Oskaloosa Housing Study Findings

Presented to: City of Oskaloosa

Presented by: Matt Mullins | Maxfield Research and Consulting LLC

May 15, 2017
Maxfield Research & Consulting, LLC is a full-service real estate advisory company providing strategic value to our private and public sector clients’ real estate activities.

Overview

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

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>Provide custom comprehensive housing study</th>
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<tbody>
<tr>
<td>APPROACH</td>
<td>Identify current &amp; future housing needs for residents in Oskaloosa and provide framework for meeting housing needs</td>
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</table>
| PROJECT DELIVERABLES             | • Short and long-term housing needs  
• Recommendations guiding future housing development  
• Tools/policies to implement the plan |
| KEY DATES                        | • Data collection: 1st Quarter 2017  
• Draft: April 2017  
• Presentation: May 15, 2017  
• Final: TBD |
The Oskaloosa housing study:

- Identify existing and future housing needs for Oskaloosa residents that will prove a framework for future housing development.

- Develop basis for community leaders, stakeholders, and decision-makers to guide future efforts of the community when addressing housing needs.

- Solicit interest & streamline the housing development process
Comprehensive Housing Study Components

- Demographics
- Employment
- Household Characteristics
- Rental Market Analysis
- Development Pipeline
- For-Sale Market Analysis
- Senior Housing Market Analysis
- Housing Programs
- Housing Demand Analysis
- Challenges & Opportunities
- Recommendations
Deep-dive into Property Types

**GO Rental Housing**
- Affordable
- Subsidized
- Market rate

**Senior Housing**
- Subsidized/affordable
- Active adult
- Congregate
- Assisted living
- Memory care
- Skilled Nursing

**For-Sale**
- Single-family
- Multifamily

**Residential Lot Supply**
Market Area/Trade Area

- Oskaloosa Market Area Defined as:
  - Oskaloosa proper
  - 4 cities
  - 10 Townships
Oskaloosa Population: 1950 to 2025

- 1950: 11,124
- 1960: 11,053
- 1970: 11,224
- 1980: 10,989
- 1990: 10,632
- 2000: 10,938
- 2010: 11,463
- 2017: 11,560
- 2025: 11,740

Steady Population | Peaking Currently

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Positive Growth Past Decade...

Historic Findings (2000-2010)
- Oskaloosa last decade
  - Population +525 (4.8%)
  - Households +133 (2.9%)

Oskaloosa Projections (2017-2025)
- Oskaloosa
  - Population +180 (1.6%)
  - Households +90 (1.9%)

- Remainder of PMA
  - Population -98 (-1.7%)
  - Households +7 (0.3%)
Highest growth rates among 55+ population...

Oskaloosa Age Distribution Percent Change
2017 - 2025

- 85 and over: -10.9%
- 75 to 84: 3.3%
- 65 to 74: 16.3%
- 55 to 64: 0.1%
- 45 to 54: -7.9%
- 35 to 44: 9.6%
- 25 to 34: 0.9%
- 18 to 24: -7.6%
- Under 18: 3.5%

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Household Types are Changing…

Household Type - Oskaloosa

- Married w/ Child
- Married w/o Child
- Other Family
- Living Alone
- Roommates

Households

2000  2010  2015
Lower Household Incomes

- Median Income (2017):
  - $38,166 – Oskaloosa
  - $43,955 – PMA
  - $47,793 – Mahaska County
  - $53,696 – Iowa

- Highest earners between 45-54 age cohort (2017)
  - $52,750 – Oskaloosa

- 2017 Median income (Oskaloosa)
  - Non-seniors: $44,400
  - Seniors: $28,500

- Income disparity by tenure - Oskaloosa (2015)
  - $52,830 (owner) vs. $25,066 (renter)

- Projected increase by 2022:
  - +8% to $41,172 (Oskaloosa)
Oskaloosa is a job importer

Employment

- Roughly 6,900 jobs (covered employment)
- Key Oskaloosa Industry Sector Jobs:
  - Health Care & Social Assistance: 18%
  - Retail Trade: 16%
  - Manufacturing: 14%
  - Public Administration: 7%

- Major Employers:
  - Cargill, Mahaska Health Partnership, Musco Lighting, Clow Valve Co., William Penn U.

- Oskaloosa is an importer of workers:
  - 4,862 workers inflow
  - 3,802 workers outflow
  - +1,060 net job gain

- Avg. weekly wage: $724 vs. $873 IA

- 65% of Oskaloosa residents commute outside of Oskaloosa for work
Steady new construction activity

New Construction Activity

- 148 housing units constructed 2011-2016
  - Avg. 25 units/year
    - 2014: 62 units
  - Avg. 12 SF detached/attached homes annually
  - 48-unit The Reserves at Ironwood

American Community Survey (2015)

- Older Housing stock:
  - 46% built in prior to the 1960s
  - Only 17% built 1990+

- Single Family Detached: 93% of all owner-occupied housing structures

- 64% of Oskaloosa owners have mortgage
  - 57% Mahaska Co.
  - 61% Iowa
Rental Housing Stock

Overall
- 1,900+ renter units (38% of Oskaloosa households)
- Older rental housing stock
  - 73% built prior to 1980
- New rental ordinance to initiate in 2017

![Rental Housing Stock by Decade](chart)
Rental Housing @ Equilibrium

Overall – Larger Property Inventory
- 304 units | 13 projects
- 4.9% vacancy rate
- 82% participation rate from property owners

Market Rate
- 84 units | 7 projects
- 2.4% vacancy rate
- Avg. monthly rent: $725
- Avg. PSF rent: $0.77

Affordable/Subsidized
- 220 units | 6 projects
- 6% vacancy rate...but mostly in Subs.
- Avg. monthly rent $748
- Avg. PSF rent: $0.79

5% Vacancy = Market Equilibrium

Lexington Apartments

The Reserves at Ironwood
Housing Cost Burden

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

**Rental:**
- 39% of Oskaloosa renters are cost burdened
  - 34% Mahaska Co. | 49% Iowa
- 58% of renter HHs > $35k are cost burdened
  - 57% Mahaska Co. | 78% Iowa

**Owners:**
- 22% of Oskaloosa owners are cost burdened
  - 20% Mahaska Co. | 24% Iowa
- 44% of owners HHs > $50k are cost burdened
  - 40% Mahaska Co. | 52% Iowa

![Housing Cost Burdened Households, 2015](image_url)
Senior housing inventory

Oskaloosa Senior Inventory

- 345 units | 9 projects
  - 242 affordable/subsidized units
  - 87 assisted living units
  - 16 memory care units
- 4.6% Vacancy rate (excluding 4 properties)

Senior Housing by Service Type
City of Oskaloosa, 2017

- Subsidized Senior: 212
- Affordable Senior: 30
- Active Adult: 0
- Independent: 0
- Assisted Living: 87
- Memory Care: 16
Home prices nearing previous peak

Overall
- Strong market activity past 4 years
- Low inventory
- Recessionary impacts didn’t hit Oskaloosa as hard as other communities

Resales
- Median sales price (2016):
  - Near peak: $90,000
  - PSF: $73
  - Lowest in 2001: $64,500
  - Resales +14.5% past year
- Single-family dominate
Supply of Homes For-Sale

Active Listings (March 2017)
- 72 active listings
- Median price: $110k SF | $150k MF
- 96% of listings are for SF housing

Avg. Price Per Sq. Ft.
- Single-family: $89/PSF
- Condos: $118/PSF
- PSF by type:
  - 1.5-story: $57/PSF
  - 2-story: $79/PSF
  - 1-story: $100/PSF
  - Split: $109/PSF

Oskaloosa Active Listings - March 2017

<table>
<thead>
<tr>
<th>Price</th>
<th>No. Listings</th>
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<tbody>
<tr>
<td>&gt;$50k</td>
<td>7</td>
</tr>
<tr>
<td>$50k-$100k</td>
<td>26</td>
</tr>
<tr>
<td>$100k-$200k</td>
<td>24</td>
</tr>
<tr>
<td>$200k-$300k</td>
<td>9</td>
</tr>
<tr>
<td>$300k+</td>
<td>6</td>
</tr>
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Home inventory shrinking across the U.S.

The Number of Starter Homes Is Shrinking

Source: Trulia
New Construction targets move-up buyers

Lot Inventory/Supply (Market Area)
- 74 vacant lots | 7 active subdivisions
- Osky: 44 vacant | 5 subdivisions
- Most plats 20+ years old
- Average lot size: 0.63 Acres (Osky) vs. 1.5 acres in townships
  - excluding Fox Run about 0.33 acres

New Construction Market
- Targets move-up and executive level buyers
- Build-to-suite premium: ($150 PSF+)
- Newer subdivisions:
  - Avg. marking lot cost $30k-$40k
  - Home value w/lot: $250k+
- No pending subdivisions
Why is the entry-level & middle market missing?

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

### Apartment Macro-Level Financial Assessment

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Development Costs</th>
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<tbody>
<tr>
<td>No. of Units: 24</td>
<td>Hard Costs: $2,228,700</td>
</tr>
<tr>
<td>Avg. Sq. Ft./Unit: 850</td>
<td>Soft Costs: $668,610</td>
</tr>
<tr>
<td>Common Area Pct.: 15%</td>
<td>Land Costs: $96,000</td>
</tr>
<tr>
<td>Avg. Rent/Unit: $900</td>
<td>Total Development Costs: $2,993,310</td>
</tr>
<tr>
<td>Equilibrium Occupancy: 95%</td>
<td>Development cost/unit: $124,721</td>
</tr>
<tr>
<td>Avg. Rent PSF: $1.06</td>
<td>Development cost/PSF: $128</td>
</tr>
<tr>
<td>Total Rentable Sq. Ft.: 20,400</td>
<td></td>
</tr>
<tr>
<td>Total Bldg. Sq. Ft.: 23,460</td>
<td></td>
</tr>
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<table>
<thead>
<tr>
<th>Monthly Financials</th>
<th>Annual Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Monthly Rent: $21,600</td>
<td>$259,200</td>
</tr>
<tr>
<td>Effective Rent: $20,520</td>
<td>$246,240</td>
</tr>
<tr>
<td>Total Expenses: $8,208</td>
<td>$98,496</td>
</tr>
<tr>
<td>NOI: $12,312</td>
<td>$147,744</td>
</tr>
<tr>
<td>Less: Debt Service: ($13,223.33)</td>
<td>($158,680.02)</td>
</tr>
<tr>
<td>Net Operating Cash Flow: ($911.33)</td>
<td>($10,936.02)</td>
</tr>
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Source: Maxfield Research & Consulting, LLC

Existing rentals avg. $0.79 PSF | New Construction = $1.14 PSF to break-even
Demand Overview

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

Demand Driver Examples

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

Demand Assumptions/Methodology

- Household growth adjusted for local factors (i.e. building permits, etc.)
Demand for 400+ General-Occupancy units through 2025

**General-Occupancy Demand by Type - Oskaloosa**
2017 to 2025

- For-Sale - MF: 85 units
- For-Sale - SF lots: 106 units
- Rental - Subs.: 73 units
- Rental - Aff: 43 units
- Rental - Market: 113 units
Demand for 220+ senior housing units by 2025

Senior Housing Demand by Type Oskaloosa
2017 & 2025

- Adult - Owner: 36 units in 2017, 40 units in 2025
- Adult - Rental: 54 units in 2017, 59 units in 2025
- Congregate: 46 units in 2017, 54 units in 2025
- Assisted Living: 0 units in both years
- Memory Care: 40 units in 2017, 60 units in 2025
- Affordable: 22 units in 2017, 26 units in 2025

Units
Single-Family Development Recommendations

- Recommend 3 to 5-year lot supply
- New platted lots needed soon
- Demand for 105 SF homes...however existing lot supply will satisfy portion of this demand
- Demand across all price points..however entry-level SF difficult given development cost
- Strongest demand for “middle market” product
Demand for 85 units

Lack of association-maintained product in Oskaloosa

Continue to promote infill

Recommend a variety of housing types & all price points:

- Twin homes
- Townhomes/row homes
- Quads
- Detached townhomes
- Condominiums
Rental Housing Recommendations

- Demand for about 230 units
  - 113 market rate
  - 43 affordable
  - 73 subsidized

- Immediate need for newer market rate rentals

- Recommend the following types:
  - Market rate rental – apartment style & townhome style with amenities
  - Affordable Rental – next decade
Senior Housing Recommendations

- Demand for 222 units | Demand across most service-levels

- Senior housing also “frees up” existing housing stock

- Recommend the following:
  - Senior cooperative (30 to 40 units)
  - Active adult rental (40 to 50 units)
  - Affordable rental (22 to 24 units)
  - Independent Living (40 to 50 units)
  - Memory care (30 to 40 units)
Key Takeaways...

- Population and household growth continues at modest pace
- Growth in many cohorts; but 65+ population growing fastest
- Household types changing (i.e. fewer families with children)
- HH incomes lower than State of Iowa averages
- Oskaloosa is a job importer | several strong employers
- Older rental product | low vacancy rates | lack of market rate rental housing
- Senior housing market poised for strong growth
- For-sale market near peak | positive metrics | lack of supply
- Single-family dominated housing stock | Lack of “maintenance-free” housing
- New construction build-to-suite | $150 PSF+
- Lot inventory supply adequate in short-term | more lots needed 2020+
- Difficulty cash flowing new rental development
Priorities

• Promote market rate rental housing production
• Additional need for association-maintained products; but is land available and zoned appropriately?
• New single-family lots needed soon
• Senior housing need will escalate over this next decade & beyond
• Downtown rental housing development – challenges with accessibility, parking, and cash flow
• Implement new rental housing code | “bring-up” existing older housing stock
• Promote private-public-partnerships (PPP) to stimulate housing markets
• Continue to promote & expand the “tool kit”
• Update housing action plan regularly
Questions & Comments

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