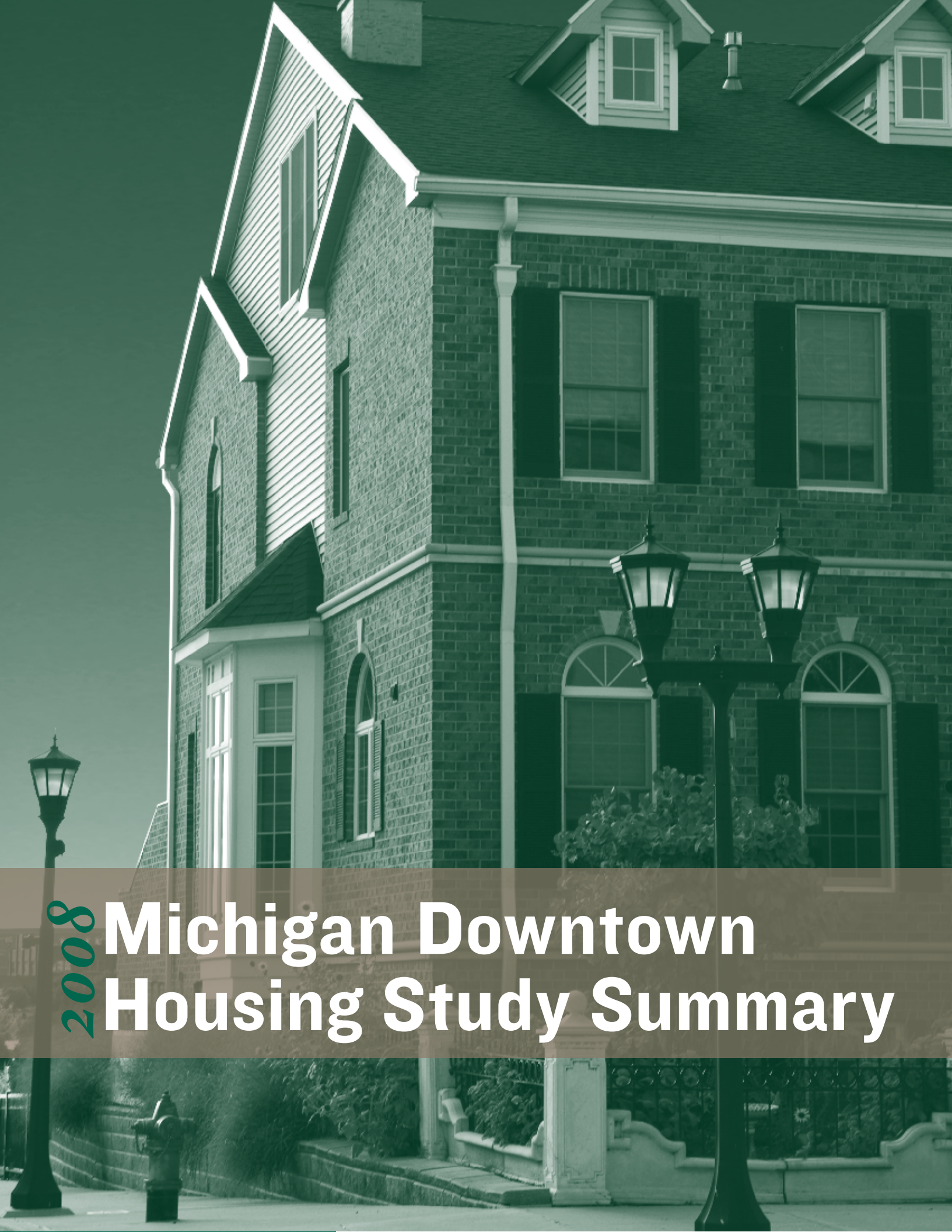


2008

Michigan Downtown Housing Study Summary

THE PURPOSE

The Michigan State Housing Development Authority (MSHDA) contracted with VWB Research to conduct the Michigan Downtown Housing Study. The purpose of the study is to better understand markets for multifamily housing in Michigan's downtown central business districts. By learning what factors stimulate particular populations to locate in our downtowns, we better our opportunity to fuel city center vitality and create vibrant cities, towns and villages across the state.

CITIES SELECTED FOR THE STUDY

Ann Arbor
Battle Creek
Bay City
Canton Township
East Lansing
Ferndale
Flint
Grand Rapids
Holland
Jackson
Kalamazoo
Lansing
Midland
Muskegon
Pontiac
Port Huron
Saginaw

Residents like downtowns most for their convenience/walkability to work, school, or retail; a high level of activity and entertainment; and access to a vibrant urban lifestyle.

METHODOLOGY

- With the exception of Canton Township and Ferndale, selected because of their unique efforts to create downtown centers, the study cities have populations of 30,000 or more. The city of Detroit is not included because comprehensive market studies already exist.
- Downtown Study Areas or DSAs, were established for each of the study cities via site visits and interviews with local officials.
- Detailed data about the existing apartment and condominium complexes in each DSA was collected via field surveys and other sources.
- Surveys of apartment and condo residents were conducted within each DSA. Local development officials and downtown developers were also surveyed.
- Demographic data was collected to describe population, housing, employment and other contextual factors.
- A desirability (demand) model was created, using Prizm Lifestage Groups as defined by Claritas, Inc., to rate the quality of living in DSAs and establish their market strength.

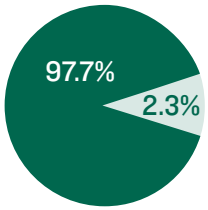
Prizm groups categorize households by economic, demographic, lifestyle and other characteristics. The following four profiles were used to identify the households most likely to seek downtown housing:

- *Midlife Success*: Childless households in 30s and 40s age group, wealthy, college-educated, professional jobs, big fans of technology and travel.
- *Young Achievers*: Hip, 20 something, single, income ranges from working-class to wealthy, renters, college-educated, progressive in their tastes, seek nightlife and outdoor activities.
- *Affluent Empty Nest*: Aged 45+, empty nester, upscale couples, college-educated, professional, active lifestyle, community minded and politically involved.
- *Conservative Classics*: Aged 55+, upper-middle class, childless singles and couples, enjoy theater, casual-dining, reading, gardening and entertaining.

WHAT WE LEARNED

On average, DSA's contain 2.2 percent of their city's population, 2.6 percent of their city's households, and 2.7 percent of their city's housing units. A survey of apartment and condo residents living in the core downtowns of the study cities found that:

- Proximity to work and/or school, a high level of activity, and unique living spaces were most often listed as the primary reason residents chose to move downtown.
- Prior to their current residence, 81.7 percent of respondents lived outside of the downtown. Of those who moved from outside of downtown, 52.4 percent moved from outside the city limits and 18.5 percent were previously from out-of-state.
- The most desired unit amenities for downtown residents are:
  - Security systems and secured building entries
  - Open floor plans
  - In-unit washers and dryers

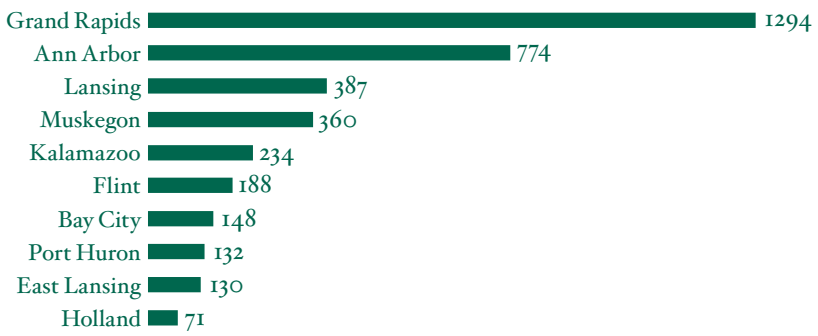


CITYWIDE 97.7%
DOWNTOWN 2.3%
TOTAL HOUSEHOLDS: 427,240

Young Adults v. Empty Nesters

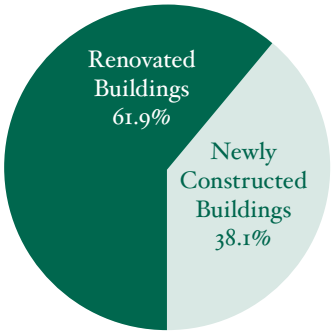
	Below 35 Years	55+ Years
Estimated Median Income	$50,000	$88,900
Student	43%	0%
Employed Full Time	65%	29%
Top Reason for Moving Downtown	Close to Work/School	Walkability
Most Important Unit Amenity	Internet Wiring	Security System
Most Important Property Amenity	Secured Building Entries	Secured Building Entries
Condo Price	$170,000	$263,000
Monthly Rent	$880	$620
Downtown Feature Enjoyed the Most	Restaurants/Bars	Restaurants/Bars

The 10 DSA's With The Most Housing Units



Note: Housing Units = Apartments/condos in buildings with 4+ units built/rehabbed since 1970.

New Construction v. Renovation



Total Buildings = 97

- Approximately 85 percent of sureyed DSA residents were satisfied with both their residence and downtown. The survey revealed notable differences between empty nesters and young adults living downtown.
- Among the 17 downtowns studied (DSA's), 64 percent of downtown housing units were concentrated in three: Grand Rapids, Ann Arbor and Lansing.
- The majority of downtown properties studied were existing buildings that had been renovated (61.9 percent) rather than newly constructed buildings (38.1 percent).
- The average vacancy rate for apartments in the DSA's was 9 percent at the time this data was collected (July 2007). On average, 35.8 percent of condo units in their initial sales period were unsold at the time this data was collected.
- Researchers identified the 50 attributes or 'Qualities of Living' that downtown dwellers use to judge the desirability of living in a particular downtown. These qualities pertain to the quality of housing itself, (such as the design, parking and security), and the surrounding environment, (such as the availability of retail and public events).

The five cities which ranked as having the highest number of Qualities of Living are listed here.

Each city was assessed based on 'Market Strength,' which was determined based on:

1. The desirability rating of Qualities of Living in each city,
2. The number of potential residents in the DSA cities based on Prizm categories.

The five cities assessed to have the strongest market for downtown housing based on these three factors are listed here.

Desired Qualities of Living

City	Rank
Ann Arbor	1
East Lansing	2 (tie)
Grand Rapids	2 (tie)
Kalamazoo	3
Bay City	4

Rank in Market Strength

City	Rank
Ann Arbor	1
Lansing	2
East Lansing	3 (tie)
Grand Rapids	3 (tie)
Kalamazoo	3 (tie)

CONCLUSIONS AND RECOMMENDATIONS

- Cities should evaluate their downtowns annually to determine the strengths and weaknesses of the three major 'people-generating' elements: jobs/campuses, housing and attractions. Cities could use Qualities of Living as evaluation criteria for housing and attractions.
- The focus of development efforts should depend on a city's current level of desirability and housing market strength; for example, a DSA that has a marginal number of Qualities of Living and a weak downtown housing market should focus on improving its urban environment (safety, availability of retail, etc...) rather than on housing.
- Cities should appoint downtown living specialists to serve as skilled point persons to improve and expand all aspects of downtown living.

FOR FURTHER INFORMATION

For further information, please contact Laurie Cummings at cummingsl@michigan.gov or 517.373.6744.

Residents like downtowns least for lack of retail services, particularly a grocery store; crime and personal safety issues; and parking accessibility.

MSHDA

Michigan State Housing Development Authority

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Equal Housing Lender

MSHDA is an equal opportunity employer/program. Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

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