

**Urban Housing Supply Study
Center City Sub Market
Of the
City of Springfield,
Greene County, Missouri**

**Prepared For:
Springfield Finance and Development Corporation**

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**Date of Report
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Certification Statement

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in result that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Elaine Young provided significant research and compilation assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Rick Muenks has completed the continuing education program of the Appraisal Institute.

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Study Conclusions – “The Transformation of a Market”

Introduction

Real estate markets are typically divided into categories based on property types and its appeal to different market participants. Real estate markets may be studied by their geographic, competitive, supply/demand characteristics, and like all markets, are influenced by the attitudes, motivations, and interactions of the market participants. Attitudes and motivations of the participants are subject to many social, economic, governmental, and environmental influences¹.

It has been recognized that real estate markets are dynamic and subject to life cycles. Because real estate is immobile and illiquid the market life cycle for real estate can be prolonged and extend beyond generations. The downtown Springfield market is no exception to this rule. The land uses that make up a market generally evolve through four stages²:

- Growth,
- Stability,
- Decline
- Revitalization

Revitalization is that period of renewal, redevelopment, and modernization. Transition or transformation of land uses generally occurs during this stage when land uses that are no longer feasible are discontinued in favor of a more productive use.

When observing the geographical area of what one considers to be the core downtown area, the majority of the building improvements in existence today were generally constructed between 1880 through 1930. Land uses were centered at the public square and as the region expanded; a number of structures supporting various business and commercial enterprises were constructed along the peripheral streets extending beyond the square area. Manufacturing, warehousing, and milling uses dominated the Jordan Valley area due primarily to the railroad line that was constructed through Jordan Valley in response to the original rail line constructed north of the downtown district in the Commercial Street District.

The Commercial Street District, situated approximately 1.5 miles north of the downtown square traces its origin to the South Pacific Railroad (later acquired and to become known as the Frisco), which brought the railroad to Springfield in 1870. The railroad company along with a small consortium of speculative land owners developed a new town (North Springfield) north of the then existing Springfield, and the Commercial Street District was laid out to serve as the commercial node for the new city and business that would develop from the existence of the rail line. The two cities would merge in 1887, but the Commercial Street District continued to expand and serve an important role in the region for many decades following the merger.

The invention and acceptance of the automobile resulted in the construction of highways across the country and around the year 1926 Route 66 had been laid out and announced to extend from Chicago, Illinois to Los Angeles, California. Route 66 extended through business districts and public

¹ Appraisal of Real Estate, 14th Edition, Page 163, Appraisal Institute.

² Ibid, Page 136.



squares of cities along this route including Springfield. Route 66 went through the Springfield downtown square and further solidified the downtown area as the commercial center for the region and influenced additional building construction along College Street and St. Louis Street including landmarks such as the Kentwood Arms hotel and the Gillioz Theater.

The Post WW-II brought social and economic changes to the nation to which Springfield was no exception. Household formations were growing and the development of suburbs outside of the traditional urban core intensified. Interstate highways and other transportation corridors allowed for increased mobility of the population. The increased mobility of the population is clearly shown by a review of vehicle ownership rates. From 1925 to 1945, United States vehicle ownership per capita increased from .15 to .18, a 20% increase, but by 1965 vehicle ownership was .39 per capita an increase of 117% from 1945³. Interstate 44 replaced Route 66 through this section of the country and bypassed downtown Springfield thereby reducing through traffic to the urban core of Springfield. In addition, the improvements to the highway infrastructure and improvements in the auto industry resulted in trucking becoming a preferred mode in the transportation of freight by many industries thereby reducing the dominance of the railroad. Over the years, the rail yard moved westward away from the Commercial Street District and this played a role in changing the nature of the Commercial Street District.

The expansion and changes to the roadway infrastructure, and the new housing development patterns resulted in competing retail locations and activity nodes in other parts of Springfield and by the 1970s and 1980s downtown Springfield was no longer the dominate commerce center in the region. This decline continued into the 1990's as many buildings were boarded up or under-utilized and no longer served their intended purpose. Thus, the downtown market had experienced life cycle components of growth, stability and decline over a combined period of approximately 100 years.

In 2002, Southwest Valuation was retained to complete a market study of the Downtown District. That study focused on housing, office and retail uses. Some of the highlighted findings from that study were:

Housing – There was an emergence of loft apartment uses being constructed within older building structures. Loft Tenants were best described as younger mid to upper income residents. The tenant surveys indicated that the residents work or attend school in the downtown area and earned above average incomes. The residents are not families with children, but typically singles, or couples. The housing study found a high ratio of employment to residents in the downtown study area and that imbalance meant enormous potential for housing units in the downtown area.

Office - Even under a best case forecast, the office market was to remain and the prospects for the downtown area achieving higher office building occupancy from general regional growth was limited. Office uses downtown were to rely on expansion of single tenant users such as local and state government, and Southwest Missouri State University, (now Missouri State University).

Retail - Given the lower space cost, central regional location, and availability of space, the potential for more destination based retailers in the downtown market did exist. This included a range of retailers from nightclubs, eating and drinking establishments, and specialty goods and services. Retail uses supporting the daytime employment will follow as office occupancy increases, as will any retail uses geared to support the downtown residential component.

³ "History of the Automobile: Ownership per Household in the U.S., Shulling Tang, data derived from USDOT, Federal Highway Administration and US Census Bureau.



The 2002 study found a total of 45 residential loft units and those units were scattered amongst approximately 16 buildings. A follow up study was completed in 2007 and that study found 299 loft units in the market. A second follow up study was completed in 2012 and that study found 506 loft units in the market of which approximately 446 units were in the Downtown district and the remainder in the Commercial Street District.

This third follow up survey comes approximately 15 years after the initial study and the results serve as confirmation of a market life cycle. It is without question that Downtown District and Commercial Street District have been revitalized. A handful of buildings remain available for redevelopment, and some of those buildings have announced projects that are in the planning phase. New construction has occurred, which a decade ago would have seemed unthinkable. Smaller household sizes and the desire by a segment of the population for an urbanized lifestyle offering proximity to employment, arts and entertainment are social influences supporting the revitalization. Less restrictive zoning regulations, infrastructure funded by special taxing entities, and public sector development incentives such as tax abatements, and tax credits have supported the revitalization. Continue growth of the region in turn created more demand for education, public services, entertainment, and housing which is also crucial for revitalization to occur. These social, economic, and governmental influences have all contributed to the revitalization of the market and the transformation of this market from a declining state to an expanding state.

Urban Loft Housing Supply

The urban housing supply is based on existing units located in the Downtown district and Commercial Street district. The entire center city sub-market contains considerable housing units, but the focus of this analysis is urban loft units. There is not a uniform definition of a loft unit, but for purposes of this analysis, lofts are generally considered to be housing units that are located above storefront, or commercial space, or are part of a building that has been converted from a prior use such as an office, retail, or industrial use. In addition, several new projects that attempt to replicate a loft project are also included in this supply survey. Traditional mid/high rise residential units and garden apartment units are not included in this survey data. The following table summarizes the historical findings of unit supply in both the Downtown District and the Commercial Street District⁴

Summary of Loft Unit Performance – Center City Market

	2002	2007	2012	2017	15 Year Growth
Commercial Street District Loft	0 Units	34 Units	60 Units	77 Units	77 Units
Downtown District	45 Units	265 Units	446 Units	772 Units	727 Units
Total Number of Units	45	299	506	849	804 Units
Growth in Units	-	254	207	303	
Average Occupancy	91%	93%	97%	96%	
Avg. Rent/Unit	\$715	\$844	\$822	\$890	\$175
Avg. Rent/SF	\$.55/SF	\$.77/SF	\$.81/SF	\$.87/SF	\$.32/SF
Avg. Unit Size	1,300 SF	1,104 SF	1,015 SF	1,024 SF	

Source: Southwest Valuation, LLC survey data.

Unit creation has intensified over the past five years due to an improving economy, continued demand and increasing rents. From 2012 to 2017, an estimated total of 303 units were added which was an improvement from the prior five year period that included a national recession. As of this survey, Beverly Lofts located at 519,525, and 829 East Cherry were under construction with 12 units being proposed. Detailed information on the various properties that make up the Downtown District findings can be found later in this report and the following table summarizes the projects that made up the survey.

⁴ Surveys of the Commercial Street District were less expansive due to the volume of units, and fragmented nature of that market which makes it difficult to obtain data without extensive research which was considered outside the scope of the assignment. Units counts for the Commercial District were obtained from prior surveys, Greene County Assessor records, and on the ground inspection of the property to estimate the number of units. The occupancy and rent levels are reflective of the Downtown District.

Student Housing Supply

A market segment which was not fully explored in the prior studies, but was emerging in the 2012 study is the student housing market. This market segment is best described as land uses devoted exclusively to the housing of students. The model is typically made up of quad units with a private bathroom allocated to each bedroom with a shared common area of a kitchen and living area within each unit, although some projects will offer smaller units to accommodate tenant preferences. All utilities and communications services are provided, basic furnishings are provided and projects offer a high degree of amenities to support the student population. Student projects are located in close proximity to campus and generally have multi story structures creating higher density land development as compared to traditional garden apartments and converted single family residences which previously satisfied this demand segment. The student housing market segment is not unique to Springfield as this housing model can be found at many larger university campuses throughout the country, and many institutional investors have been attracted to this product type and have created investment portfolios consisting of student housing properties.

The student housing segment has expanded considerably since its entry into the downtown market around 2010. The initial project of this product type was an 8 unit 32 bed project at 450 East Walnut. This was followed by two projects completed in 2011 and then a wave of projects thereafter. The two dominant projects in the market in terms of total beds is Bear Village with 620 beds followed by Aspen Heights with 561 beds. During the time of this survey, there were a total of 2,428 beds, with an overall average of 2.70 beds per unit for a total of 900 units added in an approximate seven year period. Occupancy is 93%.

As of the survey period, two projects are in the pipeline. The Cresco a 106 bed complex located at 310 North Jefferson has recently opened, but is still in the lease up stage. Boomer Town Lofts located at 836 South National, is a 70 bed complex under construction. Therefore approximately 176 beds are expected to be added to the market over the next year. The following table summarizes the existing student housing supply. Detailed data sheets are presented toward the end of this report.

Existing Student Housing

No.	Location	Year Built	Occupancy	Units	Beds	Beds/Unit	Vacant Beds	Occupied Beds	Monthly Rent/Bed	WF Monthly Rent
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Totals / Average			93%	900	2,428	2.70	167	2,261	10,373	\$642
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Data compiled by Southwest Valuation - Nov. and Dec. 2017

* The number of beds is estimated based on the number of units known.