

Residential Market Analysis

Twin Cities Harbor: Benton Harbor and St. Joseph, Michigan



Prepared for:
City of Benton Harbor

Prepared by:
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Figure 1: The study area is located mainly along West Main Street and Riverview Drive in Benton Harbor, Michigan.

Executive Summary

This study finds that the Benton Harbor-St. Joseph Study Area (BHSA) is a desirable urban in-fill location near Lake Michigan and with significant areas on the St. Joseph and Paw Paw Rivers. The study area is located inside of both the cities and school districts of Benton Harbor and St. Joseph. The site includes Benton Harbor's emerging historic downtown and the Arts District, which have a moderately high 64 WalkScore. The site is also adjacent to the St. Joseph historic downtown and the Harbor Shores golf course community.

Gibbs Planning Group (GPG) estimates that over the next five years, the BHSA can support approximately 280 total new single-family homes and rental multiple-family dwelling units. Of these units, 50 could be detached small lot village homes of 1,000 to 2,000 square feet (sf) each, offered at a base price of \$150 per building sf or \$150,000 and geared for households without school-aged children. Another 30 homes could be detached single-family homes of 1,800 to 2,400 sf, geared for young families and offered at a base price of \$150 per building sf or \$270,000.

Additionally, 200 of these units could be loft and garden-style one to three-bedroom apartments ranging from 600 to 1,200 sf. These for-lease units should include a range of finishes, from standard fixtures in the garden-style apartments, to upscale amenities such as hard surface countertops, hardwood floors, stainless appliances and custom moldings for the lofts. On average, these new units should be offered at a base price of \$1.00/sf/month for the standard garden flats, to a minimum of \$1.50/sf/month for the custom lofts.

These detached and attached dwellings should be designed to appeal to young professionals without children and active empty nesters and/or seniors. The region's market demand for larger detached homes geared towards families will be absorbed by the existing inventory of developed lots in subdivisions that collapsed during Michigan's Great Recession of 2006-2012.

Although housing has a direct relationship with population growth, the niche housing product forecasted to expand over the next five years specifically pursues market segments that are projected to grow, and that have the income to pay market rate rents.

GPG's findings are based on:

- 1) The youngest population in Berrien County,
- 2) Sizable gains projected in white-collar employment, and
- 3) The study area overcoming local constraints regarding market rate rents, by providing pedestrian links to the evolving downtown and art district.

Background

GPG has been retained to conduct a residential housing study for the BHS. Over the last three years, Benton Harbor has not recovered from the Michigan financial crisis of 2006-2012, although a small, innovative, loft conversion project has generated some demand in the upscale rental market.

Chart 1: Benton Harbor Area Income and Occupation Comparison

<i>Category</i>	<i>Benton Harbor</i>	<i>St. Joseph</i>	<i>Berrien County</i>	<i>Michigan</i>
2015 Average HH Income	\$24,980	\$63,100	\$59,140	\$66,500
2020 Average HH Income	\$27,120	\$73,380	\$68,540	\$76,300
2015-20 HH Inc. Growth Rate	1.66%	3.06%	2.99%	2.79%
2015 Per Capita Income	\$9,130	\$30,640	\$24,250	\$26,500
2020 Per Capita Income	\$9,920	\$35,560	\$28,140	\$30,500
2015 Average HH Inc. >\$50,000	13.0%	50.5%	44.5%	49.6%
2020 Average HH Inc. >\$50,000	15.3%	57.4%	51.5%	56.3%
2015 Employment Occupation, White Collar	34.2%	72.0%	55.8%	58.3%
2015 Employment Occupation, Services	45.8%	16.0%	19.5%	18.2%
2015 Employment Occupation, Blue Collar	20.0%	12.0%	24.7%	23.5%

Chart 1: Benton Harbor present and future income and occupation information shows plenty of room for the increase of white-collar jobs. (Source: ESRI)

The Benton Harbor study area has ample opportunity for infill adaptive reuse of older commercial buildings, as well as some brownfield development opportunities. Although the study area benefits from access and proximity to both the St. Joseph and Paw Paw rivers, low topography

can deter redevelopment because of the costs associated with building in a floodplain or floodway, and national flood insurance.

The trade area for this study is broadly defined as the cities of Benton Harbor and St. Joseph, as well as the Fair Plain area. Although it is often the case that a particular school district will define the boundaries of a residential trade area, the BHSA is not constrained by its schools because of the access to the St. Joseph Public Schools in the western portion of the study area and the school of choice option in surrounding districts for the Benton Harbor area. This potential issue could be overcome by targeting certain demographics, young professional and seniors, since these market segments often will not define the community they want to live in by the local schools, but will prioritize other community amenities.

Benton Harbor Study Area Residential Demographic Statistics

Fluctuations in the housing market are reflected by changes in certain demographic categories. An overall increase in population or declining household size generates greater dwelling unit demand. Changes in family composition, income, age, education and marital status all contribute to the overall market needs and niche housing requirements.

The BHSA is located along Benton Harbor's West Main Street, stretching onto St. Joseph's Marina Island, and further into St. Joseph along Ship and Port Streets. The eastern border is Water Street in Benton Harbor, and extending south along Riverview Drive. See figure 1 for the specific boundaries of the study area. The BHSA lies just over three miles west of Interstate 94, which provides regional linkage to Kalamazoo, Gary, Indiana and Chicago. The western edge of the study area is anchored in the St. Joseph community, which is detailed in the geographic comparison tables below. Benton Harbor has an estimated 2015 population of 9,700. Population growth over the next 25 years is statistically forecasted to stabilize at an annual rate of 0.65 percent. Household size is projected to remain stable, shifting from 2.74 to 2.73 persons per household over the next five years.

Over the last five years, the BHSA population has grayed slightly, with its median age climbing from 28.3 in 2010 to 29.9 in 2015. The rate of age increase will slow with the median age climbing to 30.7 by 2020. Although the study area has a greater rate of aging than that of St. Joseph, Berrien County or the State, it is still projected to have a significantly younger average age than all of the other geographic comparison areas. The age 55-plus segment in 2015 makes up 19.9 percent of the study area population, and is projected to jump to 22.0 percent by 2020. Although the market share of the populace at the top end of the age scale is increasing, young and middle-aged families make up the largest portion of the market at 35.9 percent. The main consumers for new construction over the next five years are the young professional and senior market segments.

Other important demographic characteristics for residential expansion are education and marital status. The existing population of the study area has a greater-than-high-school degree education level of 35.7 percent, lower than the comparison community values. The BHSA's marriage rate is 21.1 percent, which is also less than the other three governmental geographies.

At \$25,000, household income in the Benton Harbor study area is less than half that of St Joseph, Berrien County and the State of Michigan. Income growth is projected to increase at the yearly rate of 1.66 percent, which is also less than the comparison community levels of 3.06 percent for St Joseph, 2.99 percent for Berrien County and 2.79 percent for the State. The 2015 number of

households with average income greater than \$50,000 is 13.0 percent in the BHSA, and projected to grow to 15.3 percent by 2020, keeping the study area well behind in this category as well.

Chart 2: Benton Harbor Area Demographic Comparison

<i>Category</i>	<i>Benton Harbor</i>	<i>St Joseph</i>	<i>Berrien County</i>	<i>Michigan</i>
2015 Population	9,730	8,300	155,600	9,871,000
2020 Population	9,590	9,860	155,200	9,944,000
2025 Population	9,900	10,190	160,300	10,019,000
2030 Population	10,230	10,530	165,600	10,094,000
2035 Population	10,570	10,880	171,100	10,170,000
2040 Population	10,920	11,230	176,700	10,247,000
2015-40 Annual Population Growth Rate	0.46%	1.22%	0.51%	0.15%
2015 Household	3,470	3,930	63,100	3,903,000
2020 Household	3,420	3,920	63,100	3,943,000
2025 Household	3,530	4,040	65,200	3,985,000
2030 Household	3,650	4,180	67,300	4,027,000
2035 Household	3,760	4,310	69,500	4,069,000
2040 Household	3,880	4,450	71,800	4,112,000
2015-40 Household Growth Rate	0.45%	0.50%	0.52%	0.21%
2015 Education Level, Greater than HS	35.7%	73.5%	58.1%	60.5%
2015 Marital Status, Married	21.1%	40.2%	49.9%	48.8%
2010 Median Age	28.3	41.6	41	38.8
2015 Median Age	29.9	43	42.2	39.9
2020 Median Age	30.7	44.3	43.1	40.7
2010 Population 25-54	37.4%	43.0%	38.5%	40.0%
2015 Population 25-54	36.0%	41.9%	36.6%	38.2%
2020 Population 25-54	35.9%	39.6%	35.3%	37.1%
2010 Population 55+	16.9%	31.4%	29.6%	26.4%
2015 Population 55+	19.9%	34.4%	32.8%	29.6%
2020 Population 55+	22.0%	37.1%	35.5%	32.3%

Chart 2: Demographic statistics for the study area and the other relevant governmental geographies. (Source: ESRI)

School Competitiveness

The study area lies within both the St. Joseph Public School District (SJPS) and the Benton Harbor Area Schools (BHAS). The SJPS is in Michigan's 95 percentile at number 32 among 643 districts while BHAS are rated 638th, which puts it in the bottom one percent.

The SJPS has just fewer than 2,900 students, the 137th most in the state. It has three elementary schools, one middle school and one high school. Students from the St. Joseph portion of the study area would attend Lincoln Elementary School, as well as the common SJPS middle and high schools.

The BHAS, with just over 2,600 students, is the one hundred fifty-sixth largest in Michigan. The BHAS has five elementary/middle schools and one high school.

The fact that the BHAS is at a significant competitive disadvantage among this region's residential submarkets is somewhat mitigated by the St. Joseph Public Schools, a 95th percentile school district. For the study site to offset the disadvantage of the school district, it will need to target demographic segments that do not directly require strong public schools, such as young professionals or empty nester senior groups.

As a result, homes developed in the St. Joseph school district should appeal to young families with children as well as single parents, young professionals and empty nesters. Residential units located in the Benton Harbor school district will likely appeal to households without children including young professionals and empty nesters.

Existing Residential Market

In 2015, Benton Harbor contained approximately 4,340 housing units with a vacancy rate of 20.1 percent. In 2015, homeownership fell by 0.3 percent from the 2010 census level of 27.5 percent to 27.2 percent, while the level of renter-occupied homes declined by 1.4 percent to 52.6 percent. The level of owner-occupied dwelling units is projected to continue to decline to the long-term projection of 26.7 percent, while leaseholders are predicted to occupy 52.0 percent by 2020. The decline in both owner and renter-occupied units is shifted to a higher vacancy rate. Based on meager income growth and stagnant home values, the long-term vacancy rate will continue to increase to historic highs of over 21 percent by 2020.

St. Joseph has an estimated 4,800 dwelling units with a 2015 occupancy rate of 81.9 percent. Homeownership dropped from the 2010 census by 1.3 percent, from 48.7 to 47.4 percent, while renter-occupied homes rose from 33.3 to 34.5 percent. The vacancy rate remained nearly stable, moving from 18.0 percent in 2010 to 18.1 percent in 2015. Over the next five years, St. Joseph is forecast to have limited change in the housing market, with a 0.2 percent fall in owner-occupied units, and no change in the rental 34.5 percent share of total residences.

The detached residential market in the study area has not yet recovered from the Michigan financial crisis of 2006-2012. The calamity of 2006 caused the residential housing market to spiral downwards. The combination of unemployment rising, household incomes declining, foreclosures rising substantially, home sales prices plummeting, and the home loan market seizing up because of rapidly falling appraisals led to more homeowners walking away from their homes, thus starting the process again. The home foreclosure issue has not yet passed in this study area, with at least nine of the thirty Benton Harbor homes listed by the Southwest Michigan Association of Realtors being bank-owned foreclosed properties.

Currently, there are 29 homes listed for resale with the Southwest Michigan Association of Realtors in Benton Harbor south of Main Street, at an average list price of \$34,000. Typical square footage is 1,320, yielding an average list price per square foot of \$27/sf. There is a single condominium listed for resale, at a \$7,500 asking price, which is \$26/sf. Although the majority of dwelling units in Benton Harbor are being listed and sold at below the cost of reproduction, the Harbor Shores golf course community and Edgewater Dunes detached subdivisions, and the Channel Bluffs and Villas at the River condominium projects, achieve significant resale levels of \$150 - \$200/sf for single-family homes and \$135/sf for attached homes. Resale of vacant lots in

the Edgewater Dunes project is listed for between \$80,000 and \$120,000, while those in Trumpeter Bay are in the \$60,000 to \$75,000 range.

Chart 3: Benton Harbor Area Housing Statistic Comparisons

<i>Category</i>	<i>Benton Harbor</i>	<i>St. Joseph</i>	<i>Berrien County</i>	<i>Michigan</i>
2010 Housing Units	4,330	4,800	76,920	4,532,000
2010 Housing Owner Occupied	27.5%	48.7%	58.6%	61.6%
2010 Housing Renter Occupied	54.5%	33.3%	23.4%	23.8%
2010 Vacant Housing	18.0%	18.0%	18.0%	14.6%
2015 Housing Units	4,340	4,800	77,420	4,601,000
2015 Housing Owner Occupied	27.2%	47.4%	57.3%	60.1%
2015 Housing Renter Occupied	52.6%	34.5%	24.2%	24.8%
2015 Vacant Housing	20.1%	18.1%	18.5%	15.2%
2020 Housing Units	4,350	4,800	77,590	4,654,000
2020 Housing Owner Occupied	26.7%	47.2%	57.2%	59.9%
2020 Housing Renter Occupied	52.0%	34.5%	24.1%	24.8%
2020 Vacant Housing	21.4%	18.3%	18.7%	15.3%
Median Age of Homes, 2015	64	68	55	48
2015 Owner Occupied Housing Value Less than \$150,000	98.3%	27.8%	41.5%	58.6%
2015 Median Owner Occupied Home Value	\$70,300	\$184,600	\$167,800	\$133,700
2020 Owner Occupied Housing Value Less than \$150,000	87.2%	6.5%	20.9%	40.7%
2020 Median Owner Occupied Home Value	\$81,200	\$230,600	\$208,500	\$170,500
2010 Households less than 3 persons	53.7%	76.4%	64.0%	61.7%
2010 Households with Children	44.3%	20.6%	30.2%	31.6%

Chart 3: Existing housing statistical data for Benton Harbor. (Source: ESRI)

There are 61 detached homes listed in the City of St. Joseph. The average size of these homes is almost 2,200 sf, while the median list price is \$445,000, which equals \$204/sf. There are 14 attached condominiums listed with the Southwest Michigan Association of Realtors, at an average price level of \$262,000 for 1,220 sf, for a price per square foot level of \$215. These average per square foot levels are slightly elevated because of lakefront or lake view homes. Of the 61 detached homes listed, 13 have premiums for Lake Michigan, being listed over \$400,000. Six of 14 condominiums have view premiums, with list price over \$300,000. The highest listed home currently on the market is listed at \$4,499,000 (\$354/sf), and the highest attached unit is \$749,900 (\$415/sf).

During 2015, 185 single-family detached homes sold in St. Joseph at an average price of \$292,000, and 21 attached units sold at an average of \$206,000. This is an absorption of 18 homes per month.

The study area's average homeowner spends just over \$620 monthly on their mortgage principal (\$145), interest (\$260), homeowners insurance (\$40) and real estate property taxes (\$175). Utilities expenses - including public utilities, natural gas, fuel oil, phone, cable and electricity - are projected at an additional \$160 per month. The highest sales price was \$1,050,000, with 26 homes closing at over \$400,000.

There are six large, market-rate apartment projects in the BHSa. The most typical unit type is the garden-style apartment, although the Whitcomb senior housing tower, located at the Lake Michigan entrance of the St. Joseph River, is a midrise building. The Whitcomb commands unique rents because of its assisted care amenities and historic uses, reaching up to \$4.50/sf/month for its commanding Lake Michigan views from the upper levels. Common rents range from \$0.50/sf/month in Benton Harbor & Fair Plain (Cogie Village Apartments and The Village at Fairplain) to \$1.10 - \$1.25/sf/month for St. Joseph's Lakecrest Ravine and Lakecrest Shore Line projects. The Westview Apartments in St. Joseph has one, two and three bedroom apartments, with one-bedroom units leasing for approximately \$1.00/sf/month and the larger three-bedroom apartments at \$0.80/sf/month.

A significant component of the BHSa residential market is subsidized housing. The Benton Harbor Housing Commission (350 units) and the Benton Township Housing Commission (375 units) operate Low Rent Public Housing and Section 8 Housing Voucher developments. The St. Joseph Housing Commission has one site that contains 107 Low Rent Public Housing units. Availability of these units revolves upon tenants moving out. Currently, none of the Housing Commissions are accepting applications for the waiting lists because of excessive demand.

New Residential Market Construction

The BHSa has a limited new home construction market, with no production builders marketing sites. There are available lots in Trumpeter Bay, and a very limited number in Edgewater Dunes and Harbor Shores, which are being marketed to the public. Like many other Michigan cities, Benton Harbor was hit hard during the financial crisis, and additionally suffered the appointment of an emergency manager. There is niche demand for demographically targeted new home product, but not enough to support the mobilization of a production builder into the market.

There are currently no newly built attached condominiums for sale in the BHSa.

Home building companies that made it through the recession changed their business model to reflect the tough lessons learned, such as: reducing the number of speculative homes built; eliminating expensive furnished sales models at each site; increasing their internet presence (the national Home Builders Association estimates that 88 percent of consumers pre-shop communities on-line); and delaying construction starts, which creates a steady backlog of new home build projects, helping to keep the same trades/contractors busy without gaps in production schedules.

Area Residential Developments Location Map

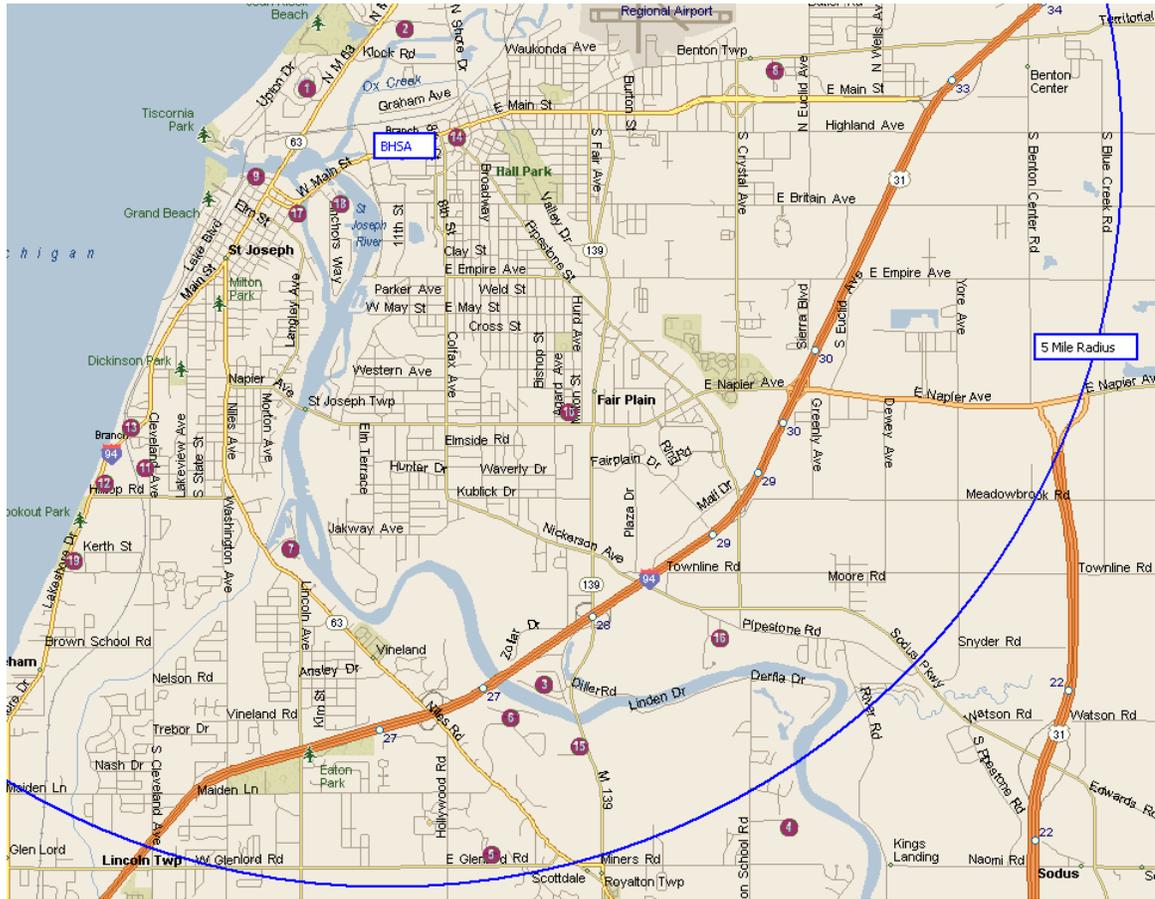


Figure 2: The Developments Map depicts the larger market rate projects that surround the BHSA.

Single Family Detached Homes

1. **Edgewater Dunes** was started in 2003. All homes are of the first and second move up residential categories, offering three or four bedrooms, two to 2.5 bathrooms, and front entry two-car garages. Resale pricing ranges from \$310,000 to \$420,000. There are currently three vacant lots listed for between \$80,000 and \$120,000.
2. **Harbor Shores Community** is a 45-lot development built on the edge of the Paw Paw River, overlooking the Harbor Shores Golf Course. These 1,600 to 2,400 sf, 2nd move up homes range from \$400,000 to \$445,000. Four vacant lots are listed at prices between \$80,000 and \$134,000.
3. **Trumpeter Bay** is a 1st move up subdivision located off of Scottdale Road, between Interstate 94 and the St. Joseph River. Offering a mix of two-story and 1st floor master bedroom homes selling for \$100-\$110/sf, this development abuts the St. Joseph River. Interior vacant lots are listed for \$35,000, while riverfront sites are priced at \$75,000.

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4. **Carlisle Ridge** is a development off Bacon School Road in St. Joseph. This 25+ lot community is only about half built out. Its 2,600 sf, 1st move up homes are reselling for near \$110/sf. There is a mix of front and side entry two-car garages, with only a belt of masonry required.
 5. **Royalton Terrace Village** is an age-restricted ranch community located near the Lakeland Medical Center at Hollywood and Glenlord Roads. This community, which started in 2004, is only about 10 to 20 percent built out, with 1,400 sf to 2,100 sf ranches priced between \$100-\$125/sf.
 6. **River Run Estates** is an upscale 2nd move up development across the St. Joseph River from Trumpeter Bay, along Niles Road just south of Interstate 94. Cornerstone Builders & Associates was the pre-recession builder in this community. Homes are now selling for between \$340,000 and \$525,000, most of which are near 3,000 sf.
 7. **Riverside Pointe** is a 50-home community with an on-site marina on the St. Joseph River. Although these 3,800 sf luxury homes are listed for \$575,000 and above, foreclosed homes in this community sold for less than \$160,000 as recently as April 2013. Vacant lots are listed for \$69,000 to \$79,000.
 8. **Trailside Harbor Shores** is a cluster of 19 village-type detached homes overlooking the Jack Nicklaus golf course. These homes range from 1,200 to 1,760 sf each and are offered at \$294,000 to \$350,000 (\$200 - \$245 sf). Reportedly 12-15 homes have sold in 18 months. See Figure 3 for the Trailside sales brochure. Note, GPG was not able to verify the sales history of Trailside with MSA data.

Apartments

9. **Cogic Village Apartments** is located at 1914 Territorial Road in Benton Harbor. It contains 136 one, two and three-bedroom units in 18 buildings. On-site amenities include a pool, clubhouse and playground. This location has great access to Interstate 94 and downtown Benton Harbor. Rents for all types of units are between \$0.50-\$0.60/sf/month.
10. **The Whitcomb**, located at 509 Ship Street in St. Joseph, offers studios and one-bedroom senior apartment homes with rents starting at \$1,050 for a 200 sf studio unit. There are 131 units in this six-floor tower, originally opened as a hotel in 1928. Meal and service plans are included in the rental of these units.
11. **Village at Fairplain** is located at 777 Napier Avenue in Benton Harbor. There are 178 units divided among eight buildings. Lease rates are \$565/month for a 900 sf one-bedroom unit or \$595/month for a 1,100 sf two-bedroom unit. On-site amenities include a clubhouse, playground and basketball court.
12. **Lakecrest Ravine** is located at 2850 Cleveland Avenue in St. Joseph. There are 238 apartments in six three-story buildings. Rents range from \$1.25/sf/month for a 390 sf studio to \$1.00/sf/month for a 640 sf one-bedroom unit. On-site amenities include a pool and gated parking.



TRAILSIDE
HARBOR SHORES

SMART COTTAGES TUCKED AMONG BREATHTAKING VIEWS



Conceptual rendering subject to change

Harbor Shores 201 Graham Avenue, Benton Harbor, MI 49022 | Phone: 269.932.1600

HarborShoresLife.com

Figure 3: Trailside Harbor Shores includes 19 detached single-family homes overlooking the Jack Nicklaus golf course. The homes range from 1,200 to 1,760 sf each and are offered at \$294,000-\$350,000.

- 13. **Lakecrest Shoreline** is a 138-unit complex, spread among three two-story buildings located across the street from Lake Michigan, at 3001 Shoreline Drive in St. Joseph. Lease rates for the studios and one-bedrooms are \$510 and \$605, respectively. This property offers little in the way of on-site amenities, except for its proximity to Whirlpool headquarters and views of Lake Michigan
- 14. **Westview Apartments** has 136 flats in three buildings, ranging from the 725 sf one-bedroom model at \$1.00/sf/month to the 1,165 sf three-bedroom model at \$0.79/sf/month. Although the project almost sits on Lake Michigan and has views of the lake, the railroad between the lake and the buildings does limit access.
- 15. **162 Pipestone Street** is a senior apartment tower located in downtown Benton Harbor. This project is marketed as an age-restricted, 55+ complex, with a range of one, two and three-bedroom apartments offered. Rents are based on the State of Michigan's Section 8 voucher program.

Condominiums

- 16. **Rivers Edge Townhomes** is a development of 30 attached townhomes near the Scottdale Road crossing of the St. Joseph River, in St. Joseph. These 1,300 sf two to three bedrooms, 2.5 bathrooms, and two-story-plus-basement units resell at a list price of \$129/sf.

17. **The Villas at the River** are four-unit buildings with two condos on each level. The individual dwelling units are between 1,500 sf and 1,800 sf, with two bedrooms, two bathrooms and a two-car garage. Interior development units resell for \$125/sf while those on the river close at over \$140/sf. On-site amenities include a pool, clubhouse and river park.
18. **Channel Bluff** is a 20-year-old project located in downtown St. Joseph on the river. These 1,500 sf units have two or three bedrooms, two baths and a one-car garage. The older units are well located in the market and sell for almost \$150/sf.
19. **Shoreview Condominiums** is an older built-out project located on Marina Island, between St. Joseph and Benton Harbor. These small (1,100 sf) attached waterfront homes have two bedrooms and two baths. Sale prices over the last two years are just over \$160/sf. Most units include boat slips as a lifestyle amenity.

New/ Proposed Developments

20. **Lakeland Residential Housing** is a new planned development located at 3425 Lakeshore Drive in St. Joseph. This almost 70-unit apartment project is owned by the Lakeland Regional Medical Center. The hospital system has publicly stated that they plan to offer most of the units to medical resident physicians; however, they will also market the project to the public at market rate rents.

Chart 4: Residential Unit Market Demand

<i>Unit Type</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>Total</i>
Village Single-family Homes	8 Homes	8 Homes	10 Homes	12 Homes	12 Homes	50 Homes
Young Family Single-family Homes	5 Homes	6 Homes	6 Homes	6 Homes	7 homes	30 Homes
Loft Apartments	10 Lofts	50 Lofts				
Garden Apartments	30 Apts.	150 Apts.				
Totals	53 Units	54 Units	56 Units	58 Units	59 Units	280 Units

Chart 4: Summary table of estimated Benton Harbor study area residential unit market demand.

Supportable Residential Types

As discussed above, demand in the Benton Harbor school system indicates a trend towards both a more mature/senior household and young professionals without children. Sites located in the St. Joseph school system will appeal to households with and without school-aged children. Sites located in both school districts can likely support an innovative site plan based on New Urbanism principles could potentially accommodate these residential typologies, both luxury and moderately priced, stacked flat, for-rent products. Studies indicate that such residential developments produce higher revenues and quicker sales when they are walkable, include parks and are near café's, food markets, bakeries and coffee shops.

Village Single-family Homes: Both the Benton Harbor and St. Joseph sites can support up to 50 detached village homes over the next five years. These homes should be 1,000 to 2,000 sf and designed to appeal to professionals, young families without school-aged children, singles and

active empty nesters seeking to downsize. The detached homes should be clustered around courtyards or built on 3,000 to 4,500 sf lots, with alley-facing garages and front porches. Base homes should include open floor plans, large windows, standard finishes, two bedrooms, one and a half baths and no garage. Premium homes should include custom moldings, hard surfaced baths and kitchens, hardwood floors, two to three bedrooms, and at least a one-car (attached or detached) garage.

This study estimates that these homes should be offered at a base price of \$150/sf or \$150,000 to \$300,000 each, with premium homes approaching \$200/sf. The Benton Harbor study area market can absorb approximately 12 to 15 of these village homes per year for the next five years.



Figure 5: The subject site may have a demand to support for-sale attached townhomes (above left) and has a demand for detached village style homes developed in a walkable New Urban format.

Young Family Single-family Homes: In addition to the residential products described above and below, sites located in the St. Joseph school system can support up to 30 single-family homes geared for families with young children. These homes should be 1,800 to 2,400 sf in area and located on 5,000 to 10,000 sf lots. The homes should include three to four bedrooms, two and half baths and two-car attached garages.

Another 30 homes could be detached single-family homes of 1,800 to 2,400 sf, geared for young families and offered at a base price of \$150 or \$270,000. Homes should offer hardwood floors, custom moldings, ceramic baths and luxury kitchens as options. The development should be planned as a walkable neighborhood with sidewalks, parks and garages facing rear alleys or setback from the front of the house.

Loft Apartments: Young professionals without children can often afford luxury finishes, designs and unique spaces over economical, repetitive dwellings. Adaptive reuse of existing structures, although frequently more expensive than newly built construction, provides unique living space and should contain a level of finishes commensurate with the increased custom costs of developing the units. Sized between 750 sf and 1,100 sf, with pricing starting at \$1.50/sf/month for larger spaces, this product should include secure parking, desirable location features over traditional on-site amenities, and highlight efficient convenience over boxy space. At a rate of 10 lofts per year, 50 total units of this nature are supportable in both Benton Harbor and St. Joseph over the next five years.

Garden Apartments: By 2020, both the Benton Harbor and St. Joseph sites (and the general downtown Benton Harbor and St. Joseph markets) can support up to 30 units per year, totaling

150 additional conventional garden-style one and two- bedroom apartments. They should be sized between 750 to 1100 sf, with pricing beginning at near \$1.00-\$1.15/sf/month. These apartments should be developed in two and three-story buildings with direct exterior access to ground level units and common open hallways for upper units. Each apartment should be provided with one parking space per bedroom. Storage bins, ceramic tile baths, forced-air HVAC, in-building laundry machines and moderately basic finishes should be offered for each apartment. Two-bedroom apartments should include two full bathrooms. Typically, these apartments yield 15 to 18 units per acre density, depending on local zoning and site development standards.



Figure 6: The Benton Harbor study area supports up to 150 garden style apartments (above left) and 50 loft apartments (above right) during the next five years.

Alternatives: As an alternative to the above supportable housing types, the BHSA may also support attached for sale townhomes and/or attached ranch rental units. However, GPG could not locate data to support these alternatives.

Based on similar urban markets and Michigan State Housing Development Authority (MSHDA) information, the study area may also have a market demand for two and three-story town homes ranging from 900 to 1,800 sf. These town homes typically yield 20 units per gross acre and sell at a base price of \$140/sf. These townhomes appeal to young professionals, single parents and active empty nesters.

In addition, attached, upscale ranch-style rental dwellings designed for active, 55-plus empty nesters may have a market in the study area. These upscale apartments should include two bedrooms, two baths, attached garages and limited upgrades. Supportable rents for this product type are \$1.25 to \$1.35/sf/month; however, this unit typology only achieves a density of less than ten units per acre on average, and therefore may not be economically sustainable for infill locations with high property values or requiring extensive environmental cleanup. Note: further research should be conducted prior to planning or developing the townhome or ranch dwellings.

Rationale

In the Benton Harbor market area there are few detached subdivisions where home sale prices have recovered to pre-recession levels. However, there are still vacant lots in these communities, such as Edgewater Dunes and Harbor Shores, likely selling at or below actual development cost. In both the near and long terms, there is some niche residential regional demand for senior households and young professionals, which may make up the highest and best use for residential infill sites. This targeted product will not compete with the existing inventory of below the replacement of conventional single-family and multiple-family homes. Accessibility to walkable

on- and off-site amenities, such as a robust retail-restaurant link, well-designed public open spaces are necessary to achieve market-average or above-market-average rents.

This study takes into effect the growth of household incomes in certain segments of the market, as well as an expansion in professional white-collar employment. If household incomes in general in the BHTSA increase by greater than 1.75 percent per year, new residential demand will be greater than GPG projects.

Limits of Study

The findings of this summary represent GPG's best estimates of residential demand at the study site. Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible, and is believed to be reliable. This study is based on estimates, assumptions and other information developed by GPG's independent research effort, general knowledge of the residential real estate industry, market data from real estate listing services and consultations with the client and its representatives.

No responsibility is assumed for inaccuracies in reporting by the client, its agent and representatives or in any other data source used in preparing or presenting this study. This report is based on information that was current as of December 16, 2015 and GPG has not undertaken any update of its research effort since such date.

This report may contain prospective financial information, estimates, or opinions that represent GPG's view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a precise level of income or profit will be achieved, that particular events will occur, or that a specific price will be offered or accepted. Actual results achieved during the period covered by this prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by GPG that any of the projected values or results contained in this study will be achieved.

Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by GPG that any of the projected values or results contained in this study will be achieved. This study *should not* be the sole basis for programming, planning, purchasing, financing, or development of any commercial project. This study is for the use of the client for general market analysis purposes only and is void for other site locations, individuals, corporations or developers.

For the purposes of this study, GPG has assumed the following:

- The Benton Harbor region's economy will stabilize at normal or above normal ranges of population, household formation and employment growth, while price and cost inflation remain at historic levels.
- White-collar employment is estimated to rise to nearly 30 percent of total employment.
- The subject development will be planned, designed and managed per the best practices of the American Planning Association, American Institute of Architects, Congress for New Urbanism and the Urban Land Institute.
- Projected sales rates, as well as product preferences, are based on our proprietary econometric model of the relationship between changes in population, incomes, home value appreciation, household and family size, and demographic concentrations of age

groups. The most current data has been gathered from Realcomp Online, Dataplace.Org, U.S. Census Bureau, ESRI, Zillow.com and Michigan brokerage services. Actual sales performance may vary, depending on numerous factors.

- Further study is recommended prior to planning and implementing any residential or commercial development in the subject study area.

-- END OF STUDY --