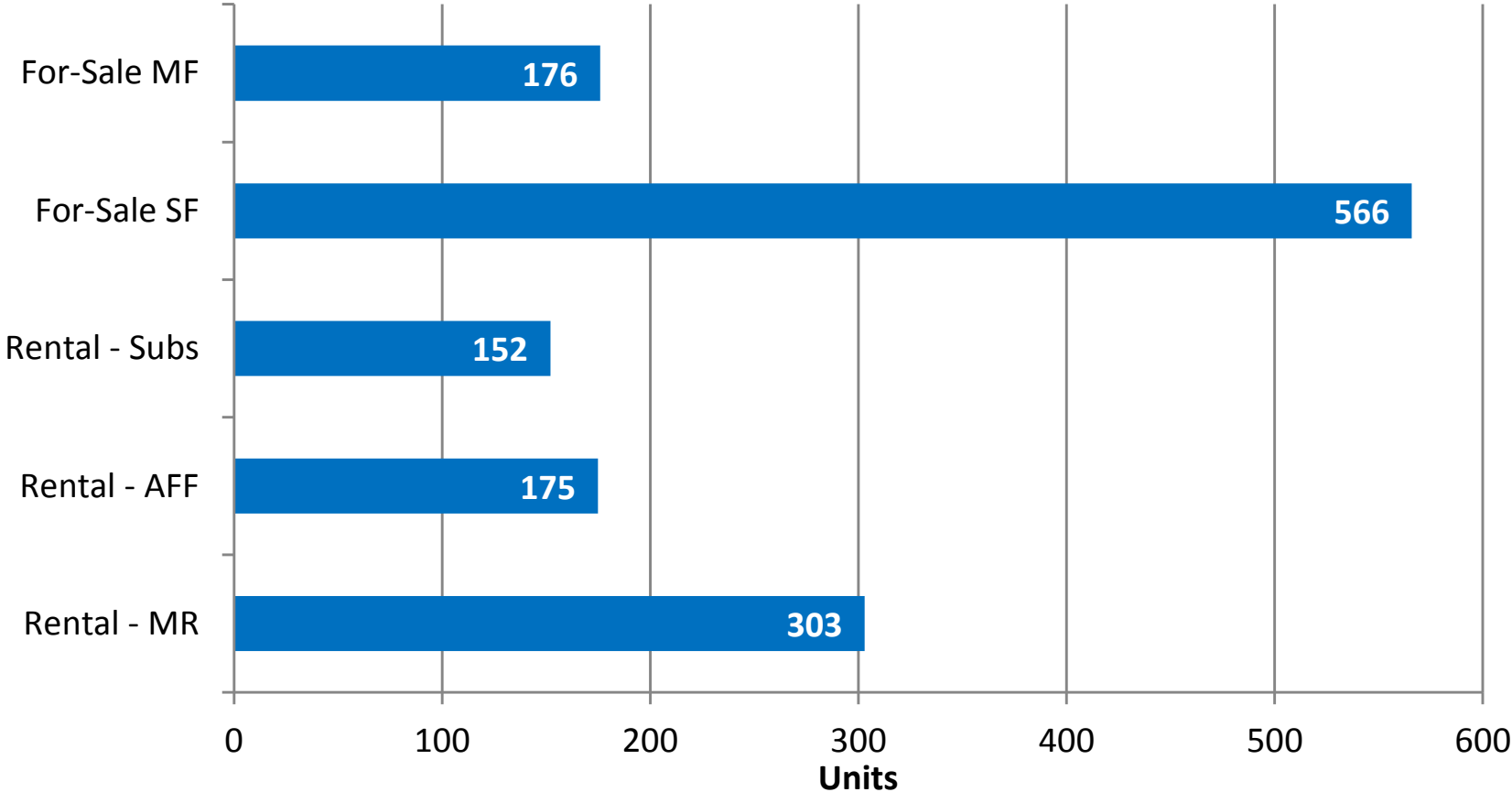
# Demand for 2,200+ Housing Units through 2025



Note: existing lot supply subtracted from SF demand

# Demand for 1,372 General-Occ. units through 2025

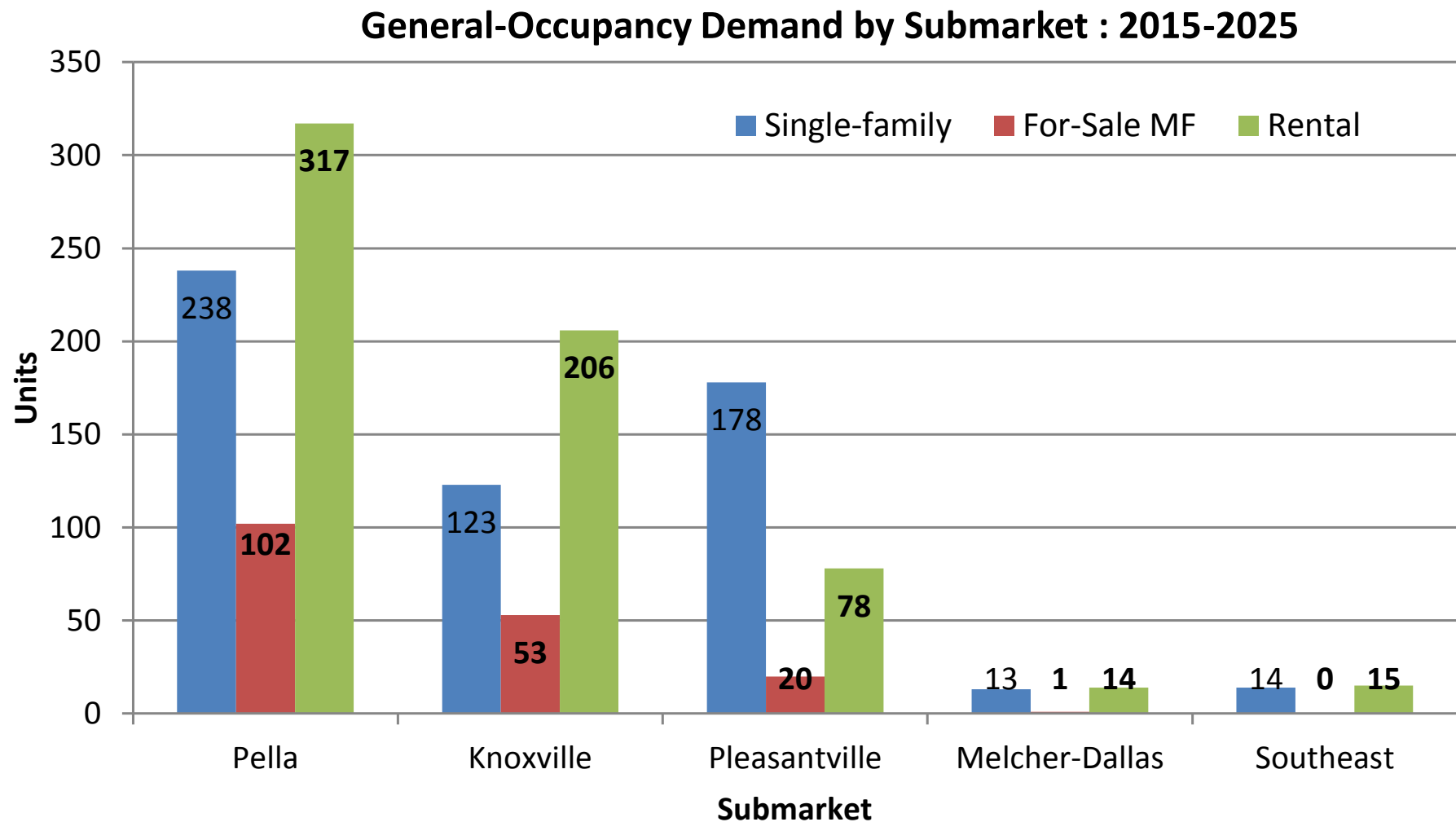
General-Occupancy Demand by Type: 2015 to 2025



Note: existing lot supply subtracted from SF demand

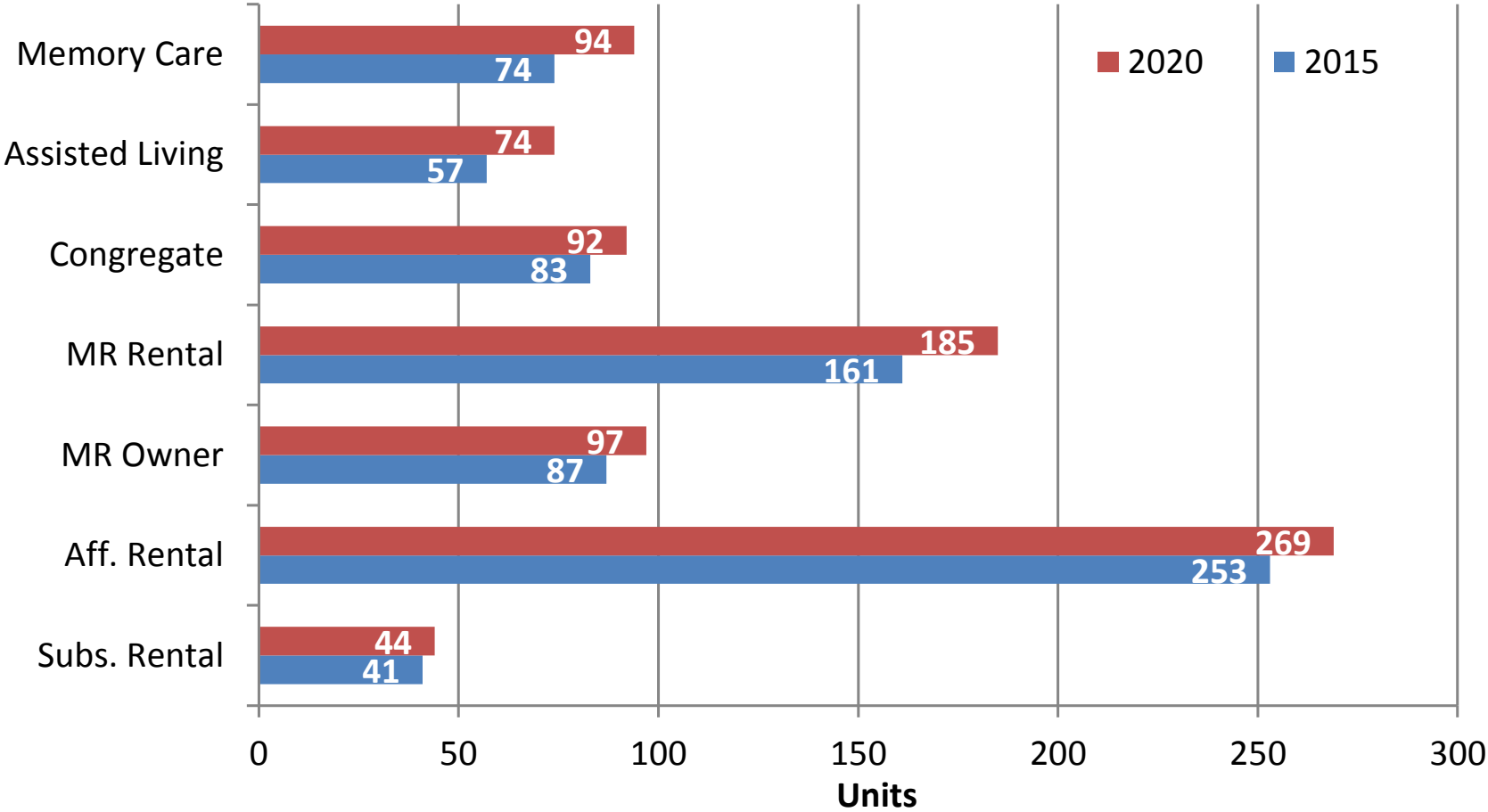


# 76% of all GO demand in Pella & Knoxville Submarkets



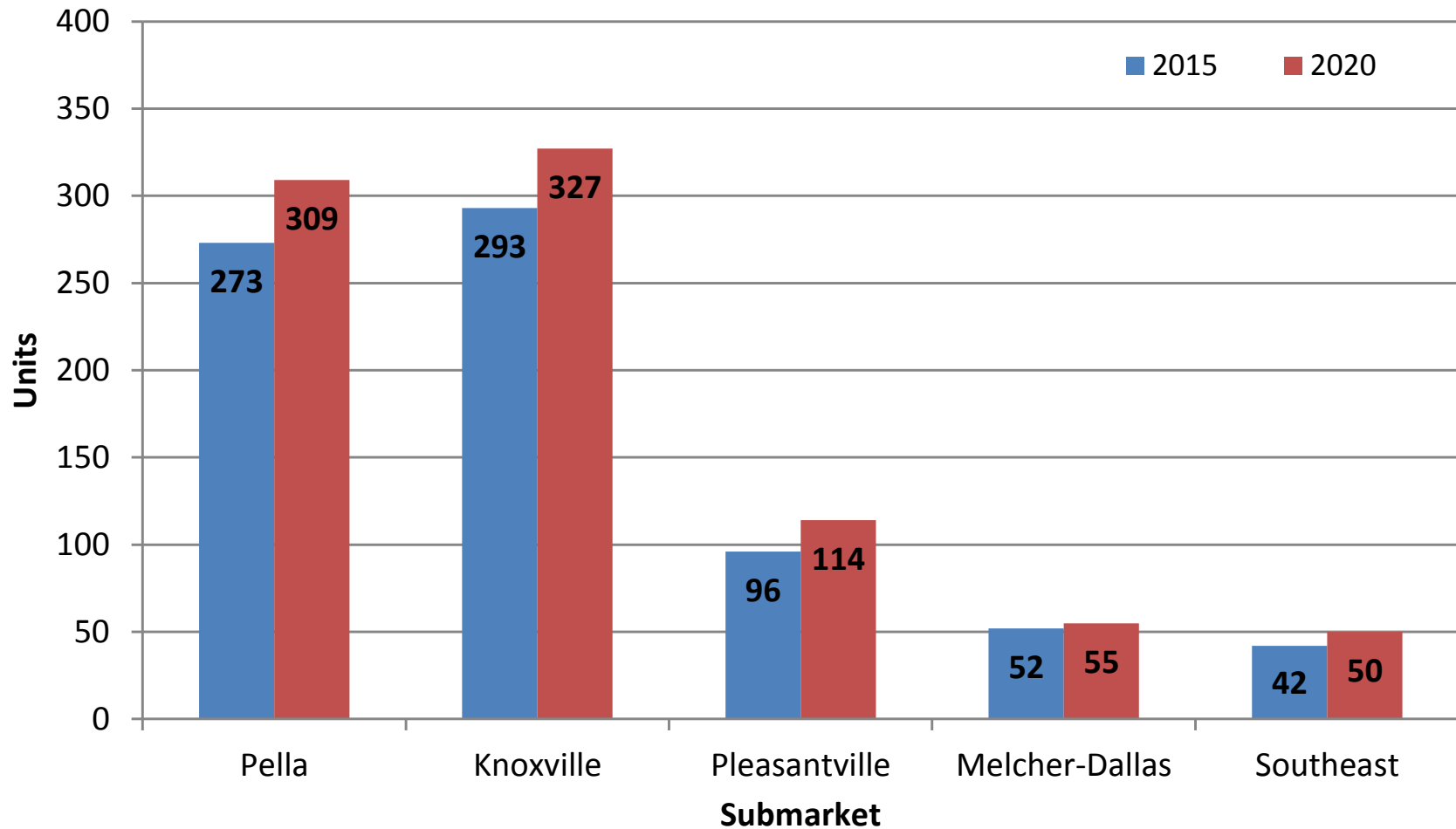
# Demand for 855 senior housing units by 2020

Marion County Senior Housing Demand by Type: 2015 & 2020

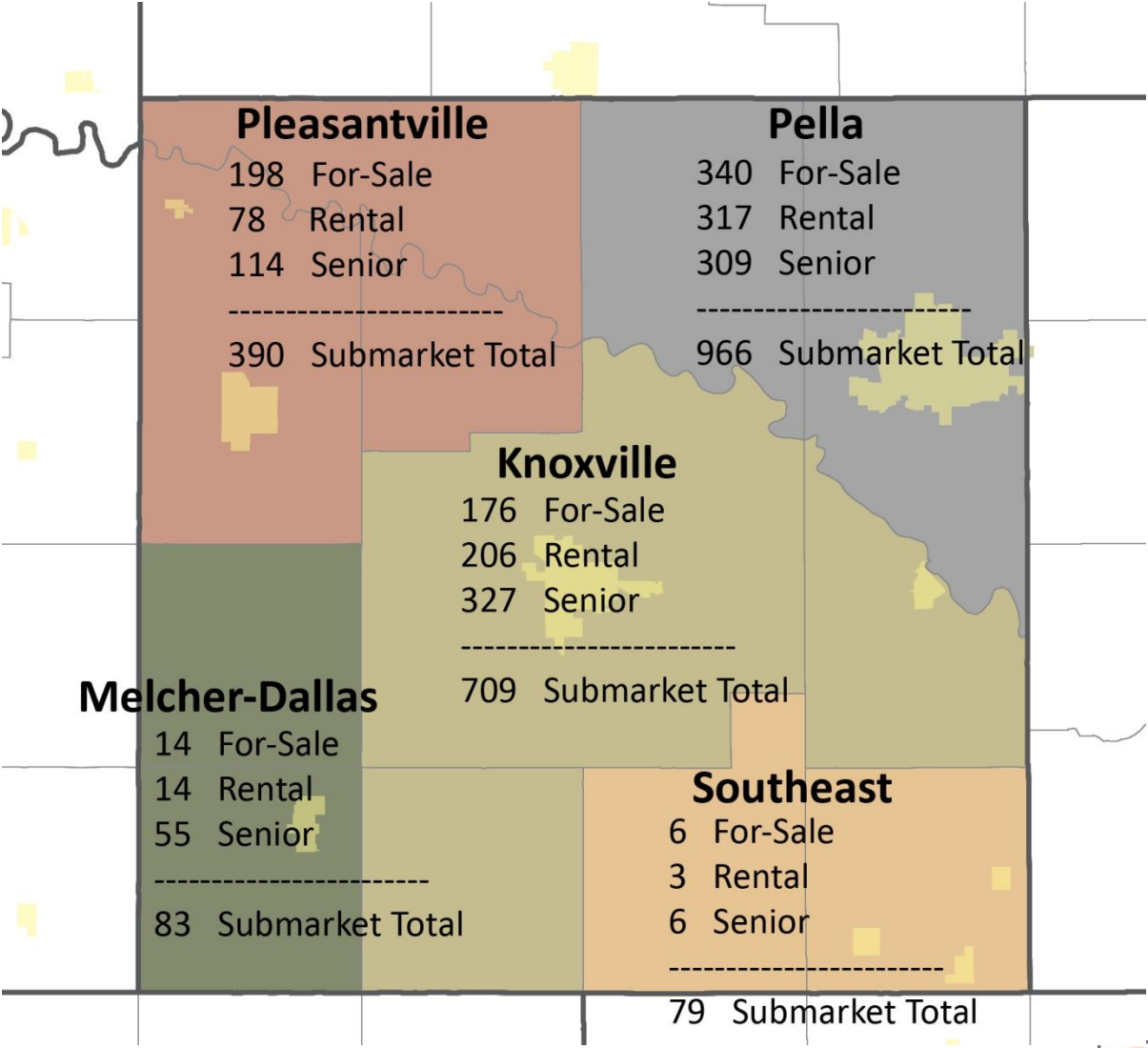


# 75% of Senior Demand in Pella & Knoxville Submarkets

Marion County Senior Housing Demand by Submarket: 2015 & 2020



# Demand Summary by Submarket



# Single-Family Development Recommendations

- Recommend 3 to 5-year lot supply
- Demand for 566 SF homes..after existing lot supply absorbed
- Demand across all price points..however entry-level SF difficult given development cost

## Single-Family Demand by Submarket

Submarket	Units	Pct.
Pella	238	42.0%
Knoxville	123	21.7%
Pleasantville	178	31.4%
Melcher-Dallas	13	2.3%
Southeast	14	2.5%
<b>Total</b>	<b>566</b>	<b>100.0%</b>



*Fountain Hills - Pella*



*West Ridge Acres – 19 new lots*



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# Multifamily For-Sale Development Recommendations

- Demand for 175+ units
- Potential housing types:
  - Twin homes/duplex
  - Detached townhomes
  - Quads
  - Townhomes/row homes

## Multifamily Demand by Submarket

Submarket	Units	Pct.
Pella	102	58.0%
Knoxville	53	30.1%
Pleasantville	20	11.4%
Melcher-Dallas	1	0.6%
Southeast	0	0.0%
<b>Total</b>	<b>176</b>	<b>100.0%</b>



*Twin Homes - Pella*



*Executive Detached TH example*



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# Rental Housing Recommendations

- Demand for 600+ units
  - 303 market rate
  - 175 aff. & 152 subs.
- Need for newer, contemporary rental units
- Demand for all incomes, HH types, and product types

## GO Rental Demand by Submarket

Submarket	Units	Pct.
Pella	317	50.3%
Knoxville	206	32.7%
Pleasantville	78	12.4%
Melcher-Dallas	14	2.2%
Southeast	15	2.4%
<b>Total</b>	<b>630</b>	<b>100.0%</b>



*Reserves at Mill Farm - Pella*



*Villas at Fox Pointe - Knoxville*



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# Senior Housing Recommendations

- Significant demand through this decade & beyond..(i.e. boomers)
- Highest demand:
  - Affordable rental (270 units)
  - Market rate rental (185 units)
  - Market rate owner (97 units)
  - Memory care (94 units)

## Senior Housing Demand by Submarket

Submarket	Units	Pct.
Pella	309	36.1%
Knoxville	327	38.2%
Pleasantville	114	13.3%
Melcher-Dallas	55	6.4%
Southeast	50	5.8%
<b>Total</b>	<b>855</b>	<b>100.0%</b>



*Vriendschap Village - Pella*



*Homestead - Knoxville*



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# Key Takeaways...

- Population and household growth this decade; but slower than last
- Population is aging and will impact alternative housing types
- Low 3.9% unemployment rate & major job importer
- Older rental housing stock w/modest rents | lower vacancy rates
- Senior housing market w/ low vacancy rates | pent-up demand
- Home prices have rebounded & at record highs | lack of middle-market & updated, turn-key product
- Lack of “maintenance-free” for-sale housing
- New construction sector soft compared to last decade
- Lot inventory supply adequate in short-term; but more lots needed
- Demand for most housing types this decade & beyond
- Encourage promotion of housing programs to enhance existing housing stock
- Difficulty cash flowing new rental development



# Next Steps...

- Share the findings!
- Establish housing strategy (key goals & objectives)
- Establish city/county priorities
- Evaluate existing programs/policies (revise as necessary)
- Seek partnerships
- Monitor market conditions and modify goals/objectives over time

## Fundamentals to Succeed...

- Recognition of Challenges
- Political Will
- Community involvement/outreach
- What is the consequence of doing nothing?
- Get Creative!



# Questions & Comments

## Contact Information:

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