
UPDATE

Residential Market Potential

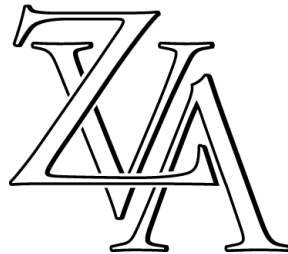
Downtown Wichita

City of Wichita
Sedgwick County, Kansas

June, 2014

Conducted by
ZIMMERMAN/VOLK ASSOCIATES, INC.
P.O. Box 4907
Clinton, New Jersey 08809

On Behalf of the
Wichita Downtown Development Corporation
507 East Douglas
Wichita, Kansas 67202



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809
908 735-6336
www.ZVA.cc • info@ZVA.cc
Research & Strategic Analysis

STUDY CONTENTS

Update: Residential Market Potential Downtown Wichita	1
Introduction	1
Market Potential	3
<i>Where are the potential renters and buyers of new and existing housing units in the City of Wichita likely to move from?</i>	3
Market Potential for Downtown Wichita	5
<i>Where are the potential renters and buyers of new and existing housing units in the Downtown Wichita Study Area likely to move from?</i>	5
<i>What are their housing preferences in aggregate?</i>	6
Table 1: Annual Market Potential	8
—Rental Distribution—	9
Table 2: Target Groups for New Multi-Family For-Rent	10
—For-Sale Distribution—	11
Table 3: Target Groups for New Multi-Family For-Sale	12
Table 4: Target Groups for New Single-Family Attached For-Sale	14
Target Market Analysis	15
<i>Who is the potential market?</i>	15
Table 5: Annual Market Potential by Lifestage and Unit Types	17
The Current Context	18
<i>What residential properties are currently located in the Downtown?</i>	18
Table 6: Summary of Selected Rental Properties	19
Table 7: Summary of Selected For-Sale Multi-Family and Single-Family Attached Properties	22
Downtown Market-Rate Rent and Price Ranges	23
<i>What is the market currently able to pay?</i>	23
—Rent and Price Ranges—	23
Table 8: Optimum Market Position: Market-Rate Dwelling Units	25
Market Capture: Downtown Wichita	28
<i>How fast will new units lease or sell?</i>	28
Downtown Building and Unit Types	30
Courtyard Apartment Building	30
Loft Apartment Building	31
Microlofts	31
Hard Lofts	35
Soft Lofts	35
Liner Building	36
Podium Building	37
Mansion Apartment Building	38
Live-work	39

Downtown Amenities	41
Methodology	42
Assumptions and Limitations	53
Rights and Study Ownership	54



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

UPDATE

RESIDENTIAL MARKET POTENTIAL

Downtown Wichita
City of Wichita, Sedgwick County, Kansas

June, 2014

INTRODUCTION

This UPDATE OF THE RESIDENTIAL MARKET POTENTIAL FOR DOWNTOWN WICHITA would not have been possible without the generous support of the following: Bokeh Development; Commerce Bank; Emprise Bank; Fidelity Bank; INTRUST Bank; Marketplace Properties; Security National Life; and Slawson Companies.

The purpose of this study is to re-evaluate the depth and breadth of the potential market for new market-rate rental and for-sale dwelling units, to be added through adaptive re-use of existing non-residential buildings and/or new construction, within Downtown Wichita, in the City of Wichita, Sedgwick County, Kansas. The original Downtown study was published in January, 2010.

For the current study, the neighborhoods included within the Downtown remain the same as those outlined in 2010, and encompass the Government Center, Renaissance Square, Old Town, the Arena Neighborhood, WaterWalk, Century II, and the West Bank—and includes portions of several others—Historic Midtown, McAdams, Central Northeast, the Douglas Design District, South Central, and Delano. The Downtown Study Area covers the general area bounded by Murdock Street in the north, Washington Street in the east, Interstate 54 in the south, and Sycamore Street in the west.

The depth and breadth of the potential market for new housing units within Downtown Wichita 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, lifestage, lifestyle patterns, and household compatibility issues.

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

- Where the potential renters and buyers for new market-rate housing units in the City of Wichita in general and the Downtown Study Area in specific are likely to move from (the draw areas);
- How many have the potential to move to the Downtown Study Area 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 currently lives in the draw areas and what they are like (the target markets);
- What their alternatives are (other relevant housing in Downtown Wichita);
- What they will pay to live in the Downtown (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

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

ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

UPDATE

RESIDENTIAL MARKET POTENTIAL

Downtown Wichita
City of Wichita, Sedgwick County, Kansas

June, 2014

INTRODUCTION

The purpose of this study is to re-evaluate the depth and breadth of the potential market for new market-rate rental and for-sale dwelling units, to be added through adaptive re-use of existing non-residential buildings and/or new construction, within Downtown Wichita, in the City of Wichita, Sedgwick County, Kansas. The original Downtown study was published in January, 2010.

For the current study, the neighborhoods included within the Downtown remain the same as those outlined in 2010, and encompass the Government Center, Renaissance Square, Old Town, the Arena Neighborhood, WaterWalk, Century II, and the West Bank—and includes portions of several others—Historic Midtown, McAdams, Central Northeast, the Douglas Design District, South Central, and Delano. The Downtown Study Area covers the general area bounded by Murdock Street in the north, Washington Street in the east, Interstate 54 in the south, and Sycamore Street in the west.

The depth and breadth of the potential market for new housing units within Downtown Wichita 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, lifestage, lifestyle patterns, and household compatibility issues.

MARKET POTENTIAL

The extent and characteristics of the potential market for new residential units within the City of Wichita 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 2012 American Community Survey for the City of Wichita.

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

Analysis of the most recent Sedgwick 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 gains through 2008, in 2009, the county again lost more households to out-migration than it gained through in-migration. (See Appendix One, Table 1.)

Over the study period, annual *out*-migration from Sedgwick County ranged between the high of 8,725 households in 2005 and the low of 8,200 households in 2008. Over the same period, annual *in*-migration to Sedgwick County has ranged between 9,700 households in 2008, the highest total over the study period, and 8,140 households the following year, the lowest total. In 2009, over 20 percent of the county's in-migration came from the four adjacent counties of Butler, Sumner, Harvey and Reno, up from 18 percent in 2005. Several other counties are also important sources of in-migration—Johnson County, Kansas, the most populous county in Kansas; Maricopa County, Arizona (Phoenix); Jackson County, Missouri (Kansas City); Oklahoma County, Oklahoma (Oklahoma City); and Los Angeles County, California—and have been included in the detailed migration analysis.

Based on the updated migration and mobility data, the draw areas for the City of Wichita and the Downtown Study Area have been slightly revised as follows (*see also* METHODOLOGY):

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

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

-
- The local draw area, covering households in groups with median incomes of \$50,000 or more units currently living in the balance of Sedgwick County.
 - The regional draw area, covering households in groups with median incomes of \$50,000 or more that are likely to move to the City of Wichita from Butler, Sumner, Harvey and Reno Counties.
 - The metropolitan draw area, covering households in groups with median incomes of \$50,000 or more that are likely to move to the City of Wichita from Johnson County, Kansas; Maricopa County, Arizona; Jackson County, Missouri; Oklahoma County, Oklahoma; and Los Angeles County, California.
 - The national draw area, covering households in groups with median incomes of \$50,000 or more with the potential to move to the City of Wichita from all other U.S. counties.

As derived from the updated migration and mobility analyses, then, the draw area distribution of market potential (those households, in groups with median incomes above \$50,000 per year and with the potential to move within or to the City of Wichita, an average of 21,810 households each year over the next five years) is therefore as follows (*see also* Appendix One, Table 9):

Market Potential by Draw Area
City of Wichita, Sedgwick County, Kansas

City of Wichita (Primary Draw Area):	53.4%
Balance of Sedgwick County (Local Draw Area):	13.9%
Butler, Sumner, Harvey, and Reno Counties (Regional Draw Area):	6.1%
Johnson, Maricopa, Jackson, Oklahoma, and Los Angeles Counties (Metropolitan Draw Area):	2.3%
Balance of US (National Draw Area):	<u>24.3%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

MARKET POTENTIAL FOR DOWNTOWN WICHITA

Where are the potential renters and buyers of new and existing housing units in the Downtown Wichita Study Area likely to move from?

As in the 2010 study, the target market methodology identifies those households with a preference for living in downtowns and in-town 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 new and existing market-rate dwelling units within the Downtown Wichita Study Area would be as follows (*see also* Appendix One, Table 10):

Market Potential by Draw Area DOWNTOWN WICHITA *City of Wichita, Sedgwick County, Kansas*

City of Wichita (Primary Draw Area):	49.2%
Balance of Sedgwick County (Local Draw Area):	9.4%
Butler, Sumner, Harvey, and Reno Counties (Regional Draw Area):	3.5%
Johnson, Maricopa, Jackson, Oklahoma, and Los Angeles Counties (Metropolitan Draw Area):	2.7%
Balance of US (National Draw Area):	35.2%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Over the next five years, the metropolitan draw area and the balance of the U.S. represents a growing proportion of market potential for new housing in Downtown Wichita (a combined 37.9 percent, compared to 22.2 percent in the 2010 study) with the combined market potential from the City, the balance of the county, and the region comprising just over 62 percent (compared to nearly 79 percent in 2010).

Based on the updated analysis, which accounts for household mobility within the City of Wichita and the balance of Sedgwick County, as well as migration and mobility patterns for households currently living in all other cities and counties, an average of 4,795 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families represent the potential market for new and existing housing units within Downtown Wichita each year over the next five years, nearly 30 percent higher than the 3,690 households in 2010.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

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 continues to be 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—derived from their tenure (rental/ownership) choices and broad financial capacities—reflect that market shift and are outlined on the following table (*see also* Table 1):

Annual Potential Market for New and Existing Housing Units
DOWNTOWN WICHITA
City of Wichita, Sedgwick County, Kansas

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	1,930	40.3%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	420	8.8%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	620	12.9%
Single-family detached for-sale (houses, fee-simple ownership)	<u>1,825</u>	<u>38.0%</u>
Total	4,795	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Market propensities for higher-density urban housing continue to grow: multi-family rental housing accounted for 34.4 percent of target market propensities in the 2010 study (1,270 households), and increased in both number (to 1,930 households) and share (to 40.3 percent) in 2014.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

The number of households with preferences for multi-family for-sale units dropped significantly (from 870 to 420 households), and their share of the potential market dropped from 23.5 percent to 8.8 percent.

Another major change over the past five years is the increase in market preferences for single-family *attached* units (from 370 households to 620 households, and from a 10 percent share of the market to a 13 percent market share).

As in the 2010 study, this analysis is focusing on the most appropriate housing types for Downtown: multi-family rental and for-sale units, and single-family attached units. Limited to households with a preference for multi-family rental and for-sale units, then, an annual average of 2,970 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 Study Area 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 is as follows:

Annual Potential Market for New and Existing Housing Units
Market-Rate Higher-Density Housing Units
DOWNTOWN WICHITA
City of Wichita, Sedgwick County, Kansas

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	1,930	65.0%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	420	14.1%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	<u>620</u>	<u>20.9%</u>
Total	2,970	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 1

Annual Market Potential

Distribution Of Annual Average Number Of Draw Area Households With The Potential To Move Within/To Downtown Wichita Each Year Over The Next Five Years

Downtown Wichita

City of Wichita, Sedgwick County, Kansas

*City of Wichita; Balance of Sedgwick County;
Butler, Sumner, Harvey, and Reno Counties, Kansas;
Johnson County, Kansas; Maricopa County, Arizona; Jackson County, Missouri;
Oklahoma County, Oklahoma; Los Angeles County, California
Draw Areas*

Annual Number of Households
With Potential To Rent/Purchase In
City of Wichita, Sedgwick County, Kansas 21,810

Annual Number of Target Households
With Potential To Rent/Purchase In
Downtown Wichita 2,970

Annual Market Potential

	<i>Multi- Family</i>		<i>Single- Family</i>				
	<i>For-Rent</i>	<i>For-Sale</i>	<i>.. Attached .. All Ranges</i>	<i>..... Detached</i> <i>Low-Range</i>	<i>Mid-Range</i>	<i>High-Range</i>	Total
Total Households:	1,930	420	620	675	625	525	4,795
{Mix Distribution}:	40.3%	8.8%	12.9%	14.1%	13.0%	10.9%	100.0%

Annual Market Potential (Excluding Single-Family Detached)

	<i>Multi- Family</i>		<i>Single- .. Family Attached .. All Ranges</i>	Total
	<i>For-Rent</i>	<i>For-Sale</i>		
Total Households:	1,930	420	620	2,970
{Mix Distribution}:	65.0%	14.1%	20.9%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 12.

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

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

—Rental Distribution—

Based on the incomes and financial capabilities of the 1,930 households that represent the target markets for new market-rate rental units 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 New Multi-Family For-Rent
 Distributed By Rent Range
 DOWNTOWN WICHITA
*City of Wichita, Sedgwick County, Kansas***

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$500–\$750	325	16.8%
\$750–\$1,000	390	20.2%
\$1,000–\$1,250	475	24.6%
\$1,250–\$1,500	315	16.3%
\$1,500–\$1,750	165	8.5%
\$1,750–\$2,000	150	7.8%
\$2,000 and up	<u>110</u>	<u>5.8%</u>
Total:	1,930	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 2

Target Groups For New Multi-Family For-Rent *Downtown Wichita*

City of Wichita, Sedgwick County, Kansas

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Share of Households</i>
Old Money	5	0.3%
Urban Establishment	25	1.3%
Small-Town Establishment	25	1.3%
Cosmopolitan Elite	50	2.6%
Suburban Establishment	15	0.8%
New Empty Nesters	90	4.7%
Affluent Empty Nesters	20	1.0%
Cosmopolitan Couples	5	0.3%
Subtotal:	235	12.2%
Traditional & Non-Traditional Families		
Unibox Transferees	60	3.1%
Full-Nest Urbanites	30	1.6%
Multi-Cultural Families	40	2.1%
Subtotal:	130	6.7%
Younger Singles & Couples		
The Entrepreneurs	20	1.0%
e-Types	65	3.4%
Upscale Suburban Couples	95	4.9%
The VIPs	135	7.0%
Fast-Track Professionals	25	1.3%
New Bohemians	130	6.7%
Twentysomethings	265	13.7%
Suburban Achievers	305	15.8%
Small-City Singles	525	27.2%
Subtotal:	1,565	81.1%
Total Households:	1,930	100.0%

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

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

—For-Sale Distribution—

Based on the incomes and financial capabilities of the 420 households that represent the target markets for new market-rate for-sale multi-family units (condominiums) 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 New Multi-Family For-Sale
 Distributed By Price Range
 DOWNTOWN WICHITA
*City of Wichita, Sedgwick County, Kansas***

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$200,000	75	17.9%
\$200,000–\$250,000	80	19.0%
\$250,000–\$300,000	105	25.0%
\$300,000–\$350,000	75	17.9%
\$350,000–\$400,000	50	11.9%
\$400,000 and up	<u>35</u>	<u>8.3%</u>
Total:	420	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 3

**Target Groups For New Multi-Family For-Sale
Downtown Wichita**

City of Wichita, Sedgwick County, Kansas

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Share of Households</i>
Old Money	5	1.2%
Urban Establishment	15	3.6%
Small-Town Establishment	5	1.2%
Cosmopolitan Elite	25	6.0%
Suburban Establishment	10	2.4%
New Empty Nesters	15	3.6%
Affluent Empty Nesters	10	2.4%
Cosmopolitan Couples	5	1.2%
Subtotal:	90	21.4%
Traditional & Non-Traditional Families		
Unibox Transferees	15	3.6%
Full-Nest Urbanites	10	2.4%
Multi-Cultural Families	5	1.2%
Subtotal:	30	7.1%
Younger Singles & Couples		
The Entrepreneurs	5	1.2%
e-Types	20	4.8%
Upscale Suburban Couples	30	7.1%
The VIPs	40	9.5%
Fast-Track Professionals	10	2.4%
New Bohemians	20	4.8%
Twentysomethings	45	10.7%
Suburban Achievers	50	11.9%
Small-City Singles	80	19.0%
Subtotal:	300	71.4%
Total Households:	420	100.0%

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

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

Based on the incomes and financial capabilities of the 620 households that represent the target markets for new market-rate for-sale single-family attached units each year over the next five years, the distribution of annual market potential by price range is summarized on the following table (*see also Table 4*):

**Annual Market Potential For New Single-Family Attached For-Sale
 Distributed By Price Range
 DOWNTOWN WICHITA
*City of Wichita, Sedgwick County, Kansas***

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$200,000–\$250,000	130	21.0%
\$250,000–\$300,000	135	21.7%
\$300,000–\$350,000	155	25.0%
\$350,000–\$400,000	90	14.5%
\$400,000–\$450,000	60	8.7%
\$450,000 and up	<u>50</u>	<u>8.1%</u>
Total:	620	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 4

**Target Groups For New Single-Family Attached For-Sale
Downtown Wichita**

City of Wichita, Sedgwick County, Kansas

Empty Nesters & Retirees	<i>Number of Households</i>	<i>Share of Households</i>
Old Money	5	0.8%
Urban Establishment	15	2.4%
Small-Town Establishment	15	2.4%
Cosmopolitan Elite	40	6.5%
Suburban Establishment	15	2.4%
New Empty Nesters	45	7.3%
Affluent Empty Nesters	15	2.4%
Cosmopolitan Couples	5	0.8%
Subtotal:	155	25.0%
Traditional & Non-Traditional Families		
Unibox Transferees	40	6.5%
Full-Nest Urbanites	15	2.4%
Multi-Cultural Families	15	2.4%
Subtotal:	70	11.3%
Younger Singles & Couples		
The Entrepreneurs	15	2.4%
e-Types	15	2.4%
Upscale Suburban Couples	45	7.3%
The VIPs	65	10.5%
Fast-Track Professionals	15	2.4%
New Bohemians	15	2.4%
Twentysomethings	65	10.5%
Suburban Achievers	50	8.1%
Small-City Singles	110	17.7%
Subtotal:	395	63.7%
Total Households:	620	100.0%

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

Downtown Wichita
 City of Wichita, Sedgwick County, Kansas
 June, 2014

TARGET MARKET ANALYSIS

Who is the potential market?

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

Annual Potential Market By Lifestage and Unit Types DOWNTOWN WICHITA <i>City of Wichita, Sedgwick County, Kansas</i>				
HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATT.
Empty-Nesters & Retirees	16%	12%	21%	25%
Traditional & Non-Traditional Families	8%	7%	7%	11%
Younger Singles & Couples	<u>76%</u>	<u>81%</u>	<u>71%</u>	<u>64%</u>
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- As noted in the 2010 study, 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.

Ranging between 64 and 81 percent, the share of the potential market held by younger singles and couples continues to rise for all housing types. In the 2010 study, these households represented 71 percent of the market; the updated analysis shows an increase to 76 percent of the market. All of the same target household groups—from the risk-oblivious and very urban *e-Types* and *New Bohemians*, to the risk-aware *VIPs*, *Twentysomethings*, and *Small-City Singles*, to the increasingly urban *Entrepreneurs*, *Fast-Track Professionals*, *Upscale Suburban Couples*, and *Suburban Achievers*—are represented in the potential market. Just under 57 percent of these households would be moving to Downtown Wichita from outside the city, up from 26 percent in 2010.

Affordability continues to be a challenge for the influx of young people that are just entering the job market and are living on their own for the first time. This challenge can be

addressed in part by the introduction of smaller, less expensive units (*see* OPTIMUM MARKET POSITION *below*).

- Older households (empty nesters and retirees) continue to be the second largest potential market, approximately 38 percent of whom are currently living in Wichita, a higher percentage than in 2010, when approximately a third of the empty nester and retiree market lived in the city.

Empty nesters and retirees—most of the same target groups as in 2010—now represent approximately 16 percent of the potential market, down from 20 percent in 2010, in part because of their continuing difficulty in selling their existing housing units. The collapse of the ownership housing market in 2007-2008 has had a significant impact on this market segment, as a greater number of older households are now choosing to rent, rather than buy downtown units.

The largest target market groups in this segment—*Cosmopolitan Elite* and *New Empty-Nesters*—also have very high propensities to live in walkable urban neighborhoods.

- The third, and smallest, general market segment—traditional and non-traditional families—continues to decline as a percentage of the potential market for Downtown Wichita, from nine percent in 2010, to eight percent over the next five years, although, like the empty nesters and retirees and younger singles and couples, there are more of them in 2014 than in 2010.

Almost two-thirds of the family-oriented households with the potential to move to Downtown Wichita would be moving from outside the city limits, down from approximately 75 percent in 2010.

Depending on housing type, family-oriented households, a significant number of whom continue to be single parents with one or two children, now comprise between seven percent (rental and for-sale multi-family) and 11 percent (for-sale single-family attached) of the market for new housing units within the Downtown.

Table 5

Annual Potential Market By Lifestage And Unit Types
 Distribution Of Annual Average Number Of Draw Area Households With The Potential
 To Move Within/To Downtown Wichita Each Year Over The Next Five Years

Downtown Wichita

City of Wichita, Sedgwick County, Kansas

Number of Households:	Total	Multi- Family		Single- .. Family Attached .. All Ranges
		For-Rent	For-Sale	
	2,970	1,930	420	620
Empty Nesters & Retirees	16%	12%	21%	25%
Traditional & Non-Traditional Families	8%	7%	7%	11%
Younger Singles & Couples	76%	81%	71%	64%
	100%	100%	100%	100%

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

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

THE CURRENT CONTEXT

What residential properties are currently located in the Downtown?

Updated information on relevant rental and for-sale, multi-family and single-family attached properties/units located in the Wichita market area is provided as follows: for rental properties, see Table 6; for for-sale condominium and townhouse units, see Table 7.

Summary of Selected Rental Properties

Downtown Wichita, Sedgwick County, Kansas
April, 2014

Property (Date Opened) Address	Number of Units	Unit Type	Reported Base Rent (2009)	Reported Base Rent (2014)	Reported Unit Size (2009)	Reported Unit Size (2014)	Rent per sf (2009)	Rent per sf (2014)	Additional Information
Mosley Street Place (1996) 230 N. Mosley	28	1br/1ba	\$625 to \$650	\$635 to \$635	750 to 850	750 to 850	\$0.83 to \$0.87	\$0.85 to \$0.75	100% Occupancy 10 percent are income restricted
		2br/1.5ba	\$795 to \$825	\$795 to \$825	960 to 960	960 to 960	\$0.83 to \$0.86	\$0.83 to \$0.86	
Harvester Lofts (2004) 355 N. Rock Island (mixed use)	48	1br/1ba	\$625	\$700	720 to 800	720 to 800	\$0.87 to \$0.78	\$0.97 to \$0.88	100% Occupancy Historic Building Fitness Center
		2br/1.5ba	\$925 to \$975	\$975 to \$1,050	1,000 to 1,000	1,000 to 1,000	\$0.93 to \$0.98	\$0.98 to \$1.05	30 (62.5% are income restricted)
250 Douglas Place (2010) 250 West Douglas Ave.	141	Loft/1ba	n/a	\$900 to \$1,125	n/a to 700	700 to 900		\$1.29 to \$1.25	100% Occupancy Former Holiday Inn
		1br/1ba	\$650 to \$725	\$710 to \$1,250	613 to 1,432	613 to 1,432	\$1.06	\$1.16 to \$2.04	Pool, club room, fitness center, business center, recreation deck.
		2br/2ba	n/a	\$1,325	n/a	1,432		\$0.93	
Innes Station (1998) 701 E. First	80	1br/1ba	\$695 to \$875	\$625 to \$840	720 to 1,300	720 to 1,508	\$0.97 to \$0.67	\$0.87 to \$0.56	100% Occupancy Underground Parking
		2br/1ba	\$875	\$825 to \$1,125	1,100 to 1,697	975 to 1,697	\$0.80	\$0.85 to \$0.66	10% are income restricted
		2br/2ba	\$1,100 to \$1,400	\$1,065 to \$1,360	1,000 to 1,600	1,610 to 1,905	\$1.10 to \$0.88	\$0.66 to \$0.71	
The Flats 324 (2009) 324 North Emporia	68	1br/1ba	\$700 to \$1,100	\$700 to \$1,000	530 to 1,180	530 to 1,180	\$1.32 to \$0.93	\$1.32 to \$0.85	95% Occupancy Historic Adaptive Re-Use Property
		2br/2ba	\$1,150 to \$2,100	\$1,000 to \$1,450	1,177 to 1,890	870 to 1,396	\$0.98 to \$1.11	\$1.15 to \$1.04	Fitness Center W/D in units
		3br/2ba	n/a	\$1,600	n/a	1,890	n/a	\$0.85	
Finn Lofts (2010) 430 South Commerce (mixed use)	25	Studio/1ba	\$750 to \$800	\$750 to \$800	560 to 610	560 to 610	\$1.34 to \$1.31	\$1.34 to \$1.31	96% Occupancy Historic Building
		1br/1ba	\$900 to \$1,100	\$895 to \$1,095	710 to 1,000	710 to 1,000	\$1.27 to \$1.10	\$1.26 to \$1.10	W/D in units
		2br/1.5ba	\$1,350 to \$1,500	\$1,250 to \$1,500	1,000 to 1,188	1,000 to 1,188	\$1.35 to \$1.26	\$1.25 to \$1.26	

SOURCE: Wichita Downtown Development Corporation;
Zimmerman/Volk Associates, Inc.

Summary of Selected Rental Properties

Downtown Wichita, Sedgwick County, Kansas
April, 2014

Property (Date Opened) Address	Number of Units	Unit Type	Reported Base Rent (2009)	Reported Base Rent (2014)	Reported Unit Size (2009)	Reported Unit Size (2014)	Rent per sf (2009)	Rent per sf (2014)	Additional Information
Eaton Place (2001) 517 East Douglas	115	Loft/1ba	\$865 to \$1,100	\$930 to \$1,250	764 to 1,254	764	\$1.13 to \$0.88	\$1.22 to \$1.00	97% Occupancy.
		1br/1ba	\$750 to \$980	\$790 to \$1,010	537 to 942	537	\$1.40 to \$1.04	\$1.47 to \$1.07	Historic Building.
		2br/1ba	\$850 to \$1,195	\$945 to \$1,240	888 to 1,131	888	\$0.96 to \$1.06	\$1.06 to \$1.10	Fitness center, clubroom.
		2br/2ba	\$995 to \$1,225	\$1,060 to \$1,315	995 to 1,285	995	\$1.00 to \$0.95	\$1.07 to \$1.02	
Eaton Live/Work Units (2013)	3	1br/1ba	n/a	\$1,100	n/a	1,000	n/a	\$1.10 to \$1.00	
Lofts at Old Town Square (2002) 331 North Rock Island	15	1br/1ba	\$875 to \$1,100	\$930 to \$1,380	800 to 1,200	800	\$1.09 to \$0.92	\$1.16 to \$1.22	100% Occupancy Underground Parking
		2br/1.5ba	\$1,300 to \$1,495	\$1,325 to \$1,550	1,000 to 1,500	1,080	\$1.30 to \$1.00	\$1.23 to \$1.05	W/D each unit, Balcony, Atrium Access.
Zelman Lofts (2011) 602 E. Douglas (mixed use)	9	Studio/1ba	n/a	\$640	n/a	400	n/a	\$1.60 to \$1.73	100% Occupancy
		1br/1ba	n/a	\$800	n/a	462	n/a	\$1.55 to \$1.42	
			n/a	\$870	n/a	563	n/a		
			n/a	\$900	n/a	636	n/a		
The Renfro (2012) 612 E. Douglas (mixed use)	20	Studio/1ba	n/a	\$600	n/a	352	n/a	\$1.70 to \$1.66	100% Occupancy Fitness Room
			n/a	\$650	n/a	392	n/a		
		1br/1ba	n/a	\$730	n/a	549	n/a	\$1.33 to \$1.42	
			n/a	\$950	n/a	667	n/a		
		2br/1ba	n/a	\$850	n/a	736	n/a	\$1.15	
		Live-Work	n/a	\$900	n/a	779	n/a	\$1.16 to \$1.39	
				\$1,400	n/a	1,010	n/a		
Player Piano (2012) 704 East Douglas	36	1br/1ba	n/a	\$600	n/a	410	n/a	\$1.46 to \$0.94	100 % Occupancy Fitness Room,
			n/a	\$750	n/a	800	n/a		Entertainment Room,
		2br/1ba	n/a	\$1,150	n/a	770	n/a	\$1.49 to \$1.47	W/D in each unit.
			n/a	\$1,300	n/a	885	n/a		

Summary of Selected Rental Properties

Downtown Wichita, Sedgwick County, Kansas
April, 2014

<i>Property (Date Opened) Address</i>	<i>Number of Units</i>	<i>Unit Type</i>	<i>Reported Base Rent (2009)</i>	<i>Reported Base Rent (2014)</i>	<i>Reported Unit Size (2009)</i>	<i>Reported Unit Size (2014)</i>	<i>Rent per sf (2009)</i>	<i>Rent per sf (2014)</i>	<i>Additional Information</i>
Commerce Street Lofts 414 & 416 S. Commerce (mixed use)	6	1br/2ba	n/a	\$1,300	n/a	1,700	n/a	\$0.76 to	100% Occupancy
			n/a	\$1,600	n/a		n/a	\$0.94	
		2br/2ba	n/a	\$1,500	n/a	1,470	n/a	\$1.02	
Corner 365 (2014) First & Waco (mixed use)	36	1br/1ba	n/a	\$840	n/a	700	n/a	\$1.20	Preleasing
		2br/2ba	n/a	\$1,200	n/a	1,000	n/a	\$1.20	
The LUX 120 E. First	85	Loft/1ba	n/a	\$650	n/a	436	n/a	\$1.49 to	Now Leasing
			n/a	\$800	n/a	673	n/a	\$1.19	
		1br/1ba	n/a	\$1,000	n/a	676	n/a	\$1.48 to	Underground/Covered Parking, Rooftop Terraces, Fitness Center, W/D in each unit. Seeking LEED Gold Cert.
			n/a	\$1,100	n/a	1,236	n/a	\$0.89	
		2br/2ba	n/a	\$1,150	n/a	872	n/a	\$1.32 to	
			n/a	\$1,400	n/a	1,356	n/a	\$1.03	
		3br/2ba	n/a	\$2,000	n/a	1,862	n/a	\$1.07 to	
			n/a	\$3,200	n/a	2,200	n/a	\$1.45	
New Rental Units Outside Downtown									
Chisholm Lake Apts (2013) 3450 N. Ridgwood St.(K96 & Oliver)	216	1br/1ba	n/a	\$795	n/a	730	n/a	\$1.09 to	72.2 % Current- 83.3% Future Occupancy as of 4/18/14
			n/a	\$845	n/a		n/a	\$1.16	
		2br/2ba	n/a	\$1,010	n/a	1,010	n/a	\$1.00 to	
			n/a	\$1,060	n/a		n/a	\$1.05	
		3br/2ba	n/a	\$1,260	n/a	1,038	n/a	\$1.21 to	
			n/a	\$1,310	n/a		n/a	\$1.26	

Table 7

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

City of Wichita, Sedgwick County, Kansas

June, 2014

<i>Development (Date Opened)</i>	<i>Unit Type</i>	<i>Beds/ Baths</i>	<i>Unit Price Range</i>	<i>Unit Size Range</i>	<i>Price Per Sq. Ft.</i>	<i>Total Units</i>	<i>Total Sales (Monthly Average)</i>
Developer/Builder Address							
. . . . Downtown							
Water Walk Place (2007)	CO		<i>Original Pricing</i>			46	n/a
Water Walk LLC			\$199,000 to	1,108 to	\$153 to		
515 South Main Street			\$770,000	5,045	\$180		
			<i>Current Listings</i>				
		2br/2.5ba	\$585,000	2,964	\$197		
		1br/1.5ba	\$425,000	2,939	\$145		
		2br/2ba	\$350,000	2,016	\$174		
		1br/1.5ba	\$240,000	1,456	\$165		
		1br/1.5ba	\$239,900	1,456	\$165		
. . . . Downtown Resales							
Grant Telegraph Bldg. (2005)	CO		<i>Current Listings</i>			13	13
151 N. Rock Island		3br/3.5ba	\$650,000	4,744	\$137		
		2br/2.5ba	\$449,000	3,178	\$141		
		2br/2ba	\$425,000	2,585	\$164		
Rumley Lofts (2005)	CO		<i>Current Listings</i>			18	18
David Burk		1br/2ba	\$259,000	2,054	\$126		
242 North Mead							
. . . . College Hill							
Parkstone at College Hill (2009)	TH		<i>Current Listings</i>			40	n/a
Mike Loveland		2br/4ba	\$399,000	3,070	\$130		Many are currently leased.
142 N. Rutan Street		2br/4ba	\$399,000	3,070	\$130		
		2br/4ba	\$265,000	2,492	\$106		

SOURCE: Zimmerman/Volk Associates, Inc.

Downtown Wichita
 City of Wichita, Sedgwick County, Kansas
 June, 2014

DOWNTOWN MARKET-RATE RENT AND PRICE RANGES

In 2010, the optimum market position for the Downtown Study Area was established for a total of 1,000 units; in 2014, given the increase in market potential for Downtown, particularly for rental units, the number of units that could potentially be absorbed within the Study Area over five years now ranges between 1,425 and 1,870 new market-rate dwelling units (*see Market Capture below*). A total of 1,750 new units has therefore been established as an absorption goal over a five-to seven-year time frame.

What is the market currently able to pay?

—Rent and Price Ranges—

Based on the tenure preferences of draw area households and their income and financial capabilities, the optimum market position for 1,750 newly-developed market-rate residential units that could currently be absorbed by the market over the next five to seven years is as follows (*see also* Table 8):

Rent, Price and Size Ranges: 1,750 Dwelling Units Newly-Created Housing (Adaptive Re-Use and New Construction) DOWNTOWN WICHITA City of Wichita, Sedgwick County, Kansas

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Hard Lofts	\$650–\$1,350/month	450–1,100 sf	\$1.23–\$1.44 psf
Soft Lofts	\$550–\$1,750/month	350–1,250 sf	\$1.40–\$1.57 psf
Upscale Apartments	\$1,350–\$2,300/month	800–1,500 sf	\$1.53–\$1.69 psf
FOR-SALE (MULTI-FAMILY)—			
Hard Lofts	\$135,000–\$225,000	650–1,250 sf	\$180–\$208 psf
Soft Lofts	\$185,000–\$285,000	850–1,400 sf	\$204–\$218 psf
Upscale Condominiums	\$235,000–\$350,000	1,000–1,650 sf	\$212–\$235 psf
FOR-SALE (SINGLE-FAMILY ATTACHED)—			
Townhouses/Rowhouses	\$215,000–\$325,000	1,100–1,800 sf	\$181–\$195 psf
Live-Work	\$315,000–\$365,000	1,350–1,600 sf	\$228–\$233 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

Based on the unit types, sizes, and rents/prices outlined in the optimum market position above, the weighted average rents and prices for each of the housing types are shown on the following table:

Weighted Average Base Rents, Prices and Size Ranges
DOWNTOWN WICHITA
City of Wichita, Sedgwick County, Kansas

HOUSING TYPE	WEIGHTED AVERAGE BASE RENT/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENT/PRICES PER SQ. FT.
Multi-family for-rent	\$1,311 per month	889 sf	\$1.47
Multi-family for-sale	\$236,761	1,119 sf	\$211
Single-family attached for-sale	\$286,541	1,484 sf	\$193

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The aforementioned rents and prices are in year 2014 dollars, are exclusive of consumer options and upgrades, or floor or location premiums, and cover a broad range of rents and prices for newly-developed units currently sustainable by the market in Downtown Wichita. As in 2010, location will 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 transit, or with views of the Arkansas River, will likely command rents and prices at the upper end of values. Those projects that are located on the outer edges of the study area, or near the interstate, are likely to command rents and prices at the lower end of values.

**Optimum Market Position--1,750 Market-Rate Dwelling Units
Downtown Wichita**

City of Wichita, Sedgwick County, Kansas

June, 2014

<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
<u>65.0%</u>	Multi-Family For-Rent						232
250	Hard Lofts	Loft/1ba	20%	\$650	450	\$1.44	to 290 units
		Loft/1ba	30%	\$850	600	\$1.42	
		Loft/1ba	30%	\$1,200	900	\$1.33	
		Loft/1ba	20%	\$1,350	1,100	\$1.23	
		Weighted averages:		\$1,015	760	\$1.34	
600	Soft Lofts	Microloft/1ba	10%	\$550	350	\$1.57	
		Studio/1ba	15%	\$825	550	\$1.50	
		1br/1ba	25%	\$1,175	800	\$1.47	
		2br/1ba	20%	\$1,375	950	\$1.45	
		2br/2ba	20%	\$1,575	1,100	\$1.43	
		2br/2ba/den	10%	\$1,750	1,250	\$1.40	
		Weighted averages:		\$1,238	853	\$1.45	
288	Upscale Apartments	1br/1.5ba	30%	\$1,350	800	\$1.69	
		1br/1.5ba/den	20%	\$1,575	1,000	\$1.58	
		2br/2ba	30%	\$1,900	1,200	\$1.58	
		2br/2.5ba/den	15%	\$2,100	1,350	\$1.56	
		3br/2.5ba PH	5%	\$2,300	1,500	\$1.53	
		Weighted averages:		\$1,720	1,078	\$1.60	
<u>1,138</u> units	Overall Weighted Averages:			\$1,311	889	\$1.47	

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position--1,750 Market-Rate Dwelling Units
Downtown Wichita

City of Wichita, Sedgwick County, Kansas

June, 2014

<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
14.1%	Multi-Family For-Sale						21 to 34 units
50	Hard Lofts	Loft / 1ba	20%	\$135,000	650	\$208	
		Loft / 1ba	20%	\$165,000	850	\$194	
		Loft / 1ba	30%	\$200,000	1,050	\$190	
		Loft / 1ba	30%	\$225,000	1,250	\$180	
		Weighted averages:		\$187,500	990	\$189	
110	Soft Lofts	1br / 1ba	30%	\$185,000	850	\$218	
		1br / 1ba / den	30%	\$205,000	950	\$216	
		2br / 2ba	25%	\$245,000	1,150	\$213	
		2br / 2ba / den	15%	\$285,000	1,400	\$204	
		Weighted averages:		\$221,000	1,038	\$213	
87	Upscale Condominiums	2br / 2ba	25%	\$235,000	1,000	\$235	
		2br / 2.5ba	35%	\$275,000	1,250	\$220	
		3br / 2ba	25%	\$310,000	1,450	\$214	
		3br / 2.5ba	15%	\$350,000	1,650	\$212	
		Weighted averages:		\$285,000	1,298	\$220	
247	units	Overall Weighted Averages:		\$236,761	1,119	\$211	

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

**Optimum Market Position--1,750 Market-Rate Dwelling Units
Downtown Wichita**

City of Wichita, Sedgwick County, Kansas

June, 2014

<u>Percent Number</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Base Rent/Price</u>	<u>Unit Size</u>	<u>Rent/Price Per Sq. Ft.</u>	<u>Annual Market Capture</u>
20.9%	Single-Family Attached For-Sale						32
315	Townhouses/Rowhouses	2br/1.5ba	20%	\$215,000	1,100	\$195	to
		2br/2.5ba	30%	\$265,000	1,375	\$193	50
		2br/2.5ba	25%	\$295,000	1,600	\$184	units
		3br/2.5ba	25%	\$325,000	1,800	\$181	
		Weighted averages:		\$277,500	1,483	\$187	
50	Live-Work Units	1br/1.5.5ba	25%	\$315,000	1,350	\$233	
	500 sf work space	1br/1.5.5ba	45%	\$345,000	1,500	\$230	
	on ground floor	2br/1.5.5ba	30%	\$365,000	1,600	\$228	
		Weighted averages:		\$343,500	1,493	\$230	
365	units	Overall Weighted Averages:		\$286,541	1,484	\$193	
1,750	Total Units						

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

MARKET CAPTURE: DOWNTOWN WICHITA

How fast will new units lease or sell?

In the context of the target market methodology, new rental development (including adaptive re-use of existing non-residential buildings as well as new construction) in Downtown Wichita should be able to achieve an annual capture of 12 percent of the potential market over the near term and 15 percent longer term.

Given current economic conditions, and the expectation of continued improvement for new for-sale housing over the near term, Zimmerman/Volk Associates has determined that an annual capture of approximately five percent of the potential market for each for-sale housing type is achievable in the Downtown over the next two to three years, and up to eight percent over the next three to five years. (Nationally, prior to the housing collapse in 2008, new dwelling units represented 15 percent of all units sold; currently, the National Association of Realtors reports that new units represent less than 10 percent of total housing sales.)

Based on a 12 to 15 percent capture of the potential market for new rental housing, and a five to eight percent capture of the potential market for new for-sale housing units, Downtown Wichita should be able to absorb up to 285 to 374 new market-rate multi-family rental and for-sale and for-sale single-family attached housing units per year over the next five to seven years, as follows:

Annual Capture of Market Potential **DOWNTOWN WICHITA** *City of Wichita, Sedgwick County, Kansas*

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Multi-family for-rent (lofts/apartments, leaseholder)	1,930	12%-15%	232-290
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	420	5%-8%	21-34
Single-family attached for-sale (80 to 100% AMI) (rowhouses, fee-simple ownership)	620	5%-8%	32-50
Total	2,970		285-374

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

At these forecast capture rates, between 1,425 and 1,870 new market-rate units could be absorbed within the Downtown over the next five to seven years.

These capture rates are well within the target market methodology's parameters of feasibility.

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.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

DOWNTOWN BUILDING AND UNIT TYPES

As in 2010, building and unit types most appropriate for the Downtown include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is three or more stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.

Project: The Heritage at Freemason Harbour

Downtown Norfolk, Virginia

184 units.

1-bedroom/1-bath, 764-822 sf, \$1,207 - \$1,335, \$1.51 - \$1.58 psf;

1-bedroom/1-bath/study, 900 sf, \$1,410, \$1.56 psf;

2-bedroom/2-bath, 1,071-1,183 sf, \$1,545-\$2,127, \$1.44 - \$1.80 psf;

3-bedroom/2-bath, 1,331 sf, \$2,207-\$2,787, \$1.66 - \$2.09 psf.

Amenities: Business center, fitness center, concierge.

Parking: Carports under building, in courtyard, and on street.



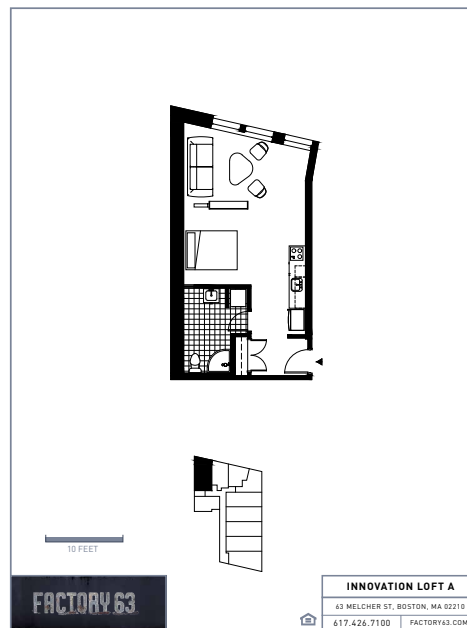
The Heritage at Freemason Harbour.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

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

Microlofts: Several cities across the country are changing minimum unit size requirements as part of a strategy to attract young knowledge workers. Millennial knowledge workers have responded positively to efficiency units as small as 220 square feet, often leasing out new micro loft projects within a matter of days.

The City of Boston reduced the city's 450-square-foot unit minimum to 350 square feet in a pilot program currently limited to the South Boston "Innovation District." As of February, 2014, 353 micro-units have been approved. The first property to market micro-units, the 38-unit Factory 63, was completely leased within a week, reportedly all to renters who worked within a 10-block radius of the property. Initial rents were between \$1,200 a month for 337 square feet to \$2,450 for 597 square feet; fully-leased. There is a waiting list for vacancies in the property where rents now start at \$1,699.



Factory 63.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

San Francisco has reduced allowable minimum from 290 square feet to 220 square feet, but limited the change to 375 units until market impact has been assessed by the City's planning department; the concern is that the higher-profit micro units could reduce housing opportunities for households with children. The first completed project, SoMa Studios with 23 295-square-foot units, was bulk leased for five years to the California College of the Arts. The same developer, Panoramic Interests, has a 160-unit building planned with 220-square-foot units slated when announced in 2012 with monthly rents between \$1,300 and \$1,500 (\$5.90 to \$6.80 per square foot); at the time the average San Francisco studio rent was \$2,075 for 493 square feet, or \$4.21 per square foot. The building will include substantial common space and parking for 240 bicycles but, other than a single car-share spot, no automobile parking.



Panoramic Interests.

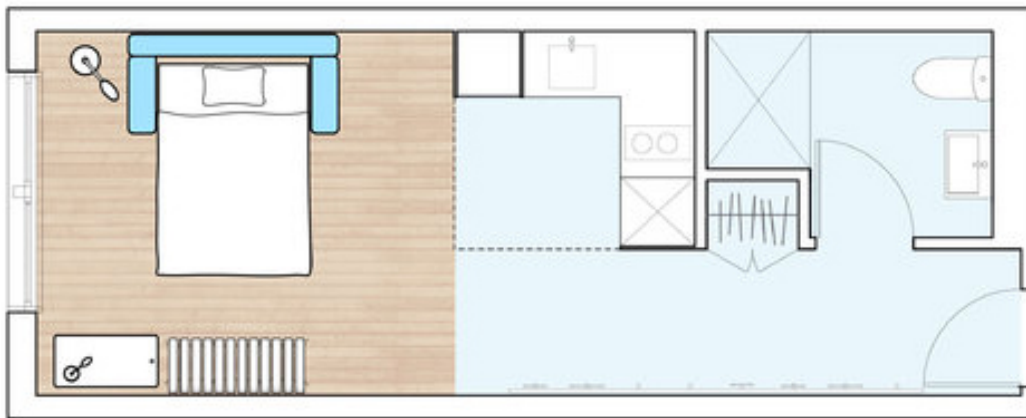
Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

In New York City a pilot program accommodates units smaller than the current 400-square-foot minimum. The first project, the 55-unit My Micro NY, won the City's "adapt NYC" micro-unit competition. Units in the modular building range from 250 to 370 square feet; 40 percent will be affordable. Every floor will have a common area, and the building will include an attic garden, a ground-floor porch, a lounge and a fitness deck.



APT. #3A - DAY

9'-10" high wall surface behind couch used as pin-up wall; kitchen counter is down and ready for a coffee.



APT. #3A - NIGHT

Convertible sofa-bed folded down; kitchen counter folded up; coffee table on wheels relocated to wall.

My Micro NY.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

Because of their small size and intricate layouts, small units are challenging to develop within existing buildings. A U.S. example of creating micro-units through the adaptive reuse of a non-residential building is the redevelopment of the historic, 1828 Arcade building in Providence, Rhode Island. The oldest surviving indoor mall in the nation, the Arcade closed when its three-story interior retail format was no longer economically viable. It reopened in 2014 with ground-level retail and its two upper levels converted into 48 dwellings, including 38 micro units ranging from 225 to 450 square feet furnished with built-in beds, storage, banquette seating. In February, 2014, when half the units were completed and occupied, there was a 2,000-name waiting list for the remaining units. Units are now fully leased at rents starting at \$550 a month, \$2.44 per square foot.



Arcade Building.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

Hard Lofts: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with minimal room delineations such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

Soft Lofts: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of “hard lofts,” such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.

The Chocolate Lofts, a six-story residential conversion in 2004 of the former Paterson Chocolate factory located on Queen Street in Toronto, contains 144 hard and soft lofts. The old chocolate factory units contain timber posts and 12-foot wood ceilings. The soft loft units have functional layouts with 10.5-foot concrete ceilings. All units have exposed duct work, granite countertops and stainless steel appliances and sold out very quickly at prices ranging from \$285,000 for a 500-square-foot studio to \$558 for a two-bedroom penthouse.



Hard loft



Soft loft

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

- Liner Building: An apartment building with apartments and/or lofts lining two to four sides of a multi-story parking structure. Units are typically served from a single-loaded corridor that often includes access to parking. Ground floors typically include a traditional apartment lobby and can also include maisonette apartments, retail or some combination of the two.

Gateway Lofts is a mixed-use infill project, providing affordable housing and street-level retail in downtown Charlotte, North Carolina. The six-story, post-tensioned concrete building was built on a 36- by 300-foot (11- by 91-meter) site adjacent to a parking garage, whose elevator tower it now shares.

Gateway's middle floors have 15-foot (4.6-meter) wide, multilevel, loft-style units with stained concrete floors, exposed load bearing brick walls, and steel stairs open to a mezzanine. Penthouse units have 12-foot (3.6-meter) ceilings, skylit studios, and flowing, wall-free spaces.



Gateway Lofts

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

- Podium Building: A small-scale apartment building construction type with two or more stories of stick-frame residential units (lofts or apartments) built over a single level of above-grade structured parking, usually constructed with reinforced concrete. With a well-conceived street pattern, a podium building can include ground-level non-residential uses lining one or more sides of the parking deck.

Project: The Americana Apartments

Glendale, CA

25 units.

Studio/1-bath, 675-809 sf, \$2,200-\$2,450, \$3.03-\$3.26 psf;

1-bedroom/1-bath/den, 869-965 sf, \$2,299-\$3,090, \$2.66-\$3.20 psf;

1-bedroom/1-bath, 717-1,046 sf, \$2,500-\$2,600, \$2.49-\$3.49 psf;

2-bedroom/2-bath, 1,028-1,465 sf, \$3,481-\$4,050, \$2.76-\$3.39 psf;

2-bedroom/2-bath/den, 1,408 sf, \$3,695-\$3,920, \$2.62-\$2.78 psf;

2-bedroom/2.5-bath/ TH, 1,494-1,928 sf, \$3,733-\$4,200, \$2.18-\$2.50 psf.

Amenities: Fitness club, pool, concierge.

Parking: Garage under building.



The Americana Apartments

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

- Mansion Apartment Building: A two- to three-story flexible-use structure with a street façade resembling a large detached or attached house (hence, “mansion”). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives

Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.

Project: Edgewater at Oakmont
Pittsburgh, Pennsylvania
20 units, First Phase.
2-bedroom/2-bath/den, 1,441 sf, \$335,300, \$233 psf;
2-bedroom/2-bath/den, 1,979 sf, \$433,500, \$219 psf;
Parking: Garage under building.



Edgewater at Oakmont

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

- Live-work is a unit or building type that accommodates non-residential uses in addition to, or combined with living quarters. The typical live-work unit is a building, either attached or detached, with a principal dwelling unit that includes space that can be used as office, retail, or studio space, or as an accessory dwelling unit. Regardless of the form they take, live-work units should be flexible in order to respond to economic, social and technological changes over time and to accommodate as wide as possible a range of potential uses. The unit configuration must also comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

Some of the most effective neighborhood revitalization efforts have incorporated live-work housing for artists and artisans. Although Detroit has had artist-oriented housing such as the adaptive re-use of the Atlas Furniture building in the Eastern Market since as early as the 1970s, most are in lower-density industrial areas and few, if any, in dense, pedestrian-oriented neighborhoods.

Perhaps the best example of arts-led revitalization has taken place on two nearly-adjacent blocks in downtown Providence, Rhode Island. In over decade an artists' non-profit, AS220, has re-developed a series of buildings with a mix of uses including eating and drinking establishments, retail uses, gallery and performance spaces, shared technical equipment, and work and residential studios.



AS220

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

The original redevelopment includes 12 single-room residential studios with shared bathrooms and kitchen. Rents in 11 of the units range from \$333 to \$455 a month, including all utilities and high-speed internet, for spaces between 324 and 408 square feet; a 12th unit rents for free to a monthly artist-in-residence.

The second redevelopment was the restoration of The Dreyfus, an historic hotel building and former dormitory that now includes a bar and restaurant and 14 residential studios, 11 of which rent to income-qualified artists for between \$444 and \$612 for between 301 and 407 square feet. The remaining three units are rented at market rents—\$866 to \$920—for 306 to 406 square feet. The most recent redevelopment is called the Mercantile Block, which includes ground floor market-rate retail, the group’s shared print shop, a floor of office space, and two floors with 22 apartments renting for \$310 to \$1,125 for 597 to 880 square feet. Rents at both The Dreyfus and The Mercantile cover all other utilities except electric, including high-speed internet. Occupancy in all three properties is effectively 100 percent. In addition to the housing, the properties include 19 rental work studios which enhance the neighborhood’s vitality day and night.

As an example of the complex financing required to make these deals work, for the Mercantile redevelopment AS220 drew on more than a dozen different funding sources—loans, grants and tax credits—plus its own equity, seven of which were aggregated into a National Trust Community Investment Fund “community development entity” (CDE) which, in turn, generated New Market tax credits sold to a national tax credit investor.



The Dreyfus

DOWNTOWN AMENITIES

As noted in 2010, the diversity, and social and cultural amenities of the city are one of the attractions of urban living.

Again, locations that are within walking distance of transit, parks and greenways, and entertainment venues—such as theaters, clubs and restaurants, as well as provide convenient access to a variety of retailers, including a grocery store—hold a significant market advantage. Because of the high value placed by the potential market on intimate urban green spaces, additional small “pocket parks” could be created on “leftover” land throughout greater 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. A vibrant urban parks system provides a variety of uses and benefits downtown workers and visitors, as well as residents.

Again, it is important to note some of the basics that enhance urban neighborhoods, but are often overlooked in downtowns, include sidewalks wide enough for two people to walk abreast, street trees to provide shade in summer, street furniture and decoration, designed by artists, that would include benches, sculptures, wall fountains and trompe l’oeil murals to add interest to blank walls. Neighborhood/district street banners on light poles enhance the image of an area for residents and tourists alike.

Since 2010, urban bicycling has become even more important as the Millennials—who as a generation are delaying obtaining driver’s licenses or purchasing automobiles—are relying on bicycle transportation as much as possible. Bicycle infrastructure, ranging from well-designed bike lanes on key thoroughfares to physically-separated bike lanes in both urban and park/waterfront locations, has become as critical an issue as automobile parking. Bike racks—both utilitarian and those designed as civic art—should be plentiful; ideally, bicycle parking should be mandated at all public and private parking facilities and in newly-constructed commercial buildings.

METHODOLOGY

The update of the technical analysis of market potential for Downtown Wichita included confirmation of the draw areas—based on the most recent migration data for Sedgwick County, and incorporating additional data from the 2012 American Community Survey for the county and the City of Wichita— as well as compilation of the current residential rental and for-sale activity in the Downtown market area. The appendix tables referenced here are provided in a separate document.

The evaluation of the Downtown’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).

CONFIRMATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Updated taxpayer migration data provided the framework for the confirmation of the draw areas—the principal counties of origin for households that are likely to move to the City of Wichita. 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 2012 American Community Survey for the City of Wichita and for Sedgwick County.

Appendix One, Table 1.

Migration Trends

Analysis of the most recent Sedgwick County migration and mobility data available from the Internal Revenue Service—from 2005 through 2009—shows that, although the county had continued to show a net increase in households through 2008, by 2009, the county had lost 415 more households than it had gained. (*See Appendix One, Table 1.*)

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

Annual in-migration into Sedgwick County rose steadily over the first four years of the study period, increasing from 8,750 households in 2005 to 9,700 households in 2008 (the highest in-migrating total over the study period). However, in 2009, in-migration dropped to 8,140 households due to reductions in the aircraft manufacturing industry. Nearly 20 percent of the county's in-migration continues to come from the four adjacent counties of Butler, Sumner, Harvey, and Reno.

Out-migration from Sedgwick County continues to fluctuate, ranging between 8,200 households in 2008, the lowest number of out-migrating households over the study period, to 8,725 households in 2005, the highest number. In 2009, approximately 17 percent of out-migrating households moved to one of the four adjacent counties. Collectively, the majority of out-migration continues to be to other counties in Kansas, and states west of the Mississippi.

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 Wichita and the Downtown Study Area have been slightly revised as follows:

- The primary draw area, covering households currently living within the Wichita city limits.
- The local draw area, covering households currently living in the balance of Sedgwick County.
- The regional draw area, covering households that are likely to move to the City of Wichita from Butler, Sumner, Harvey and Reno Counties.
- The metropolitan draw area, covering households that are likely to move to the City of Wichita from Johnson County, Kansas; Maricopa County, Arizona; Jackson County, Missouri; Oklahoma County, Oklahoma; and Los Angeles County, California.
- The national draw area, covering households with the potential to move to the City of Wichita from all other U.S. counties.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

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.

2014 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 analysis. 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

An estimated 153,835 households live in the City of Wichita in 2014, up from the estimated 144,370 households in 2009, an increase of nearly 9,500 households (more than 6.5 percent); 56.1 percent, or 86,330 households are in target market groups with median incomes of \$50,000 or more (4,575 more households than in 2009, an increase of more than 5.6 percent). (*Reference* Appendix One, Table 2.) Over 37.6 percent of these households can be classified as empty nesters and retirees (compared to 33.8 percent in 2009), another 34.8 percent are younger singles and couples (down from 45 percent), and 27.6 percent are traditional and non-traditional families (up from 33.8 percent in 2009).

Median income within the city is estimated at \$45,300, up slightly from \$45,100 in 2009, and approximately 12.5 percent lower than the national median of \$51,600. Median home value within the city is estimated at \$124,500, \$24,100 higher than the median of \$100,400 in 2009, but still considerably below the national median of \$182,100.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

An estimated 196,985 households live in Sedgwick County in 2014, up from the estimated 188,470 households in 2009, a gain of 8,515 households, or 4.5 percent over five years. Nearly 60 percent, or 117,805 households are in target market groups with median incomes of \$50,000 or more (2,235 more households than in 2009, an increase of 1.9 percent). (*Reference Appendix One, Table 3.*) Over 37.4 percent of these households can be classified as empty nesters and retirees (up from 34.8 percent in 2009), another 33.5 percent are traditional and non-traditional families (up considerably from 26.7 percent in 2009), and 29.1 percent are younger singles and couples (down from 38.5 percent in 2009).

Median income within the county is estimated at \$48,700, \$100 more than in 2009, and approximately 5.6 percent lower than the national median of \$51,600. Median home value within the county is estimated at \$130,000, \$20,800 higher than the median of \$109,200 in 2009, and approximately 71 percent of the national median of \$182,100.

Target Market Methodology:

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),

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

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.

UPDATE OF THE POTENTIAL MARKET FOR THE CITY OF WICHITA (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 Wichita 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.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

Appendix One, Table 4.

Internal Mobility (Households Moving Within the City of Wichita)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data and 2012 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 the migration and mobility data, Zimmerman/Volk Associates determined that an average of 11,655 households (up from 9,570 households in 2009) currently living in the City of Wichita, and in target market 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.

Just over 60 percent of these households are likely to be younger singles and couples (as characterized within nine Zimmerman/Volk Associates' target market groups and down from 70 percent in 2009); another 24.5 percent are likely to be family-oriented households (in 11 market groups and up from 17.8 percent); and the remaining 15.4 percent are likely to be empty nesters and retirees (in 13 market groups and up from 12.2 percent).

Appendix One, Table 5.

External Mobility (Households Moving To the City of Wichita from the Balance of Sedgwick 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.

The updated data shows that an average of 3,025 households, currently living in the balance of Sedgwick 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 Wichita each year over the next five years, an increase of 55 households since 2009.

Approximately 52 percent of these households (up from 38 percent in 2009) are likely to be traditional and non-traditional families (in nine market groups); 26.9 percent (down from 27.9 percent) are empty nesters and retirees (in eight groups); and the remaining 20.8 percent are younger singles and couples (in nine groups and down from 33.7 percent).

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

Appendix One, Tables 6 through 8; Appendix Two, Tables 1 through 9.

External Mobility (Households Moving To the City of Wichita from Outside Sedgwick County)—

These tables determine the average number of households in each target market group living in each draw area county that is likely to move to the City of Wichita 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 Wichita—

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 market-rate dwelling units in the City of Wichita 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 21,810 households in groups with median incomes of \$50,000 or more have the potential to move within or to the City of Wichita each year over the next five years. This is up 27 percent over the annual market potential of 17,120 households in 2009. Younger singles and couples (in 12 groups) are likely to account for over half of the market (down from nearly 59 percent in 2009), traditional and non-traditional families (in 13 groups) another 30.8 percent (up from 24 percent as in 2009), and the remaining 19 percent likely to be empty nesters and retirees (in 16 groups and up from 17.2 percent in 2009).

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

Market Potential by Draw Area
City of Wichita, Sedgwick County, Kansas

City of Wichita (Primary Draw Area):	53.4%
Balance of Sedgwick County (Local Draw Area):	13.9%
Butler, Sumner, Harvey, and	
Reno Counties (Regional Draw Area):	6.1%
Johnson, Maricopa, Jackson, Oklahoma, and	
Los Angeles Counties (Metropolitan Draw Area):	2.3%
Balance of US (National Draw Area):	24.3%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

The updated migration, mobility and target market analyses show that there has been an increase in the share of draw areas moving to Wichita from outside the county. Households moving from the Butler, Sumner, Harvey, and Reno Counties have increased from 4.5 percent of the annual potential market to 6.1 percent, the metropolitan draw area has risen from 2.2 percent to 2.3 percent, and the balance of the United States has risen from 20.1 percent to 24.3 percent of the annual potential market. As a result, households moving within the city represent 53.4 percent of the annual potential market over the next five years, down from 55.9 percent in 2009, even though their total number has increased since then.

UPDATE OF THE POTENTIAL MARKET FOR DOWNTOWN WICHITA—

As in 2009, the annual potential market for new market-rate housing units developed within existing buildings or new construction within Downtown Wichita 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 study area each year over the next five years.

Appendix One, Tables 10 through 12.

Market Potential for Downtown Wichita—

As updated by the target market methodology, an average of 4,795 households have the potential to move to Downtown Wichita each year over the next five years, nearly 30 percent higher than the 2009 number of 3,690 households. (*See Appendix One, Table 10.*) Almost 62 percent of these households are likely to be younger singles and couples (in nine market groups and a considerably higher percentage than in 2009 at 56 percent); another 27.7 percent (down from 31.4 percent in 2009) are likely to be empty nesters and retirees (in eight groups); and 10.6 percent (up slightly from 10 percent in 2009) are likely to be traditional and non-traditional family households (in three groups).

The updated distribution of the draw areas as a percentage of the market for Downtown Wichita is shown on the following page:

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
 June, 2014

Market Potential by Draw Area
DOWNTOWN WICHITA
City of Wichita, Sedgwick County, Kansas

City of Wichita (Primary Draw Area):	49.2%
Balance of Sedgwick County (Local Draw Area):	9.4%
Butler, Sumner, Harvey, and	
Reno Counties (Regional Draw Area):	3.5%
Johnson, Maricopa, Jackson, Oklahoma, and	
Los Angeles Counties (Metropolitan Draw Area):	2.7%
Balance of US (National Draw Area):	<u>35.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

At 49.2 percent, the City of Wichita accounts for a significantly smaller share of market potential for the Downtown than in 2009, at 58.5 percent. However, households moving from the balance of the U.S. now account for a considerably larger share, over 35 percent, of the potential market than in 2009, at 20.1 percent.

The 4,795 draw area households that have the potential to move to Downtown Wichita each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Approximately 40.3 percent of these households (up from 34.4 percent in 2009, or from 1,270 households to 1,930 households) comprise the potential market for new market-rate rentals. The remaining 59.7 percent (or 2,865 households, up from 2,420 households in 2009) comprise the market for new market-rate for-sale (ownership) housing units. (*See Appendix One, Table 11.*)

Of these 2,865 households, 14.7 percent (or 420 households) comprise the annual market for market-rate multi-family for-sale units (condominium apartments and lofts), down significantly from 36 percent, or 870 households, in 2009. Another 21.6 percent (or 620 households) comprise the annual market for market-rate attached single-family (townhouse/live-work) units, up significantly from 15.3 percent and 370 households in 2009. The remaining 36 percent (or 1,825 households) comprise the annual market for all ranges and densities of market-rate single-family detached houses.

—Target Market Data—

Target market data are based on the Nielsen (formerly 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 household lifestages—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 is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; 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 *Upscale Suburban Couples* or *Fast-Track Professionals*.

Downtown Wichita
City of Wichita, Sedgwick County, Kansas
June, 2014

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 26 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.



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908-735-6336
info@ZVA.cc • www.ZVA.cc

Research & Strategic Analysis

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.



ZIMMERMAN/VOLK ASSOCIATES, INC.

P.O. Box 4907
Clinton, New Jersey 08809

908 735-6336
www.ZVA.cc • info@ZVA.cc

Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

Zimmerman/Volk Associates, Inc. retains all rights, title and interest in the methodology and target market descriptions contained within this study. The specific findings of the analysis are the property of the client and can be distributed at the client's discretion.

