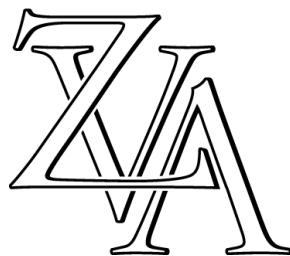

UPDATE
of
RESIDENTIAL MARKET POTENTIAL

The Downtown Buffalo Study Area

City of Buffalo
Erie County, New York

December, 2011

Conducted by
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Research & Strategic Analysis

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Research & Strategic Analysis

UPDATE RESIDENTIAL MARKET POTENTIAL

The Downtown Buffalo Study Area
City of Buffalo, Erie County, New York

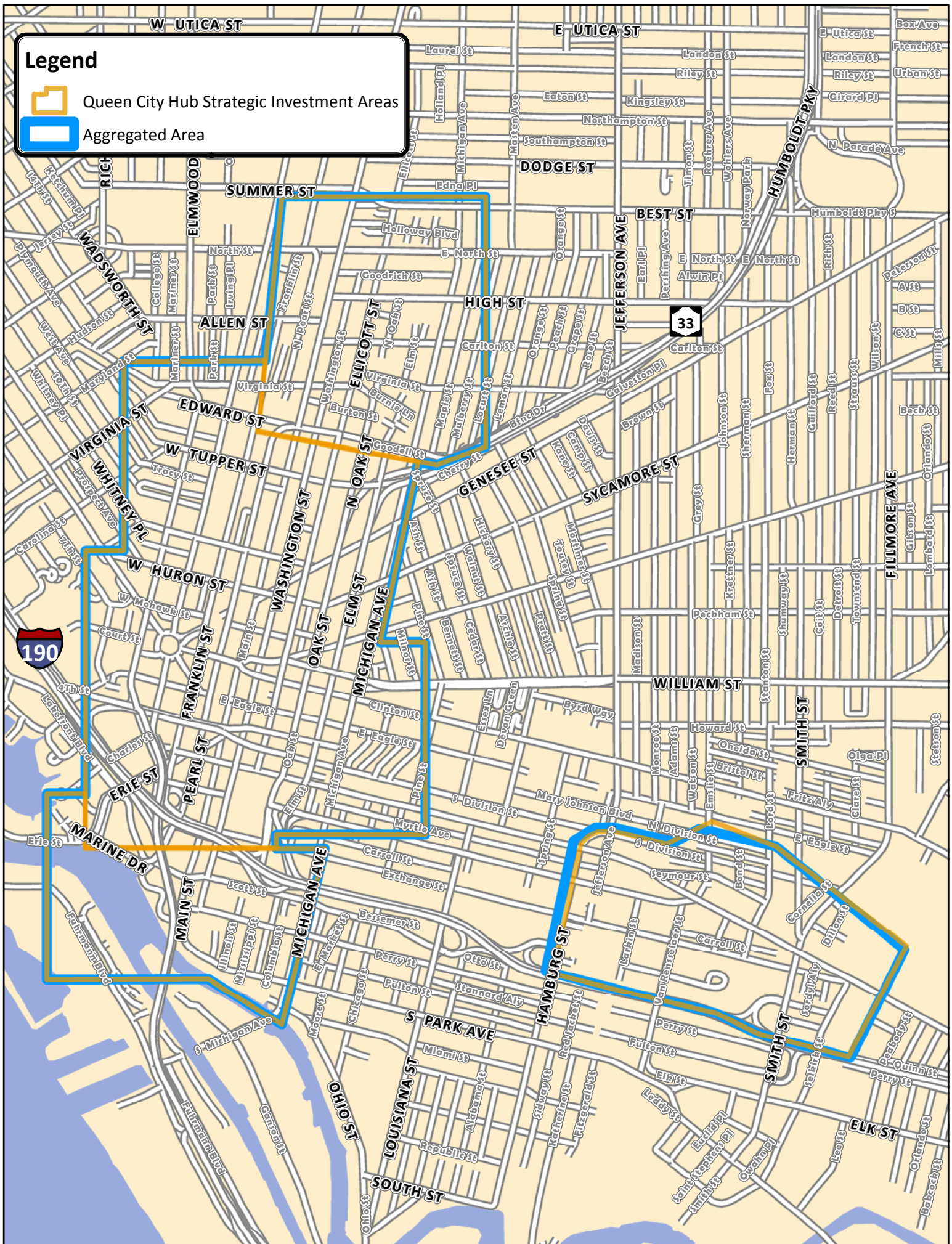
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INTRODUCTION

The purpose of this study is to re-examine the market potential for newly-introduced market-rate housing units—created both through adaptive re-use of existing non-residential buildings as well as through new construction—that could be leased or sold in the Downtown Buffalo Study Area. The original Downtown study was published in December, 2004. This update has been undertaken because, since 2004, downtown residential development has gained considerable traction in the market, with more than 500 units added to Downtown since the original study at a time when both the City of Buffalo and Erie County were losing population.

For the update, the boundaries of the Downtown Study Area have been refined since the original study, which covered the area bounded by Porter and North Streets to the north, Michigan Avenue to the east, the Buffalo River and Lake Erie to the south, and Lake Erie and the Niagara River to the west. The boundaries of the adjusted Study Area are shown on the map following this page, which shows a more constrained study area in the west, while the eastern boundary has been extended to Jefferson Street to encompass the Fruit Belt neighborhood; the Larkin District is now also included.

The depth and breadth of the potential market 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, lifestyle patterns and household compatibility issues.



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

- Where the potential renters and buyers for new and existing housing units in the City of Buffalo and the Downtown Buffalo Study Area 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 is the potential market for new housing in the Study Area (the target markets);
- What their alternatives are (new construction or adaptive re-use of existing buildings in the Downtown Buffalo market area);
- What they will pay to live in the Downtown Buffalo Study Area (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (market capture/absorption forecasts over the next five years).

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

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OVERVIEW OF THE CITY OF BUFFALO

The remarkable transformation of American households (particularly the emerging predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and rising gasoline prices, has resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density, auto-oriented suburbs to a diverse mix of detached houses, attached houses and higher-density apartments in downtowns and walkable, transit-served, mixed-use traditional neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade, representing an unprecedented demographic foundation on which cities can re-build their downtowns and in-town neighborhoods.

However, the current constrained market—characterized throughout most of the United States by weak or falling housing prices; higher than typical levels of unsold units, both builder inventory units as well as foreclosed and/or abandoned houses; and high levels of mortgage delinquencies by speculators and investors as well as homeowners—has resulted in very restrictive development financing and mortgage underwriting, taking a significant percentage of potential homebuyers out of the market and preventing numerous developments, both rental and for-sale, from going forward.

These market constraints do not reduce the size of the potential market; however, full realization of the ownership market potential will be delayed until housing finance is readily available and sustained consumer confidence returns; until then, the initial percentage of the potential market able to overcome the persistent constraints of the deep recession and restrictive mortgage underwriting is likely to be reduced.

According to the 2010 Census, the population of the City of Buffalo had fallen to just over 261,300 from 291,648 persons in 2000, a decline of more than 10 percent. However, over the same time frame, the number of households in the City of Buffalo will have fallen from 122,700 households as of Census 2000 to 112,536 households in 2010, a decline of just over 8.2 percent.

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Nielsen Claritas, Inc., a national purveyor of demographic and survey data, estimates that in 2011 the number of households in the city rose slightly to 112,790.

Currently, over 67 percent of all Buffalo's households contain just one or two persons (compared to 59 percent nationally); 15.1 percent contain three persons, and the remaining 17.5 percent contain four or more persons (compared to 25.2 percent nationally).

Just over 10 percent of the city's households could be characterized as traditional families, *e.g.*—married couples with children under age 18 (compared to 21.6 percent of all U.S. households). Non-traditional family households, headed by single persons with children under age 18, represent 19.5 percent of the city's households. The remaining 70 percent of Buffalo households do not have children under 18 and include married couples (13.7 percent), other non-traditional family households (8.1 percent), and 48.2 percent non-family households (primarily single- and two-person households).

Median household income in the city is currently estimated at \$28,300, compared to the national median of \$49,700. However, nearly 41 percent of the households in the city have annual incomes of \$50,000 or more.

As of the 2010 Census, only 30.5 percent of Buffalo's 133,444 housing units were single-family detached houses; less than four percent are single-family attached (rowhouses or townhouses); nearly 41 percent are in two-unit buildings; approximately 16.5 percent are located in buildings of three to 19 units; and 9.4 percent are in buildings of 20 or more units. Approximately 56 percent of the city's households are renters; 44 percent own their units, a share that is comparable to most American cities.

Nearly 30 percent of Buffalo's households do not own an automobile, and 44.2 percent own only one vehicle. Just over 20 percent own two vehicles. Nearly seven percent of employed residents over age 16 walk to work (compared to 2.8 percent nationally), 14.2 percent take public transportation (compared to 4.8 percent nationally), 12.5 percent car-pool (compared to 10.7 percent nationally), and just over 62 percent drive alone (75.8 percent nationally). The remaining

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4.2 percent either work at home (two percent), ride bicycles (0.9 percent), or have other means of getting to work (1.3 percent).

Nearly 23 percent of all residents aged 25 or older have a college or advanced degree, approximately 4.5 percentage points below the national share of 27.5 percent.

Nearly 57 percent of the city's residents over age 16 are employed in white-collar occupations, 18.5 percent blue-collar, and 24.6 percent service occupations. This is a slightly lower rate of white-collar employment than that of the nation, where just over 60 percent are white-collar workers.

Data Sources: Nielsen Claritas, Inc.; U.S. Census Bureau;
Zimmerman/Volk Associates, Inc.

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CITY-WIDE MARKET POTENTIAL

As noted above, the extent and characteristics of the potential market for new residential units within the Downtown Buffalo Study Area 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 2008-10 American Community Survey for the City of Buffalo.

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

Analysis of the most recent Erie County migration and mobility data available from the Internal Revenue Service—from 2004 through 2008—shows that the county continued to experience net migration losses throughout the study period, although in significantly smaller numbers in 2008 than in 2004. Net out-migration ranged from a loss of over 3,600 households in 2005 to a loss of 900 households in 2008. (See Appendix One, Table 1.)

Based on the most recent migration and mobility data, the draw areas for the City of Buffalo have been updated as follows (*see also* METHODOLOGY):

- The local (internal) draw area, covering households in groups with median incomes of \$50,000 or more currently living within the Buffalo city limits and the balance of Erie County.
- The regional draw area, covering households in groups with median incomes of \$50,000 or more and with the potential to move to the City of Buffalo from Niagara (the second county in the Buffalo/Niagara Falls MSA) and Monroe (location of the City of Rochester) Counties.
- The New York City draw area, covering households in groups with median incomes of \$50,000 or more and with the potential to move to the City of Buffalo from New York, Kings and Queens Counties.

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- The national draw area, covering households in groups with median incomes of \$50,000 or more and with the potential to move to the City of Buffalo from all other U.S. counties.

As derived from the updated migration, mobility and target market analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Buffalo each year over the next five years) would be as follows (*see also* Appendix One, Table 10):

Market Potential by Draw Area
City of Buffalo, Erie County, New York

| | |
|---|--------------|
| City of Buffalo (Local Draw Area): | 47.4% |
| Balance of Erie County (Local Draw Area): | 32.9% |
| Niagara County (Regional Draw Area): | 3.1% |
| Monroe County (Regional Draw Area): | 1.0% |
| Kings, New York, and Queens Counties (NYC Draw Area): | 5.9% |
| Balance of US (National Draw Area): | <u>14.7%</u> |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Over the next five years, households living in the City of Buffalo are likely to account for a somewhat larger share of market potential for the city as a whole, at 47.4 percent, than in 2004, at 42.5 percent. Households living outside Erie County are likely to account for nearly 25 percent of the city's market potential over the next five years, compared to just 18.6 percent in 2004.

The Downtown Buffalo Study Area
City of Buffalo, Erie County, New York
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MARKET POTENTIAL FOR THE DOWNTOWN BUFFALO STUDY AREA

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

As in 2004, the target market methodology identifies those households with a preference for living in downtowns and other urban neighborhoods. After discounting for those segments of the city's potential market that typically choose suburban, exurban and/or rural locations, the distribution of draw area market potential for newly-created housing units within the Downtown Buffalo Study Area would be as follows (*see also* Appendix One, Table 11):

Market Potential by Draw Area **THE DOWNTOWN BUFFALO STUDY AREA** *City of Buffalo, Erie County, New York*

| | |
|---|--------------|
| City of Buffalo (Local Draw Area): | 40.8% |
| Balance of Erie County (Local Draw Area): | 29.9% |
| Niagara County (Regional Draw Area): | 3.9% |
| Monroe County (Regional Draw Area): | 1.6% |
| Kings, New York, and Queens Counties (NYC Draw Area): | 2.8% |
| Balance of US (National Draw Area): | <u>21.0%</u> |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Over the next five years, households already living in the City of Buffalo are likely to account for a considerably lower share of market potential for the Downtown Study Area, at 40.8 percent, than in 2004, at 48.6 percent. Alternatively, households living outside Erie County are likely to account for more than 29 percent of the Study Area's market potential over the next five years, compared to just 17.9 percent in 2004.

How many households have the potential to move to the Downtown Study Area each year over the next five years if appropriate housing units were to be made available?

Based on the updated target market analysis, an annual average of 4,865 younger singles and couples, empty nesters and retirees, and compact families represent the potential market for new housing units within the Downtown Buffalo Study Area, significantly higher (by 1,315 households) than in 2004.

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What are their housing preferences in aggregate??

The housing preferences of these draw area households—according to tenure (rental or ownership) choices and broad financial capacity—are outlined as follows (*see also* Table 1):

Potential Market for New Housing Units
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | PERCENT OF TOTAL |
|---|-------------------------|---------------------|
| Multi-family for-rent (lofts/apartments, leaseholder) | 2,215 | 45.5% |
| Multi-family for-sale (lofts/apartments, condo/co-op ownership) | 815 | 16.8% |
| Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership) | 765 | 15.7% |
| Low-range single-family detached (houses, fee-simple ownership) | 345 | 7.1% |
| Mid-range single-family detached (houses, fee-simple ownership) | 370 | 7.6% |
| High-range single-family detached (houses, fee-simple ownership) | <u>355</u> | <u>7.3%</u> |
| Total | 4,865 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

A considerably larger number of renter households comprise the average annual market potential over the next five years (2,215 compared to 1,070 households in 2004); renters also represent a considerably higher share of the market (45.5 percent compared to 30.1 percent). The number of households with preferences for multi-family for-sale is somewhat higher in 2011 (815 households compared to 720 households in 2004), although their share has fallen from 20.3 percent in 2004 to 16.8 percent in 2011. The number of households with preferences for single-family attached housing is considerably higher in 2011 than in 2004 (by 265 households). The preference for single-family detached units has fallen in both number and share, from a combined 1,260 households in 2004 (35.5 percent of all households) to a combined 1,070 households in 2011 (22 percent of all households).

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These changes in tenure and housing preferences are a result of the continuing demographic changes in American households (*see* TARGET MARKET ANALYSIS *below*), the broad lingering impact of the Great Recession, and by the higher gasoline and energy prices in 2011 over 2004, spurring renewed interest in living closer to employment, in downtowns and in-town neighborhoods.

As in 2004, residential development in the Downtown Study Area should concentrate on redevelopment of existing buildings, supplemented by new construction of higher-density housing types including:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale);
- Townhouses, rowhouses, live-work or flex units (single-family attached for-sale); and
- Houses on urban lots (single-family detached for-sale).

Excluding households with preferences for large-lot single-family detached units, an annual average of approximately 4,225 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 Buffalo 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 would be as shown on the following page:

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**Potential Market for New Housing Units
 Higher-Density Housing Units
 THE DOWNTOWN BUFFALO STUDY AREA
*City of Buffalo, Erie County, New York***

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | PERCENT OF TOTAL |
|---|-------------------------|---------------------|
| Rental Multi-Family (lofts/apartments, leaseholder) | 2,215 | 52.4% |
| For-Sale Multi-Family (lofts/apartments, condo/co-op ownership) | 815 | 19.3% |
| For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership) | 765 | 18.1% |
| For-Sale Single-Family Detached (urban houses, fee-simple ownership) | <u>430</u> | <u>10.2%</u> |
| Total | 4,225 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Since the first study was conducted in 2004, there has been a significant increase in the size of the potential downtown market for higher-density housing units—from approximately 2,860 households in 2004 to an average of 4,225 households in 2011—and considerable changes in the type of housing that best matches target household preferences. As a share of the market, multi-family for-rent has risen from 37.4 percent in 2004 to 52.4 percent in 2011; multi-family for-sale (condominium) units now represent just over 19 percent of the market (down from 25.2 percent in 2004); single-family attached for-sale (townhouses) comprise 18.1 percent of the market, up slightly from 17.5 percent; and urban single-family detached for-sale (urban houses) make up just 10.2 per cent of the market, down from 19.9 percent in 2004.

In the current constrained housing market, however, the realization of the for-sale (ownership) market potential could be quite challenging, given the restrictive development financing and mortgage underwriting by financial institutions, the fact that many otherwise-qualified households, particularly current renters, lack the funds for a down payment, and the inability of many owner households to sell their existing single-family units even at reduced prices, or their reluctance to sell at a perceived loss of value.

Table 1

Annual Average Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Study Area Each Year Over The Next Five Years

The Downtown Buffalo Study Area

City of Buffalo, Erie County, New York

*City of Buffalo; Balance of Erie County; Niagara and Monroe Counties, New York;
Kings, New York, and Queens Counties, New York; All Other US Counties
Draw Areas*

Total Target Market Households
With Potential To Rent/Purchase In
City of Buffalo, Erie County, New York 16,050

Total Target Market Households
With Potential To Rent/Purchase In
The Downtown Buffalo Study Area 4,865

Potential Housing Market

| | <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> | | <i>Total</i> |
| Total Households: | 2,215 | 815 | 765 | 345 | 370 | 355 | 4,865 |
| {Mix Distribution}: | 45.5% | 16.8% | 15.7% | 7.1% | 7.6% | 7.3% | 100.0% |

Downtown Residential Mix (Excluding Large-Lot Single-Family Detached)

| | <i>Multi- Family</i> | | <i>Single- Family</i> | | |
|---------------------|--------------------------------------|-----------------|---------------------------------------|-------------------------------------|--------------|
| | <i>For-Rent</i> | <i>For-Sale</i> | <i>.. Attached .. All Ranges</i> | <i>..... Detached ... Urban</i> | <i>Total</i> |
| Total Households: | 2,215 | 815 | 765 | 430 | 4,225 |
| {Mix Distribution}: | 52.4% | 19.3% | 18.1% | 10.2% | 100.0% |

NOTE: Reference Appendix One, Tables 1 Through 13.

SOURCE: Nielsen Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

TARGET MARKET ANALYSIS

Who is the potential market for new housing in the Study Area?

The increasing interest in traditional American neighborhoods—walkable, with a mix of uses and a variety of housing types—is the result of dramatic changes in American households, the growing cost of commuting by private automobile, and the profound impact of the Great Recession—which began in 2007—on both households and home-builders, particularly in exurban locations. The changing composition of American households may have the most lasting influence, however, because of the changing housing preferences of the two largest generations in the history of America: the Baby Boomers (currently estimated at 77 million), born between 1946 and 1964, and the estimated 78 million Millennials, who were born from 1977 to 1996.

In addition to their shared preference for downtowns and walkable traditional neighborhoods, particularly those served by transit, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (a married couple with children) that comprised the typical post-war American household, Boomers and Millennials are predominantly singles and couples. As a result of the dominance of the Boomers and Millennials, the 21st Century home-buying market in the United States now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are as likely to be non-traditional families (single parents or unrelated couples of the same sex with one or more children, adults caring for younger siblings, to grandparents with custody of grandchildren) as traditional families.

As updated by the target market analysis, and reflecting national trends, the annual potential market—represented by lifestage—for new housing units in the Downtown Buffalo Study Area is now characterized by general household type as shown on the following page (*see also* Table 2):

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Downtown Residential Mix By Household and Unit Types
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| HOUSEHOLD TYPE | PERCENT OF TOTAL | RENTAL MULTI-FAM. | FOR-SALE MULTI-FAM. | FOR-SALE SF ATTACHED | FOR-SALE SF DETACHED |
|---|---------------------|----------------------|------------------------|-------------------------|-------------------------|
| Empty-Nesters & Retirees | 19% | 10% | 28% | 22% | 44% |
| Traditional & Non-Traditional Families | 5% | 4% | 1% | 8% | 11% |
| Younger Singles & Couples | <u>76%</u> | <u>86%</u> | <u>71%</u> | <u>70%</u> | <u>45%</u> |
| Total | 100% | 100% | 100% | 100% | 100% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

- **As noted in the 2004 study, many 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.**

At 76 percent younger singles and couples make up by far the largest share of the market for all housing types in the Downtown Buffalo Study Area. This is a significant increase since 2004, when this segment represented 63 percent of the market. Among the other principal factors in the larger share of the market held by younger singles and couples are:

- Their higher mobility rates—young people tend to move much more frequently than older people;
- Their strong preference for urban apartments, particularly lofts;
- The reduced mobility of older singles and couples because of their inability, or reluctance, to sell their existing units in the current housing recession; and
- The fact that, outside of cities like New York, Chicago, or San Francisco, downtown dwelling units are rarely the choice of traditional families, in large part because of concerns about school quality, and the lack of private outdoor space in which their children can play unsupervised.

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Some of the same target household groups—*e-Types*, *New Bohemians*, *The VIPs*, *Urban Achievers* and *Fast-Track Professionals*—and now including *The Entrepreneurs*, *Upscale Suburban Couples*, *Twentysomethings*, *Suburban Achievers* and *Small-City Singles*—are represented in the potential market. Undergraduate and graduate students comprise a significant percentage of the *Twentysomethings* and *Small-City Singles* market groups; only those students that would choose to live in off-campus housing are included in this study.

Approximately 45 percent of the younger single and two-person households would be moving to Downtown Buffalo from elsewhere in the city, down from over 66 percent in 2004.

The continuing challenge in capturing this potential market is to produce new units that are attractive to young people (lofts, not suburban-style apartments), at rents and prices the majority can afford. Since land and construction costs in downtowns are typically higher than in other neighborhoods, this remains difficult to achieve without development incentives.

- **Older households (empty nesters and retirees) continue to be the second largest potential market, more than a quarter of whom are currently living in Buffalo's older neighborhoods and suburbs.**

Empty nesters and retirees—ranging from the most affluent *Urban Establishment*, *Small-Town Establishment* and *Cosmopolitan Elite*, to the upper-middle- and middle-income *Cosmopolitan Couples*, *Mainstream Retirees* and *Middle-Class Move-Downs*—now represent approximately 19 percent of the potential market, down from 30 percent in 2004, in part because of their inability to sell—or reluctance to sell at a perceived loss—their existing housing units. However, as the national, regional and local housing markets continue to stabilize, and with the continuing introduction of a wide variety of units in a broad range of rents and prices, older households will again become a larger share of the potential market.

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- The third, and smallest, general market segment—family-oriented households (traditional and non-traditional families)—continues to decline as a percentage of the potential market for the Downtown Buffalo Study Area, from seven percent in 2004, to five percent in 2011.

Nearly 48 percent of the traditional and non-traditional family households that represent the potential market for new housing units in the Downtown Buffalo Study Area will be moving from out of town, down from almost 70 percent in 2004.

Depending on housing type, family-oriented households, many of whom are single parents with one or two children, will now comprise between one percent (for-sale multi-family) and 11 percent (for-sale single-family detached) of the market for new housing units within the Downtown Study Area, compared to three percent and 14 percent, respectively, in 2004.

The primary target groups, their estimated median and range of incomes, and estimated median home values in 2011, are:

Primary Target Groups
(In Order of Median Income)
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| HOUSEHOLD TYPE | MEDIAN INCOME | BROAD INCOME RANGE | MEDIAN HOME VALUE (IF OWNED) |
|---------------------------------|------------------|-----------------------|---------------------------------|
| Empty Nesters & Retirees | | | |
| <i>Old Money</i> | \$204,800 | \$100,000–\$400,000 | \$376,600 |
| <i>Urban Establishment</i> | \$158,000 | \$75,000–\$250,000 | \$300,000 |
| <i>Small-Town Establishment</i> | \$148,000 | \$80,000–\$225,000 | \$211,100 |
| <i>Cosmopolitan Elite</i> | \$139,400 | \$70,000–\$200,000 | \$183,800 |
| <i>Suburban Establishment</i> | \$128,600 | \$75,000–\$180,000 | \$171,500 |
| <i>Affluent Empty Nesters</i> | \$127,300 | \$70,000–\$175,000 | \$181,700 |
| <i>New Empty Nesters</i> | \$127,100 | \$75,000–\$165,000 | \$141,900 |
| <i>Cosmopolitan Couples</i> | \$101,000 | \$60,000–\$150,000 | \$158,800 |
| <i>Mainstream Retirees</i> | \$93,500 | \$50,000–\$140,000 | \$128,100 |
| <i>Middle-Class Move-Downs</i> | \$92,300 | \$55,000–\$135,000 | \$104,900 |

continued on following page . . .

The Downtown Buffalo Study Area
City of Buffalo, Erie County, New York
 December, 2011

... continued from preceding page

| HOUSEHOLD TYPE | MEDIAN INCOME | BROAD INCOME RANGE | MEDIAN HOME VALUE (IF OWNED) |
|--|------------------|-----------------------|---------------------------------|
| Traditional & Non-Traditional Families | | | |
| <i>Unibox Transferees</i> | \$149,500 | \$75,000–\$235,000 | \$170,100 |
| <i>Full-Nest Urbanites</i> | \$98,900 | \$55,000–\$140,000 | \$155,800 |
| <i>Multi-Ethnic Families</i> | \$93,000 | \$50,000–\$135,000 | \$107,000 |
| Younger Singles & Couples | | | |
| <i>The Entrepreneurs</i> | \$184,800 | \$100,000–\$300,000 | \$265,800 |
| <i>e-Types</i> | \$154,000 | \$95,000–\$225,000 | \$292,200 |
| <i>Fast-Track Professionals</i> | \$131,800 | \$90,000–\$150,000 | \$197,400 |
| <i>The VIPs</i> | \$130,700 | \$95,000–\$140,000 | \$176,400 |
| <i>Upscale Suburban Couples</i> | \$121,700 | \$90,000–\$145,000 | \$152,300 |
| <i>New Bohemians</i> | \$96,500 | \$60,000–\$135,000 | \$245,600 |
| <i>Suburban Achievers</i> | \$87,400 | \$50,000–\$125,000 | \$127,700 |
| <i>Twentysomethings</i> | \$78,500 | \$40,000–\$120,000 | \$119,600 |
| <i>Small-City Singles</i> | \$58,900 | \$35,000–\$80,000 | \$90,200 |
| <i>Urban Achievers</i> | \$51,000 | \$30,000–\$75,000 | \$161,500 |

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain “anomalous” households, such as empty-nester households within a “full-nest” category.

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

A majority of the target groups have experienced increases in median and ranges of income since 2004 (due to employment promotions and compensation increases), but declines in home values, due to the collapse of the housing market in 2008. Groups in this category include the *Urban Establishment*, *Full-Nest Urbanites*, *Middle-Class Move-Downs*, *Fast-Track Professionals*, *The VIPs* and *Urban Achievers*. A few of the groups, such as *Affluent Empty Nesters*, *e-Types* and *New Bohemians*, for example, have higher annual incomes and higher home values (because their dwelling units are largely located in gentrifying traditional neighborhoods). None of the target household groups have experienced declines in both income as well as home values.

(Reference APPENDIX TWO, TARGET MARKET DESCRIPTIONS, for detail on each target group.)

Table 2

Downtown Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Study Area Each Year Over The Next Five Years

The Downtown Buffalo Study Area

City of Buffalo, Erie County, New York

| Number of Households: | Multi- Family | | | Single- Family | |
|---|------------------------------|----------|----------|-------------------------------|-------------------------|
| | Total | For-Rent | For-Sale | .. Attached .. All Ranges | .. Detached .. Urban |
| | 4,225 | 2,215 | 815 | 765 | 430 |
| Empty Nesters & Retirees | 19% | 10% | 28% | 22% | 44% |
| Traditional & Non-Traditional Families | 5% | 4% | 1% | 8% | 11% |
| Younger Singles & Couples | 76% | 86% | 71% | 70% | 45% |
| | 100% | 100% | 100% | 100% | 100% |

SOURCE: Nielsen Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

THE CURRENT CONTEXT

What are the alternatives?

—Multi-Family For-Rent—

Since the 2004 study, several new rental properties have been successfully developed, primarily adaptive re-use of existing buildings, within the Downtown Buffalo Study Area. (See Table 3.) Most have been smaller projects, with fewer than 50 units, and six existing non-residential buildings were converted to residential by a single developer. Of the 20 properties for which information could be obtained, 12 are leasing a mix of one- and two-bedroom apartments. Three are also leasing studio/efficiency apartments, and four are leasing only two-bedroom units. There is now a significantly greater number of lofts with mezzanines and two-story units than there was in 2004. The highest rent values currently being achieved in the Downtown Study Area are at the Buehl Building (rents reaching \$2,495 per month) and the Pierce Building (rents at approximately \$2,500 per month).

Of the 20 properties covered in the survey, rents for studios currently range from \$525 to \$600 a month for units containing from just under 400 to 500 square feet (between \$0.93 to \$1.58 per square foot, up from \$0.80 to \$1.00 per square foot in 2004). Rents for one-bedroom apartments generally start at about \$650 and reach \$1,895 a month for units ranging in size from around 700 to 1,850 square feet (a general range of \$0.90 to \$1.28 per square foot, although a few individual units fall below or above this rent-per-square-foot range, and up from \$0.70 to \$1.25 per square foot in 2004). Rents for two-bedroom apartments generally start at around \$850 per month with a few units priced at or near \$2,500 a month (at the Buehl and Pierce Buildings), for approximately 1,000 square feet up to 2,400 square feet of living space (from well under \$1.00 to about \$1.33 per square foot, from \$1.00 to about \$1.25 per square foot in 2004).

Generally, properties with fewer than 10 units are unable to provide the same community amenities—such as a fitness center or work-out room, or shops that are located within the building—as properties with 30 or more units. However, regardless of size, nearly all the rental properties in the Downtown Study Area that have been developed or renovated since 2004 have

provided stainless steel appliances and granite countertops in the kitchens, in-unit washer/dryers, laundry rooms on each floor, or a separate laundromat, depending on the size of the building. Since nearly all of the properties are adaptive re-use of existing buildings, most of the units in Downtown have hardwood floors, large windows, and high ceilings.

Gated parking and state-of-the-art security systems are a component at several properties. Because these are urban apartment buildings, few have provided outdoor space for the tenants, although the Ambassador has a rooftop patio, each of the units at IS Lofts has an outdoor patio or balcony, and the Lofts at Elk Terminal has a community sundeck. In-unit fireplaces are available in only a few units, with gas fireplaces available at the IS Lofts and Webb Lofts, and two-sided fireplaces at Ellicott Commons.

The Oak School Lofts, by Signature Development, also provides the unusual features of a 32-inch plasma screen television in each unit, and green glass pocket doors that close the bedroom from the living area. The Oak School Lofts also contains bi-level loft units with mezzanines and spiral staircases.

Nearly all of the rental properties included in the survey are at or above functional full occupancy (less than five percent vacant units). Only two had less than 95 percent occupancy, and there were only 10 units in the property with the lowest occupancy rate.

Summary Of Selected Rental Properties

Downtown Buffalo Study Area, City of Buffalo, Erie County, New York

November, 2011

| <i>Property Address</i> | <i>Number of Units</i> | <i>Reported Base Rent</i> | <i>Reported Unit Size</i> | <i>Rent per Sq. Ft.</i> | <i>Additional Information</i> |
|---|---|---|--|---|---|
| Ansonia Center 716 Main Street Clover Management | 58 Studio 1br/1ba 2br/1ba 2br/1.5ba TH | \$525 \$725 to \$875 \$850 \$1,000 | 500 725 to 975 975 to 1,200 1,800 to 2,000 | \$1.05 \$0.90 to \$1.00 \$0.71 to \$0.87 \$0.50 to \$0.56 | 100% occupancy One parking space. Section 8 vouchers accepted. All utilities except electric included in rent. Free cable; laundry on each floor. |
| The Ambassador 175 North Street Kissling Interests, LLC | 119 Studio 1br/1ba 2br/1ba | \$525 to \$600 \$650 to \$775 \$825 to \$975 | 380 700 1,000 | \$1.38 to \$1.58 \$0.93 to \$1.11 \$0.83 to \$0.98 | n/a Rooftop patio. Hardwood floors, high ceilings, 24-hour video surveillance; off-street gated parking. Laundromat. Water included in rent. |
| Rue Franklin Apts. 341 Franklin Street | 5 Studio 1br/1ba | \$550 to \$700 | 500 750 | \$0.93 to \$1.10 | 100% occupancy |
| Franklin-Tupper Apts. 331 Franklin Street | 12 | \$695 to \$895 | 700 to 900 | \$0.99 to \$0.99 | 100% occupancy |
| IS Lofts (2006) 362 Oak Street Signature Development | 24 1br/1ba | \$750 to \$875 | 700 | \$1.07 to \$1.25 | 100% occupancy Outdoor patio or balcony; gas fireplace; stainless steel appliances; granite countertops/island. |
| Oak School Lofts (2006) 262 Oak Street Signature Development | 29 1br/1ba 2br/2ba 2br/2ba duplex | \$795 \$895 \$975 | variable | | 100% occupancy Gated parking; Maple floors & cabinets; stainless steel appliances; granite countertops/island. 32-inch plasma screen TV. Green glass pocket doors. |

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Downtown Buffalo Study Area, City of Buffalo, Erie County, New York

November, 2011

| <u>Property (Date Opened)</u> <u>Address</u> | <u>Number of Units</u> | <u>Reported Base Rent</u> | <u>Reported Unit Size</u> | <u>Rent per Sq. Ft.</u> | <u>Additional Information</u> |
|---|----------------------------|-------------------------------|-------------------------------|-----------------------------|--|
| The Sidway (2004) | 67 | | | | 100% occupancy |
| 775 Main Street | 1br/1ba | \$825 to \$950 | 675 to 776 | \$1.22 to \$1.22 | Fitness center, |
| The Woodlark Cos. | 2br/1.5ba | \$1,050 to \$1,350 | 1,030 to 1,213 | \$1.11 to \$1.02 | doorman, laundry, |
| | Lofts - 2br/2.5ba | \$1,450 to \$1,900 | 1,200 to 1,406 | \$1.21 to \$1.35 | secure gated parking for 2-br units. |
| | | | | | Heat included in rent. High-speed internet access. |
| AM&A Warehouse Lofts (2010) | 48 | | | | 100% occupancy |
| 369 Washington St. | 1br/1ba | \$875 to variable | | | On-site workout room; |
| Signature Development | 2br/1ba | \$1,195 | | | gated parking; hardwood floors, brick walls, high ceilings; laundry room. |
| | | | | | Granite countertops; stainless appliances. |
| Apts. At the Lafayette | 38 | | | | 100% occupancy |
| 391 Washington Street | 1br/1ba | \$895 to variable | | | Fitness room. |
| Signature Development | 2br/2ba | \$1,195 | | | Hardwood floors, large windows, granite countertops, stainless appliances. |
| | | | | | Room service. 34-room boutique hotel; several shops and restaurants in building. |
| The Granite Works | 29 | | | | 93% occupancy |
| 846 Main Street | 1br/1ba | \$895 to \$1,295 | 700 to 1,100 | \$1.18 to \$1.28 | 4,600 sf of retail space. |
| First Amherst Dev't Group | 2br/1 - 2ba | \$1,095 to \$1,950 | 1,020 to 1,661 | \$1.07 to \$1.17 | 12' - 14' foot ceilings; in-unit laundry; wired for DSL; |
| | | | | | stainless appliances; garbage disposal; gated parking; state of the art security. |
| Lofts at Elk Terminal (2002: 2007) | 60 | | | | 96% occupancy |
| 230 Scott Street | Loft/1ba | \$895 to \$1,495 | 736 to 1,450 | \$1.03 to \$1.22 | Fitness center, sundeck. |
| First Amherst Dev't Group | 1br/1ba | \$995 to \$1,895 | 850 to 1,850 | \$1.02 to \$1.17 | In-unit washer/dryer; wired for DSL, |
| | 2br/1 - 2ba | \$1,095 to \$2,195 | 1,000 to 1,650 | \$1.10 to \$1.33 | on-site maintenance. Gated. |

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Downtown Buffalo Study Area, City of Buffalo, Erie County, New York

November, 2011

| <u>Property (Date Opened)</u> <u>Address</u> | <u>Number of Units</u> | <u>Reported Base Rent</u> | <u>Reported Unit Size</u> | <u>Rent per Sq. Ft.</u> | <u>Additional Information</u> |
|--|---------------------------------|--|--|--|--|
| Spaulding Building 763 Main Street | 16 1br/1ba 2br/1ba | \$950 to \$1,150 | 1,000 | \$0.95 to \$1.15 | 100% occupancy Utilities included. |
| Market Arcade (2001) 625 Main Street | 10 1br/1ba 2BR/1BA | \$950 \$1,250 | 850 1,000 | \$1.12 \$1.25 | 60% occupancy Renovated 2008. Ceramic tile floors, stainless steel appliances, granite countertops; in-unit washer/dryers. One secure parking space per unit. |
| Ellicott Lofts (2002) 489 Ellicott Street Signature Development | 23 2br/2ba duplex | \$950 to \$1,350 | 1,100 to 1,350 | \$0.86 to \$1.00 | 100% occupancy Bi-level units with 22-ft ceilings; spiral staircases; stainless steel appliances; Zodiak quartz countertops; hardwood floors, skylights; fitness room; laundry room; gated parking. |
| Historic Warehouse Lofts (2007) 210 Ellicott Street Historic Warehouse Lofts, LLC | 30 1br/1ba 2br/2ba | \$1,050 to \$1,500 \$1,365 to \$2,000 | 1,080 to 1,230 1,215 to 1,665 | \$0.97 to \$1.22 \$1.20 to \$1.12 | 97% occupancy Hardwood floors, stainless appliances; walk-in laundry; fireplace; gated parking; storage. |
| Ellicott Commons (2007) 461 Ellicott Street Signature Development | 30 2br/2ba | \$1,050 to \$2,100 | 1,100 to 2,400 | \$0.88 to \$0.95 | 100% occupancy On-site fitness center; laundry room; gated parking. Granite countertops, stainless appliances, two-sided fireplaces, high ceilings, oversized doors. |
| Webb Lofts 90 Pearl Street Signature Development | 32 1br/1ba 2br/2ba | \$1,100 \$1,200 | variable | | 100% occupancy On-site laundry, gym; indoor parking. hardwood floors; limestone kitchen floor, marble bathroom floor, stainless steel appliances; fireplaces. |

Summary Of Selected Rental Properties*Downtown Buffalo Study Area, City of Buffalo, Erie County, New York***November, 2011**

| <u>Property</u> <u>Address</u> | <u>Number</u> <u>of Units</u> | <u>Reported</u> <u>Base Rent</u> | <u>Reported</u> <u>Unit Size</u> | <u>Rent per</u> <u>Sq. Ft.</u> | <u>Additional Information</u> |
|--|----------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|-------------------------------|
| Elsinghorst Apartments (2007) 136 Broadway Jean Elsinghorst | 3 | \$1,150 to \$1,350 | 477 2,353 | \$0.57 to \$2.41 | 100% occupancy |
| Buehl Building (2008) 36 Broadway Roger Trettel | 5 2br/2ba lofts 3br/2ba | \$1,995 to \$2,495 | 1,500 2,300 | \$1.08 to \$1.33 | 100% occupancy |
| Pierce Building (2006) 653 Main Street | 4 2br/1.5ba | \$2,500 | 2,000 | \$1.25 | 100% occupancy |

—Multi-Family and Single-Family Attached For-Sale—

Four condominium buildings and one townhouse property have been introduced in the Downtown Buffalo Study Area since September 2004. (See Table 4.) The Executive Condominiums on Delaware Avenue were intended to be converted from rentals, although, like most for-sale properties since the collapse of the housing market in 20008, there has been little activity. Base prices start at \$90,400 for a 539-square-foot one-bedroom unit to just under \$210,000 for a one- or two-bedroom unit with one-and-a-half baths with 867 or 973 square feet, respectively. Base prices per square foot run from \$155 to \$260. Units come equipped with granite countertops, disposals, and stainless steel appliances, although without washer/dryer (a laundry room is located on each floor).

The Whitney, which is an adaptive re-use of an existing building on Whitney Place by Sunset Bay Park, Inc., contains six two-bedroom units, priced between \$109,900 and \$134,900, for just under 1,100 square feet of living space (\$101 to \$123 per square foot). Each unit receives one assigned parking space, and a storage unit in the basement. Hardwood floors, high ceilings, and upgraded appliances are among the unit features.

Ellicott Development Company's 11-story tower, The Pasquale at Waterfront Place, on Lakefront Boulevard has 14 of 49 units that remain unsold. Thirteen of these are leased, and just one is vacant. Base prices currently range from \$329,000 for a 1,342-square-foot one-bedroom apartment (\$245 per square foot) to \$528,000 for a 1,939-square-foot two-bedroom/two-bath unit (\$272 per square foot). The property provides indoor parking, a fitness facility, as well as a private park. There is also a community room with kitchenette. In addition to hardwood floors, granite countertops, and stainless steel appliances, the bathrooms in individual units also have Jacuzzis and steam showers.

The Avant, which consists of 29 units on the top three floors of a new mixed-use tower developed by Uniland Development Company on Delaware Avenue, is currently priced between \$475,000 and \$1.4 million for two- and three-bedroom units ranging in size from 1,453 to 3,385 square feet (\$327 to \$454 per square foot). All but six of the units have been sold since 2009. The building

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provides underground parking, a fitness facility, a solarium, access to an indoor pool, a conference room, on-floor storage, 24-hour lobby attendant, and room services from one of three on-site restaurants. Individual units have hardwood floors and the usual granite countertops; in addition, there are added luxuries such as an in-drawer microwave, a warming drawer, and a wine chiller in the kitchen, and Jacuzzis, multi-spray showers, and furnished closets in the master suites.

Four of the five townhouses that have been built to date at Waterfront Place have been sold by Ellicott Development Company. The three-bedroom/two-and-a-half-bath fifth unit is now being sold as a “shell” for the buyer to finish according to their own specifications. The price of this unit is \$585,900 for 2,782 square feet, or \$211 per square foot.

There are also numerous resales available in and around Downtown Buffalo, including several located in buildings on the Buffalo Waterfront. (*See also* Table 5.) As of November, 2011, four of the 41 units at City Centre were on the market, with asking prices ranging from \$278,800 to \$499,900 for 1,286 to 2,140 square feet, respectively (\$217 to \$234 per square foot). The asking prices of the majority of units located in and around Downtown ranged from \$120,000 to \$850,000 for one- to four-bedroom condominiums containing approximately 1,000 to more than 4,200 square feet (a range of \$111 to \$242 per square foot).

As in 2004, at the Buffalo Waterfront, only two units on the market—two condominiums at Admiral’s Walk—were priced below \$200,000. Most of the resales were priced between \$250,000 and \$550,000 (\$163 to \$196 per square foot) for two- and three-bedroom units containing between approximately 1,500 and 3,100 square feet. The five resales at Rivermist were all priced at or above \$400,000, although the most expensive unit on the market along the Waterfront was a nearly 3,000-square-foot three-bedroom unit priced at \$899,900 at Gull Landing (\$306 per square foot. A similar unit was priced at \$599,000 and \$201 per square foot in 2004.

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

Downtown Buffalo Study Area, City of Buffalo, Erie County, New York

November, 2011

| <i>Development (Date Opened)</i> <i>Developer/Builder/Address</i> | <i>Unit Type</i> | <i>Base Price Range</i> | <i>Unit Size Range</i> | <i>Base Price Per Sq. Ft.</i> | <i>Total Units</i> | <i>Sales (Monthly Average)</i> | <i>Features & Amenities</i> |
|--|------------------|-------------------------|------------------------|-------------------------------|----------------------|--------------------------------|---|
| Executive Condominiums | CO | | | | 48 | | |
| 849 Delaware Avenue | 1br/1ba | \$90,400 to \$139,900 | 539 | \$168 to \$260 | | | Garage with direct lobby access; roof deck; bicycle room; laundry room on each floor. |
| 8 floors of units | 1br/1.5ba | \$134,100 to \$209,900 | 867 | \$155 to \$242 | | | Granite counters; disposals; stainless steel appliances. |
| Rental conversion. | 2br/1.5ba | \$209,900 | 973 | \$216 | | | |
| The Whitney (2009) | CO | | | | 6 | 1 | |
| 65 Whitney Place | 2br/1ba | \$109,900 to \$134,900 | 1,093 | \$101 to \$123 | | | Assigned parking space; basement storage units. |
| Sunsetbay Park, Inc. | | | | | | | Hardwood floors; high ceilings; upgraded appliances. |
| Adaptive Re-Use | | \$129,900 | 1,093 | \$119 | | | |
| The Pasquale at Waterfront Place (2008) | CO | | | | 49 | 35 (1.0) | |
| 132 Lakefront Boulevard | 1br/1ba | \$329,000 | 1,342 | \$245 | | | Indoor parking; fitness facility; private park; Community room w/ kitchenette; |
| Ellicott Development Co. | 2br/2ba | \$375,000 | 1,583 | \$237 | 13 units are leased; | | building attendant. |
| | | \$425,000 | 1,641 | \$259 | 1 unit is vacant. | | Granite counters; stainless steel appliances; Jacuzzi; steam shower; hardwood floors |
| 11-story Tower | | \$433,900 | 1,715 | \$253 | | | |
| New Construction | | \$456,400 to \$569,900 | 1,844 | \$248 to \$309 | | | |
| | | \$528,000 | 1,939 | \$272 | | | |
| Avant (2009) | CO | | | | 29 | 23 (1.0) | |
| 200 Delaware Avenue | 2br/2.5ba | \$475,000 | 1,453 | \$327 | | | Underground parking; fitness facility; |
| Uniland Development Co. | 2br/2.5ba | \$820,000 | 2,235 | \$367 | | | solarium, |
| | 2br/2.5ba | \$912,000 | 2,179 | \$419 | | | indoor pool access; |
| Top 3 floors of tower | 2br/2.5ba/den | \$1,000,000 | 2,464 | \$406 | | | 24-hour lobby attendant; |
| New Construction | 3br/2.5ba | \$1,300,000 | 2,862 | \$454 | | | conference room; |
| | 3br/3.5ba/den | \$1,400,000 | 3,385 | \$414 | | | on-floor storage; three restaurants; room service. |
| | | | | | | | In-drawer microwave; warming drawer; wine chiller; disposal; granite counters; jacuzzi; multi-spray shower; furnished closets; hardwood floors. |

SOURCE: Zimmerman/Volk Associates, Inc.

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

*Downtown Buffalo Study Area, City of Buffalo, Erie County, New York
November, 2011*

| <i>Development (Date Opened)</i> <i>Developer/Builder/Address</i> | <i>Unit Type</i> | <i>Base Price Range</i> | <i>Unit Size Range</i> | <i>Base Price Per Sq. Ft.</i> | <i>Total Units</i> | <i>Sales (Monthly Average)</i> | <i>Features & Amenities</i> |
|--|---|--|----------------------------------|---------------------------------------|------------------------|--|--|
| Waterfront Place (2008) <i>Ojibwa Circle</i> Ellicott Development Co. | TH 3br/2.5ba | \$585,900 | 2,782 | \$211 | 5 | 4 (0.1) | <i>Sold now as "shell" for buyers to finish.</i> |
| Resales | | | | | | | |
| City Centre (1992: 1996: 1999) <i>600 Main Street</i> CityView Properties | CO 2br/2ba 2br/2ba 1br/2ba 2br/2.5ba | \$278,800 \$279,000 \$314,500 \$499,900 | 1,286 1,286 1,414 2,140 | \$217 \$217 \$222 \$234 | 41 | 41 | <i>Indoor parking; storage units; hardwood floors; granite counters.</i> |

Summary Of Selected Re-Sale Attached Properties*City of Buffalo, Erie County, New York***November, 2011**

| <u>Property Name</u> | <u>Housing Type</u> | <u>Year Built</u> | <u>Listed Price</u> | <u>Unit Size</u> | <u>Price Per Square Foot</u> | <u>Unit Configuration</u> |
|---|---------------------|-------------------|---------------------|------------------|------------------------------|---------------------------|
| <i>. Downtown and In-Town Buffalo</i> | | | | | | |
| 751 West Ferry | CO | 1948 | \$120,000 | 1,079 | \$111 | 2br/2ba |
| | | | \$139,000 | 1,214 | \$114 | 2br/2ba |
| 1088 Delaware | CO | 1990 | \$124,900 | 791 | \$158 | 1br/1ba |
| | | | \$189,000 | 1,150 | \$164 | 2br/2ba |
| 125 Edward St. Mary's Square | CO | 1900 | \$129,900 | 897 | \$145 | 1br/1ba |
| | | | \$130,000 | 1,174 | \$111 | 2br/1ba |
| | | | \$139,900 | 1,039 | \$135 | 2br/1ba |
| 83 Bryant | CO | 1928 | \$149,900 | 1,040 | \$144 | 2br/1ba |
| | | | \$199,900 | 1,150 | \$174 | 3br/1ba |
| 800 West Ferry St. | CO | 1929 | \$159,000 | 1,087 | \$146 | 1br/1.5ba |
| | | | \$163,900 | 1,005 | \$163 | 1br/1.5ba |
| | | | \$179,000 | 1,087 | \$165 | 1br/1.5ba |
| | | | \$399,900 | 1,655 | \$242 | 2br/3ba |
| 925 Delaware | CO | 1920 | \$174,500 | 1,000 | \$175 | 2br/1ba |
| | | | \$199,900 | 1,500 | \$133 | 3br/3ba |
| | | | \$250,000 | 1,500 | \$167 | 2br/2ba |
| | | | \$349,000 | 2,400 | \$145 | 3br/3ba |
| | | | \$349,000 | 2,100 | \$166 | 3br/3ba |
| | | | \$499,000 | 2,500 | \$200 | 3br/4ba |
| Bryant Parrish 231 Richmond | CO | 1994 | \$185,000 | 1,260 | \$147 | 2br/1ba |
| | | | | | | |
| 33 Gates Circle | CO | 1978 | \$229,000 | 2,185 | \$105 | 3br/2ba |
| | | 1978 | \$434,900 | 2,233 | \$195 | 3br/2ba |
| 100 Lincoln Pkwy. | TH | 1900 | \$699,000 | 3,551 | \$197 | 5br/4ba |
| 74 Oakland Place | CO | 1905 | \$850,000 | 3,800 | \$224 | 3br/3ba |

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

Summary Of Selected Re-Sale Attached Properties*City of Buffalo, Erie County, New York***November, 2011**

| <i>Property Name</i> | <i>Housing Type</i> | <i>Year Built</i> | <i>Listed Price</i> | <i>Unit Size</i> | <i>Price Per Square Foot</i> | <i>Unit Configuration</i> |
|---------------------------------------|-------------------------|-------------------|-------------------------|----------------------|----------------------------------|-------------------------------|
| <i>..... Buffalo Waterfront</i> | | | | | | |
| Admiral's Walk | CO | 1991 | \$154,000 | 883 | \$174 | 1br/1ba |
| | | | \$199,900 | 1,100 | \$182 | 2br/2ba |
| | | | \$359,900 | 1,992 | \$181 | 2br/2ba |
| Lakefront Commons | TH | 1989 | \$250,000 | 1,534 | \$163 | 2br/2.5ba |
| | | 1989 | \$279,900 | 1,534 | \$182 | 2br/2.5ba |
| | | 2003 | \$297,000 | 2,140 | \$139 | 2br/2.5ba |
| Marina Park | TH | 1985 | \$289,000 | 1,270 | \$228 | 2br/1.5ba |
| | | | \$289,888 | 1,702 | \$170 | 3br/2.5ba |
| | | | \$319,900 | 1,702 | \$188 | 3br/2.5ba |
| Breakwaters | TH | 1988 | \$297,000 | 1,700 | \$175 | 2br/2.5ba |
| | | 1986 | \$329,900 | 1,700 | \$194 | 2br/2.5ba |
| Waterfront Village | TH | 1981 | \$299,900 | 1,952 | \$154 | 2br/2ba |
| | | | \$299,900 | 2,258 | \$133 | 3br/2.5ba |
| | | | \$549,900 | 2,800 | \$196 | 3br/2.5.5ba |
| Portside | TH | 2003 | \$385,000 | 2,310 | \$167 | 3br/3ba |
| | | 1996 | \$529,900 | 3,121 | \$170 | 2br/2.5ba |
| Rivermist | TH | 1988 | \$399,900 | 2,185 | \$183 | 3br/3.5ba |
| | | 1984 | \$427,900 | 2,185 | \$196 | 3br/2.5ba |
| | | 1982 | \$549,900 | 2,185 | \$252 | 3br/3.5ba |
| | | 1982 | \$579,900 | 2,613 | \$222 | 3br/3.5ba |
| | | 1982 | \$599,900 | 2,620 | \$229 | 3br/3.5ba |
| Gull Landing | CO | 1990 | \$899,900 | 2,943 | \$306 | 3br/3ba |

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

MARKET-RATE RENT AND PRICE RANGES: THE DOWNTOWN BUFFALO STUDY AREA_____

From the perspective of the housing consumer, the three major challenges to new residential development in the Downtown Buffalo Study area include:

- Financing challenges: Restrictive mortgage underwriting and development finance continues to be a challenge to developers and mortgages are still difficult to obtain for many potential buyers.
- High costs: The high costs of materials and labor, in addition to the typically high cost of adaptive re-use, are, without incentives or subsidies, likely to drive rents and prices beyond the reach of many potential residents.
- Neglected or vacant properties: Vacant properties and empty lots are a deterrent to potential urban residents, as they contribute to the perception that downtown and the surrounding areas are neglected, and/or dangerous neighborhoods.

From the perspective of the housing consumer, the existing assets of the Downtown Buffalo Study Area that make it an attractive place to live include:

- Historic buildings: There are numerous civic, commercial, and residential buildings that are architecturally and/or historically significant, that would be impossible to recreate with new construction, and that provide a distinctive identity for the city, with major works by Louis Sullivan (the Guaranty Building), Daniel Burnham (Ellicott Square Building), H.H. Richardson (the Buffalo State Hospital), Frank Lloyd Wright (several residences, including the Darwin Martin House complex), and Eliel and Eero Saarinen (Kleinhans Music Hall).
- Distinctive neighborhoods: In addition to the core Downtown (the Central Business District), Downtown Buffalo also includes all or sections of several recognized in-town neighborhoods and districts: the Allentown Historic District, the Theatre Historic District, the Joseph Ellicott Historic District, the Cobblestone Historic District and the West Village Historic District, the Erie Canal Harbor District, Waterfront Village, the Lower West Side, Buffalo Niagara Medical Campus, Fruit Belt, the Elm Oak Corridor and the Larkin District.

- **Employment:** Major private employers in Downtown Buffalo include the HSBC Bank, with more than 3,500 full-time employees; the Roswell Park Cancer Institute, with nearly 3,000 full-time employees; M&T Bank with approximately 2,800 employees; Buffalo General Hospital, at 2,300 full-time employees; Blue Cross Blue Shield with 1,300 employees; and the Buffalo News, with over 1,000 full-time employees. In all, more than 58,000 workers are employed in Downtown businesses.
- **Culture and Entertainment:** Downtown Buffalo provides such urban amenities as theaters and performing arts venues, an ice skating rink, and a range of local and unique establishments, including the eating and drinking establishments in the Chippewa Entertainment District, and the gift shops, art galleries and antique shops, financial services, office supplies, ice cream parlors and coffee shops along Main, Pearl and Franklin Streets. Downtown Buffalo is also home to the Dunn Tire Park minor league baseball stadium, and HSBC Arena, which is a major concert venue as well as home to a major league hockey team.
- **Walkability:** The Downtown is compact enough to walk from one end to the other, although, due to the number of open parking lots, the quality of the pedestrian experience could be improved significantly.
- **Lake Erie and the Buffalo and Niagara Rivers:** Lake Erie and the two rivers border the Downtown Study Area, providing opportunities for public access and recreation.

The Downtown Buffalo Study Area
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What will they pay to live in the Downtown Buffalo Study Area?

Based on the housing preferences and the socio-economic and lifestyle characteristics of the target households in 2011, and the relevant residential context in the Downtown Buffalo market area, the general range of rents and prices for newly-developed market-rate residential units in the Study Area that could currently be sustained by the market is as follows (*see also* Table 6 following this page):

Rent, Price and Size Range
Newly-Created Housing (Adaptive Re-Use and New Construction)
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| HOUSING TYPE | RENT/PRICE RANGE | SIZE RANGE | RENT/PRICE PER SQ. FT. |
|---------------------|-----------------------|----------------|------------------------|
| RENTAL— | | | |
| Hard Lofts * | \$575–\$1,100/month | 500–1,000 sf | \$1.10–\$1.15 psf |
| Soft Lofts † | \$700–\$1,500/month | 550–1,200 sf | \$1.25–\$1.27 psf |
| Luxury Apartments | \$1,450–\$2,500/month | 900–1,600 sf | \$1.56–\$1.61 psf |
| FOR-SALE— | | | |
| Hard Lofts * | \$150,000–\$225,000 | 750–1,350 sf | \$167–\$200 psf |
| Soft Lofts † | \$195,000–\$325,000 | 850–1,500 sf | \$217–\$229 psf |
| Luxury Condominiums | \$350,000–\$650,000 | 1,200–2,500 sf | \$260–\$292 psf |
| Live-Work Units | \$275,000–\$335,000 | 1,200–1,600 sf | \$209–\$229 psf |
| Rowhouses | \$375,000–\$550,000 | 1,350–2,200 sf | \$250–\$278 psf |
| Urban Houses | \$200,000–\$500,000 | 900–2,400 sf | \$208–\$222 psf |

* Unit interiors of “hard lofts” typically have high ceilings and commercial windows and are either minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms.

† Unit interiors of “soft lofts” may or may not have high ceilings and are fully finished, with the interiors partitioned into separate rooms.

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 6

Optimum Market Position
The Downtown Buffalo Study Area

City of Buffalo, Erie County, New York

December, 2011

| <i>Housing Type</i> | <i>Percent Mix</i> | <i>Base Rent/Price Range*</i> | <i>Base Unit Size Range</i> | <i>Base Rent/Price Per Sq. Ft.*</i> |
|--|--------------------|-------------------------------|-----------------------------|-------------------------------------|
| Multi-Family For-Rent | | | | |
| Hard Lofts <i>Open Floorplans</i> | 35% | \$575 to \$1,100 | 500 to 1,000 | \$1.10 to \$1.15 |
| Soft Lofts <i>Studios to 2-Bedrooms</i> | 50% | \$700 to \$1,500 | 550 to 1,200 | \$1.25 to \$1.27 |
| Luxury Apartments <i>1 to 2-Bedrooms</i> | 15% | \$1,450 to \$2,500 | 900 to 1,600 | \$1.56 to \$1.61 |
| Multi-Family For-Sale | | | | |
| Hard Lofts <i>Open Floorplans</i> | 20% | \$150,000 to \$225,000 | 750 to 1,350 | \$167 to \$200 |
| Soft Lofts <i>1 and 2-Bedrooms</i> | 45% | \$195,000 to \$325,000 | 850 to 1,500 | \$217 to \$229 |
| Luxury Condominiums <i>2 and 3-Bedrooms</i> | 35% | \$350,000 to \$650,000 | 1,200 to 2,500 | \$260 to \$292 |
| Single-Family Attached For-Sale | | | | |
| 2-Story Live-Work Units <i>1 and 2-Bedrooms 500 sf work space</i> | 20% | \$275,000 to \$335,000 | 1,200 to 1,600 | \$209 to \$229 |
| 2- and 3-Story Rowhouses <i>2 and 3-Bedrooms</i> | 80% | \$375,000 to \$550,000 | 1,350 to 2,200 | \$250 to \$278 |
| Single-Family Detached For-Sale | | | | |
| Urban Houses <i>2 and 3-Bedrooms</i> | | \$200,000 to \$500,000 | 900 to 2,400 | \$208 to \$222 |

NOTE: Base rents/prices in year 2011 dollars and exclude floor, view or lot premiums, options or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

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Rents and prices are in year 2011 dollars, are exclusive of consumer options and upgrades, floor or location premiums, and cover the broad range of rents and prices that could, in normal economic conditions, be sustained by the market in the Downtown Buffalo Study Area. Although annual incomes have risen for many households in the city over the past five years, the higher down payments currently required by lenders will preclude many younger households from becoming first-time buyers. Because of these affordability issues, it would seem that older households should therefore comprise a greater percentage of the market over the next two or three years. However, continued weakness in the resale market is currently constraining a significant number of these buyers as well.

Buyers with low down payments remain at a disadvantage when seeking mortgages; however, FHA is still insuring loans for credit-worthy buyers (580 minimum credit score, although most lenders require credit scores of at least 620) at 3.5 percent down payment. Buyers with low down payments will face surcharges whether financing with an FHA loan or a conventional mortgage conforming to Fannie Mae and Freddie Mac guidelines. High loan-to-value mortgages are available again to buyers with good credit ratings.

For the most part (and depending on location), these rents and prices cannot be achieved by the development of one or two infill units, but require that projects be of sufficient size (at least 20 units) to support a high-impact marketing campaign and achieve some measure of cost efficiency through economy of scale. Location will also 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 employment will likely command rents and prices at the upper end of values. Those projects in less desirable locations are likely to command rents and prices at the lower end of values.

In addition to adaptive re-use of existing vacant or under-utilized buildings, the residential conversion of Class B office buildings can have a salutary effect on the Downtown Study Area. These buildings are likely to yield a greater number of dwelling units than two- and three-story conversions, increasing the downtown population at a more rapid pace. In addition, the

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conversion of high-vacancy Class B buildings to residential takes them out of the commercial market, resulting in a decline in office vacancy rates, sometimes to the extent that demand for new office construction is induced.

These conversions, as well as conversions of other non-residential buildings in the Downtown Study Area, could be incentivized through a program comparable to the Capitalize Albany Real Estate Loan program, which provides financing to qualifying real estate development projects, or comparable to Albany's Real Property Tax Abatement program, enacted by the City of Albany and City School District, that provides a 12-year partial exemption for non-residential buildings converted to a mix of residential and commercial uses. In the case of conversion to condominiums, the tax abatement can be passed through to the condominium buyer.

Funding for mixed-use projects in the Downtown Buffalo Study Area is also available under the New York State Main Street Program, a comprehensive grant program that provides resources to stimulate reinvestment in mixed-use commercial districts. Grants range from a minimum of \$50,000 to a maximum of \$500,000 and eligible applicants include units or local government or a non-profit.

Other programs outlined in the 2004 study are repeated here because they have become instrumental in the development of downtown housing in other cities, and include the following:

—Gap Financing Pool—

Compared to suburban locations, infill development opportunities within Downtown Buffalo are likely to be small scale—in most cases, fewer than 50 units and usually fewer than 25. These small properties lack development efficiency; since fixed costs are spread over fewer units, the cost per unit is higher without any corresponding increase in market value. Small properties have historically had difficulties attracting public capital assistance in any form; because of their small size, they are generally not considered to have the potential for catalytic impact. (This is one of the long-standing ironies of American urban initiatives: the properties that are large enough to have gained government support are often self-contained and have significantly less impact on

surrounding uses than the same number of units in a concentration of smaller, pedestrian-oriented properties.)

A revolving loan pool for subordinated, low-interest gap funding should be established to put the financial feasibility of smaller Downtown properties on an equal footing with larger suburban properties.

Gap funding should be available to both adaptive re-use and to new construction. The gap fund should be very flexible in order to respond to the special needs of each small, highly-individual property. Gap funding is typically structured as low-interest debt in a second or third position, but can incorporate interest accrual or other features designed to address the short-term financing impediments to residential developments that are essentially sound when viewed over the long term.

The Greater Downtown Partnership of Detroit assembled a \$23 million fund to provide gap financing; the fund has been used to assist in the renovation and conversion of a number of downtown buildings from commercial to residential use.

Smaller cities can be successful with smaller funds: Louisville, Kentucky matched the \$3 million dollars contributed by six downtown banks, the sum of which, when augmented by \$1 million from the State and local businesses, created a \$7 million gap financing pool.

—*“Live Where You Work”*—

In order to increase homeownership opportunities, many cities have, in collaboration with local employers, universities, and medical institutions, created employer-assisted housing benefit plans for employees. Through these initiatives, employers provide eligible employees with a forgivable loan of a set amount—typically between \$5,000 and \$15,000, depending on local housing costs—housing information and education, and innovative financing options. These initiatives are designed to promote urban revitalization by targeting dwelling units in the downtowns and in-town neighborhoods.

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—*Sales and Income Tax Incentives*—

Revitalization of urban neighborhoods across the country has often been initiated by the arts community. Since resident artists are critical to the establishment of a recognizable urban arts district, they can be encouraged through targeted tax relief. The City of Providence, Rhode Island has populated its DownCity Arts and Entertainment District by sales and income tax exemptions. Artists and artisans in DownCity are exempt from state and local sales taxes; and resident artists are exempt from personal state income tax. The program was deemed so successful that the Rhode Island General Assembly passed legislation to establish similar districts in two other Rhode Island cities, Westerly and Pawtucket.

DOWNTOWN STUDY AREA ABSORPTION

How fast will the units lease or sell?

As noted previously in this study, the current constrained market is characterized in many locations by reduced housing prices, high levels of unsold units, and restrictive mortgage underwriting and development finance. As also noted previously, these market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, they reduce the initial percentage of the potential market able to overcome those constraints.

After more than two decades' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, over the near term, those households that prefer new construction, rather than previously-occupied units, currently represent between five and 10 percent of the potential rental market, and between two-and-a-half and five percent of the potential for-sale market, assuming the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation; as of the first quarter of 2011, that percentage had dropped to just 8.5 percent of all units sold.) Short-term absorption projections (market capture) are likely to be lower than the longer-term projections due to the uncertain timing of a housing market recovery.

Based on a five to 10 percent capture of the potential market for new rental housing, and a two-and-a-half to five percent capture of the potential market for new for-sale housing units, the Downtown Buffalo Study area should be able to support more than 160 new market-rate housing units per year over the short term (next two years) and up to 323 units per year in the longer term (three to five years), as shown on the following page:

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Annual Capture of Market Potential
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | CAPTURE RATE | NUMBER OF NEW UNITS |
|---|-------------------------|-----------------|------------------------|
| Rental Multi-Family (lofts/apartments, leaseholder) | 2,215 | 5% to 10% | 111 to 222 |
| For-Sale Multi-Family (lofts/apartments, condo/co-op ownership) | 815 | 2.5% to 5% | 20 to 41 |
| For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership) | 765 | 2.5% to 5% | 19 to 38 |
| For-Sale Single-Family Detached (urban houses, fee-simple ownership) | <u>430</u> | 2.5% to 5% | <u>11 to 22</u> |
| Total | 4,225 | | 161 to 323 |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

These capture rates support the creation of between 805 and 1,291 new dwelling units within the Downtown Buffalo Study Area over the next five years.

Absorption of units at properties located within a quarter-mile walking distance of transit stations within a transit network that serves diverse locations has been demonstrated in other cities to achieve higher capture rate than those outlined above, due to improved transportation cost efficiency and convenience. In most cases, overall capture rates of 7.5 to 15 percent of the potential market per year have been achievable.

Therefore, based on a 15 percent capture of the potential market for new rental housing, and a 7.5 percent capture of the potential market for new for-sale housing units, the Downtown Buffalo Study Area could potentially support up to 482 new market-rate housing units per year (with the additional 159 absorbed units per year directly attributable to proximity to transit) as shown on the following page:

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Annual Capture of Market Potential
Residential Development Within a Quarter-Mile Radius of Transit
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| HOUSING TYPE | NUMBER OF HOUSEHOLDS | CAPTURE RATE | NUMBER OF NEW UNITS |
|---|-------------------------|-----------------|------------------------|
| Rental Multi-Family (lofts/apartments, leaseholder) | 2,215 | 15% | 332 |
| For-Sale Multi-Family (lofts/apartments, condo/co-op ownership) | 815 | 7.5% | 61 |
| For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership) | 765 | 7.5% | 57 |
| For-Sale Single-Family Detached (urban houses, fee-simple ownership) | <u>430</u> | 7.5% | <u>32</u> |
| Total | 4,225 | | 482 |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Over five years, absorption of nearly 800 additional units could be directly attributable to locations within a quarter-mile walking distance of transit stations. Based on the experience of other cities—for example, Minneapolis and Dallas—that have constructed light rail lines, housing located along the completed line will rise in value and the transit “benefit” will extend to locations within a half-mile walk of a transit station.

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.

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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.

—Rental Distribution—

The market-rate rent range covers leases by households with annual incomes ranging between \$35,000 and \$100,000 or more. A single-person household with an income of \$35,000 per year, paying no more than 25 percent of gross income for rent and utilities (the national standard for affordability) would qualify for a rent of \$650 per month for a one-bedroom apartment. A two- or three-person household, with an income of \$100,000 or more per year, paying no more than 25 percent of gross income for rent and utilities, would qualify for a rent of \$2,000 per month.

Based on the updated target household mix (*listed on Table 7*) and the incomes of the target households, the distribution by rent range of the 111 to 222 new rental lofts and apartments that could be absorbed per year over the next five years in the Downtown Buffalo Study Area would be as follows:

Loft/Apartment Distribution by Rent Range
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| MONTHLY RENT RANGE | UNITS PER YEAR | PERCENTAGE |
|-----------------------|-------------------|-------------|
| \$500–\$750 | 22 to 44 | 19.8% |
| \$750–\$1,000 | 24 to 48 | 21.6% |
| \$1,000–\$1,250 | 24 to 48 | 21.6% |
| \$1,250–\$1,500 | 20 to 40 | 18.0% |
| \$1,500–\$1,750 | 9 to 18 | 8.2% |
| \$1,750–\$2,000 | 6 to 12 | 5.4% |
| \$2,000 and up | <u>6 to 12</u> | <u>5.4%</u> |
| Total: | 111 to 222 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 7

Target Groups For New Multi-Family For-Rent
The Downtown Buffalo Study Area

City of Buffalo, Erie County, New York

| Empty Nesters & Retirees | <i>Number of Households</i> | <i>Percent</i> |
|---|---------------------------------|----------------|
| Urban Establishment | 40 | 1.8% |
| Small-Town Establishment | 10 | 0.5% |
| Cosmopolitan Elite | 5 | 0.2% |
| Suburban Establishment | 15 | 0.7% |
| Affluent Empty Nesters | 10 | 0.5% |
| New Empty Nesters | 30 | 1.4% |
| Cosmopolitan Couples | 25 | 1.1% |
| Mainstream Retirees | 15 | 0.7% |
| Middle-Class Move-Downs | 65 | 2.9% |
| Subtotal: | 215 | 9.7% |
| Traditional & Non-Traditional Families | | |
| Unibox Transferees | 5 | 0.2% |
| Full-Nest Urbanites | 55 | 2.5% |
| Multi-Ethnic Families | 30 | 1.4% |
| Subtotal: | 90 | 4.1% |
| Younger Singles & Couples | | |
| The Entrepreneurs | 30 | 1.4% |
| e-Types | 80 | 3.6% |
| Fast-Track Professionals | 55 | 2.5% |
| The VIPs | 65 | 2.9% |
| Upscale Suburban Couples | 140 | 6.3% |
| New Bohemians | 630 | 28.4% |
| Twentysomethings | 150 | 6.8% |
| Suburban Achievers | 180 | 8.1% |
| Small-City Singles | 155 | 7.0% |
| Urban Achievers | 425 | 19.2% |
| Subtotal: | 1,910 | 86.2% |
| Total Households: | 2,215 | 100.0% |

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

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—For-Sale Distribution—

The market-rate price range covers purchases by households with annual incomes ranging between \$50,000 and \$150,000 or more. As in 2004, this analysis did not assess affordability based on the use of non-standard mortgage instruments, but rather typical 30-year mortgages, with either a 10 or 20 percent down payment, at prevailing interest rates.

Based on the target household mix (*listed on* Table 8) and incomes of the target households, the distribution by price range of the 20 to 41 market-rate for-sale lofts and apartments that could be absorbed per year over the next five years in the Downtown Buffalo Study Area is as follows:

Loft/Apartment Distribution by Price Range
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| PRICE RANGE | UNITS PER YEAR | PERCENTAGE |
|---------------------|-------------------|-------------|
| \$150,000–\$200,000 | 2 to 4 | 9.8% |
| \$200,000–\$250,000 | 3 to 6 | 14.6% |
| \$250,000–\$300,000 | 4 to 8 | 19.5% |
| \$300,000–\$350,000 | 4 to 8 | 19.5% |
| \$350,000–\$400,000 | 3 to 6 | 14.6% |
| \$400,000–\$450,000 | 2 to 5 | 12.2% |
| \$450,000 and up | <u>2 to 4</u> | <u>9.8%</u> |
| Total: | 20 to 41 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 8

Target Groups For New Multi-Family For-Sale
The Downtown Buffalo Study Area

City of Buffalo, Erie County, New York

| Empty Nesters & Retirees | <i>Number of Households</i> | <i>Percent</i> |
|---|---------------------------------|----------------|
| Old Money | 10 | 1.2% |
| Urban Establishment | 40 | 4.9% |
| Small-Town Establishment | 10 | 1.2% |
| Cosmopolitan Elite | 10 | 1.2% |
| Suburban Establishment | 20 | 2.5% |
| Affluent Empty Nesters | 15 | 1.8% |
| New Empty Nesters | 35 | 4.3% |
| Cosmopolitan Couples | 25 | 3.1% |
| Mainstream Retirees | 15 | 1.8% |
| Middle-Class Move-Downs | 50 | 6.1% |
| Subtotal: | 230 | 28.2% |
| Traditional & Non-Traditional Families | | |
| Full-Nest Urbanites | 10 | 1.2% |
| Subtotal: | 10 | 1.2% |
| Younger Singles & Couples | | |
| The Entrepreneurs | 35 | 4.3% |
| e-Types | 40 | 4.9% |
| Fast-Track Professionals | 30 | 3.7% |
| TheVIPs | 40 | 4.9% |
| Upscale Suburban Couples | 80 | 9.8% |
| New Bohemians | 140 | 17.2% |
| Twentysomethings | 50 | 6.1% |
| Suburban Achievers | 55 | 6.7% |
| Small-City Singles | 40 | 4.9% |
| Urban Achievers | 65 | 8.0% |
| Subtotal: | 575 | 70.6% |
| Total Households: | 815 | 100.0% |

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

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Based on the target household mix (*listed on* Table 9) and incomes of the target groups, the distribution by price range of the 19 to 38 market-rate rowhouses/live-work units that could be absorbed per year over the next five years in the Downtown Buffalo Study Area is as follows:

Rowhouse/Live-Work Distribution by Price Range
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| PRICE RANGE | UNITS PER YEAR | PERCENTAGE |
|---------------------|-------------------|--------------|
| \$200,000–\$250,000 | 2 to 3 | 7.9% |
| \$250,000–\$300,000 | 3 to 7 | 18.4% |
| \$300,000–\$350,000 | 3 to 6 | 15.8% |
| \$350,000–\$400,000 | 4 to 8 | 21.1% |
| \$400,000–\$450,000 | 3 to 5 | 13.2% |
| \$450,000–\$500,000 | 2 to 5 | 12.2% |
| \$500,000 and up | <u>2 to 4</u> | <u>10.5%</u> |
| Total: | 19 to 38 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 9

Target Groups For New Single-Family Attached For-Sale
The Downtown Buffalo Study Area
City of Buffalo, Erie County, New York

| Empty Nesters & Retirees | <i>Number of Households</i> | <i>Percent</i> |
|---|---------------------------------|----------------|
| Old Money | 5 | 0.7% |
| Urban Establishment | 30 | 3.9% |
| Small-Town Establishment | 5 | 0.7% |
| Cosmopolitan Elite | 5 | 0.7% |
| Suburban Establishment | 15 | 2.0% |
| Affluent Empty Nesters | 10 | 1.3% |
| New Empty Nesters | 15 | 2.0% |
| Cosmopolitan Couples | 25 | 3.3% |
| Mainstream Retirees | 15 | 2.0% |
| Middle-Class Move-Downs | 40 | 5.2% |
| Subtotal: | 165 | 21.6% |
| Traditional & Non-Traditional Families | | |
| Unibox Transferees | 5 | 2.0% |
| Full-Nest Urbanites | 40 | 2.0% |
| Multi-Ethnic Families | 15 | 2.0% |
| Subtotal: | 60 | 7.8% |
| Younger Singles & Couples | | |
| The Entrepreneurs | 30 | 3.9% |
| e-Types | 20 | 2.6% |
| Fast-Track Professionals | 35 | 4.6% |
| TheVIPs | 45 | 5.9% |
| Upscale Suburban Couples | 110 | 14.4% |
| New Bohemians | 100 | 13.1% |
| Suburban Achievers | 55 | 7.2% |
| Twentysomethings | 60 | 7.8% |
| Small-City Singles | 50 | 6.5% |
| Urban Achievers | 35 | 4.6% |
| Subtotal: | 540 | 70.6% |
| Total Households: | 765 | 100.0% |

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

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Based on the target household mix (*listed on* Table 10) and incomes of the target groups, the distribution by price range of the 11 to 22 market-rate urban houses that could be absorbed per year over the next five years in the Downtown Buffalo Study Area is as follows:

Urban House Distribution by Price Range
THE DOWNTOWN BUFFALO STUDY AREA
City of Buffalo, Erie County, New York

| PRICE RANGE | UNITS PER YEAR | PERCENTAGE |
|---------------------|-------------------|--------------|
| \$200,000–\$250,000 | 1 to 2 | 9.1% |
| \$250,000–\$300,000 | 2 to 3 | 13.6% |
| \$300,000–\$350,000 | 3 to 6 | 27.3% |
| \$350,000–\$400,000 | 2 to 4 | 18.2% |
| \$400,000–\$450,000 | 2 to 4 | 18.2% |
| \$450,000 and up | <u>1 to 3</u> | <u>13.6%</u> |
| Total: | 11 to 22 | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 10

Target Groups For New Urban Single-Family Detached For-Sale
The Downtown Buffalo Study Area
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| Empty Nesters & Retirees | <i>Number of Households</i> | <i>Percent</i> |
|---|---------------------------------|----------------|
| Old Money | 20 | 4.7% |
| Urban Establishment | 40 | 9.3% |
| Small-Town Establishment | 20 | 4.7% |
| Cosmopolitan Elite | 15 | 3.5% |
| Suburban Establishment | 20 | 4.7% |
| Affluent Empty Nesters | 10 | 2.3% |
| New Empty Nesters | 35 | 8.1% |
| Cosmopolitan Couples | 10 | 2.3% |
| Mainstream Retirees | 5 | 1.2% |
| Middle-Class Move-Downs | 15 | 3.5% |
| Subtotal: | 190 | 44.2% |
| Traditional & Non-Traditional Families | | |
| Unibox Transferees | 30 | 2.0% |
| Full-Nest Urbanites | 10 | 2.0% |
| Multi-Ethnic Families | 5 | 1.2% |
| Subtotal: | 45 | 10.5% |
| Younger Singles & Couples | | |
| The Entrepreneurs | 90 | 20.9% |
| e-Types | 10 | 2.3% |
| Fast-Track Professionals | 10 | 2.3% |
| TheVIPs | 30 | 7.0% |
| Upscale Suburban Couples | 50 | 11.6% |
| Twentysomethings | 5 | 1.2% |
| Subtotal: | 195 | 45.3% |
| Total Households: | 430 | 100.0% |

SOURCE: Nielsen Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

DOWNTOWN HOUSING TYPES

Building and unit types most appropriate for the Downtown Buffalo Study Area include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is four 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. Parking is either below grade, at grade behind or interior to the building, or in an integral structure.

The building's apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price.

- 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 is usually elevator-served with double-loaded corridors.

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 building's loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. (Loft apartments can

also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

- 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.
- 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.
- Mansion Apartment Building: A two- to four-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. The form of the parking can be in open lots, in garages with units above, or integral to the building.

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.

- Rowhouse: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.
- 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 flexible 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 be flexible in order to comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

True live-work units tend to be most successful within an already established neighborhood or urban center. In most of the live-work projects for which information is available, the units are likely to be purchased by households for use as dwelling units only, or purchased by investors. A resident investor can lease the flex space for residential, retail or office use; a non-resident investor can lease both the main residential space or the flex space. Since experience shows that it is uncommon for retail operators to live above the store, live-work units must comply with local codes permitting the legal separation of uses in order to maintain investor flexibility.

- Urban House: A two- to three-story single-family detached house on a narrow lot. The garage is located to the rear of the house and accessed from an alley or auto court. Urban houses also conform to the pattern of streets, typically with shallow front-yard setbacks or dooryards.

DOWNTOWN AMENITIES

As noted in the 2004 study, the diversity, and social and cultural amenities of the city are one of the attractions of urban living. It should be re-emphasized that successful urban housing is not necessarily dependent upon the creation of extensive (and expensive) recreational amenities.

The lifestyle affinities and purchase propensities of the target household groups for the Downtown Buffalo Study Area support the idea that extensive community amenities are not required. Most of the activities in which the potential market demonstrates the highest participation rates are natural for households with a propensity for urban living. In aggregate, although the prospective residents have lifestyles that do not include high participation rates in activities such as playing golf or tennis, they do have very strong interests in those activities that are typically only available in a downtown. Relevant activities in which these groups participate at rates at least 25 percent higher than the national average are, in order:

- Belong to health club (51 percent higher than the national average)
- Belong to an environmental organization (42 percent higher)
- Belong to a business club (39 percent higher)
- Attend live theater (39 percent higher)
- Belong to an arts association (35 percent higher)
- Go to concerts (35 percent higher)
- Go to the movies three to five times a month (33 percent higher)
- Go to museums (33 percent higher)
- Go bicycling (31 percent higher)

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 visitors alike.

The impact of the growth of urban bicycling should not be overlooked. Bicycle infrastructure ranges from well-designed bike lanes on key thoroughfares to physically-separated bike lanes in both urban and park/waterfront locations. Bike racks—both utilitarian and those designed as civic

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art—should be plentiful; ideally, bicycle parking should be mandated at all public and private parking facilities and in newly-constructed commercial buildings. Transit, both bus and rail, should also accommodate bicycles.

—BUILDING AMENITIES—

According to the U.S. Census, nearly three-quarters of the households living in the City of Buffalo currently either do not own a car or own only one car. Potential purchasers in the Downtown Study Area are likely to own more cars than potential renters; therefore, from the perspective of the cost of providing parking, the higher percentage of rental units preferred by the market should enhance development efficiency. For maximum efficiency, the parking cost in multi-family structures should be de-coupled from price or rent.

It is recommended that residents of the Downtown Study Area be surveyed for interest in Zipcar, CityCar, or another urban car share service, which can reduce the parking requirements.

Bicycle parking should also be accommodated, with one space for every 10 units for short-term/visitor parking, and convenient secure storage for one bicycle for every five bedrooms for residents.

To meet the expectations of potential residents, new residential construction should be designed using high-profile features such as green roofs, Energy-Star appliances and HVAC, sustainable, low-VOC finish materials, filtered air systems, and high-performance window walls as feasible from the cost perspective.

All units should be wired for cable television and high-speed internet or, if practical, be served by a building-wide Wi-Fi system covered in the monthly fees.

Ceiling heights should be a minimum of nine feet (10 feet in condominiums). The size and quality of windows will be important, particularly for those units with the potential for urban views. One challenge will be to provide expansive views without adding to the HVAC load; calculated balcony overhangs could reduce afternoon cooling requirements on west-facing units.

Studios should have a sleeping alcove, or a sleeping area separated by partitions that run only partially to the ceiling.

At the upper end of rents and prices, individual building amenities, for both rental and for-sale properties, could include concierge services, a fitness center, private lounge with wet bar, secure indoor bike storage, and for an additional fee, private storage modules. Each building should also have its own recycling center.

—IN-UNIT AMENITIES—

To meet the expectations of potential urban residents, all units should be wired for cable television and high-speed internet or, if practical, be served by a building-wide Wi-Fi system. For hard lofts or soft lofts in adaptive re-use structures, existing floors should be salvaged and refinished wherever possible. Although hard and soft lofts are typically designed without interior walls, with the exception of the bathroom, as much closet and storage space as possible should be provided. Wherever possible in both types, masonry walls should be exposed.

In the kitchens, although, until recently, granite countertops have been the norm for urban redevelopment, it is highly recommended that less-expensive, and/or more environmentally-sensitive alternatives be selected for the hard and soft lofts—such as Fireslate in the rental units, and Richlite and PaperStone, which are composed of recycled materials, in the for-sale units. For the more expensive condominiums, countertops could be CaesarStone and Silestone—quartz composite materials—or new terrazzo products such as Vetrazzo or IceStone. All kitchens should include integral or undermount sinks, and either matching backsplashes or finished in stainless steel; renters will expect contemporary, durable finishes appropriate to urban living, as opposed to the carpeted “beige” interiors of suburban multi-family housing. Cabinets in the lofts should have flush fronts with integral or contemporary pulls, offered in a variety of finishes, ranging from bamboo to frosted glass. Appliances should be mid-grade with stainless fronts.

In new construction, suburban condominium finishes should be avoided. Larger units should be configured as soft lofts, with bedrooms separated by walls or, in cases of interior rooms, partitions that run only partially to the ceiling. HVAC should be designed with exposed metal ductwork.

Lighting fixtures should have clean and minimalist designs, capable of accommodating compact fluorescent bulbs.

Floors in the main rooms should not be carpeted, but should, instead, be offered with scored, stained and polished concrete or bamboo, and ceramic or stone in the kitchens and baths; bedrooms can be carpeted.

Walls should be drywall finished with simple contemporary baseboards. Doors should be flush, matched-grain wood with stainless handles and hardware.

Bathrooms should have a standard contemporary finish package, including a range of sink types, from pedestals to vessel-style vanities, and countertops of materials similar to the grade used in the kitchens. All fixtures, faucets and lighting should be clean, minimalist and contemporary. Again, lighting should accommodate compact fluorescent bulbs.

Some of the “luxury apartments” will require more conventional finishes, such as crown molding, chair rails, five-panel interior doors, carpeted bedroom floors, with carpet or hardwood in living and dining areas and tile in the kitchens and baths. Kitchen countertops should be granite, or Corian, or an equivalent solid surface, with integral or undermount ceramic sinks and stainless steel appliances, and a choice of European or traditional cabinets. Bathrooms should have ceramic tile or stone floors and high-style, traditional fixtures.

METHODOLOGY

The update of the technical analysis of market potential for the Downtown Study Area included confirmation of the draw areas—based on the most recent migration data for Erie County, and incorporating additional data from the 2010 American Community Survey for Erie County and the City of Buffalo—as well as compilation of current residential rental and for-sale activity in the Downtown Buffalo market area.

The evaluation of the city’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).

NOTE: The Appendix Tables referenced here are provided in a separate document.

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to the City of Buffalo. 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 2010 American Community Survey.

Appendix One, Table 1.

Migration Trends

Analysis of the most recent Erie County migration and mobility data available from the Internal Revenue Service—from 2004 through 2008—shows that the county continued to experience net migration losses throughout the study period, although in steadily decreasing numbers, with net out-migration ranging from a loss of 3,620 households in 2005 to a loss of 900 households in 2008. (*See Appendix One, Table 1.*)

Annual in-migration into Erie County ranged from 9,350 households in 2004 (the lowest in-migrating total over the study period) to 10,495 households in 2008 (the second highest in-migrating total, after 10,625 households in 2007). Approximately 16 percent of the county's in-migration is from Niagara County, the adjacent county to the north, with another four to five percent from Monroe County (location of the City of Rochester) to the east. Households from New York City (New York, Kings, and Queens Counties) are also significant sources of Erie County's in-migrating households.

Annual out-migration from Erie County ranged between the high of 13,175 households in 2005 to the low of 11,395 households in 2008. Approximately 15 to 16 percent of the out-migration is also to Niagara County; collectively, the majority of out-migration is to other New York State counties.

As noted in the 2004 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 Buffalo have been confirmed as follows:

- The local (internal) draw area, covering households currently living within the Buffalo city limits and the balance of Erie County and in groups with median incomes of \$50,000 or more. Although there has been a constrained housing market both locally and nationally in 2008 and 2009, internal mobility has risen somewhat since the 2004 study, when just under 12 percent of city households moved within the city and approximately two percent of households living in the balance of Erie County moved to the city. In 2010, the mobility rate for households moving within the city rose to 14.3 percent, and for households moving from the balance of the county to the city, the mobility rate has risen to 2.6 percent.

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- The regional draw area, covering households in groups with median incomes of \$50,000 or more and with the potential to move to the City of Buffalo from Niagara (the second county in the Buffalo/Niagara Falls MSA) and Monroe (location of the City of Rochester) Counties.
- The New York City draw area, covering households in groups with median incomes of \$50,000 or more and with the potential to move to the City of Buffalo from New York, Kings, and Queens Counties.
- The national draw area, covering households in groups with median incomes of \$50,000 or more and with the potential to move to the City of Buffalo from all other U.S. counties (many other counties in New York State, although approximately two-thirds are households currently living outside the state). In addition to the local, regional, and New York City draw areas, between 3,500 and 3,800 households move into Erie County from elsewhere in the United States each year. Up to 30 percent of those households in groups with median incomes of \$50,000 or more are likely to move into the City of Buffalo.

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.

TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from Nielsen 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 tables. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

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Appendix One, Tables 2 and 3.

Target Market Classifications

Of the estimated 112,790 households living in the City of Buffalo in 2011 (Nielsen Claritas' estimates), 45.9 percent, or 51,770 households, are in groups with median incomes of \$50,000 or more. (*Reference* Appendix One, Table 2.) Over 44 percent of these households can be classified as traditional and non-traditional families (up from 28.2 percent in 2004), another 28 percent are younger singles and couples (down from 50.6 percent), and 27.6 percent are empty nesters and retirees (down from 21.2 percent).

Nearly 70 percent, or 256,190 households, of the 383,165 households estimated to be living in Erie County in 2011 (again, Nielsen Claritas' estimates) are in groups with median incomes of \$50,000 or more. (*Reference* Appendix One, Table 3.) Just over 53 percent of these households are classified as empty nesters and retirees (up from just under 45 percent in 2004), another 25.7 percent are traditional and non-traditional families (down from 36.5 percent), and the remaining 20.9 percent are younger singles and couples (up from 18.7 percent).

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 “predictor variables,” ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as “behaviors,” such as

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mobility rates and lifestyle choices. 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.

DETERMINATION OF THE POTENTIAL MARKET FOR THE CITY OF BUFFALO (MOBILITY ANALYSIS)—

The 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 Buffalo 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.

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Appendix One, Table 4.

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

Zimmerman/Volk Associates uses U.S. Bureau of the Census data and American Community Survey Data, combined with Nielsen Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that an average of approximately 7,600 households living in the City of Buffalo, and in 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. This is an increase of 3,300 households annually since 2004. Nearly 70 percent of these households are likely to be younger singles and couples (as characterized within nine Zimmerman/Volk Associates' target market groups and a considerably higher percentage than in the nearly 59 percent with the potential to move in 2004); another 22.9 percent are likely to be traditional and non-traditional families (in six market groups); and the remaining 7.4 percent are likely to be empty nesters and retirees (in seven market groups).

Appendix One, Table 5.

Internal Mobility (Households Moving To the City of Buffalo from the Balance of Erie 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. Using these data, an average of nearly 5,300 households, currently living in the balance of Erie 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 Buffalo each year over the next five years. This is an increase of 1,330 households since 2004. Almost 47 of these households are likely to be younger singles and couples (in 12 market groups); 31 percent are likely to be empty nesters and retirees (in 16 groups); and the remaining 22.2 percent are likely to be traditional and non-traditional families (in 13 groups).

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Appendix One, Tables 6 through 9; Appendix Two, Tables 1 through 4.

External Mobility (Households Moving To the City of Buffalo from Outside Erie County)—

These tables determine the average number of households in each target market group living in each draw area county that are likely to move to the City of Buffalo over the next five years (through a correlation of Nielsen Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 10.

Market Potential for the City of Buffalo—

Appendix One, Table 10 summarizes Appendix One, Tables 4 through 9. 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 dwelling units in the City of Buffalo each year over the next five years originating from households currently living in the draw areas. An average of over 16,000 households in groups with median incomes of \$50,000 or more have the potential to move within or to the City of Buffalo each year over the next five years. This is an overall increase of just under 6,000 households since 2004. Younger singles and couples are likely to account for 58.4 percent of these households (in 12 market groups); another 23.3 percent are likely to be traditional and non-traditional families (in 13 groups); and 18.2 percent are likely to be empty nesters and retirees (in 16 groups).

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

Market Potential by Draw Area
City of Buffalo, Erie County, New York

| | |
|---|--------------|
| City of Buffalo (Local Draw Area): | 47.4% |
| Balance of Erie County (Local Draw Area): | 32.9% |
| Niagara County (Regional Draw Area): | 3.1% |
| Monroe County (Regional Draw Area): | 1.0% |
| Kings, New York, and Queens Counties (NYC Draw Area): | 5.9% |
| Balance of US (National Draw Area): | <u>14.7%</u> |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

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DETERMINATION OF THE POTENTIAL MARKET FOR THE DOWNTOWN BUFFALO STUDY AREA—

The total potential market for the new housing units developed within existing buildings or new construction within the Downtown Buffalo Study Area includes the same draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to the Downtown Buffalo Study Area in a given year.

Appendix One, Tables 11 through 13.

Market Potential for the Downtown Buffalo Study Area—

As derived by the target market methodology, an average of just under 4,900 households have the potential to move to the Downtown Buffalo Study Area each year over the next five years, more than 955 households more than in 2004. (*Reference Appendix One, Table 11.*) Over 70 percent of these households are likely to be younger singles and couples (in 10 market groups, and up from 58 percent in 2004); another 24 percent are likely to be empty nesters and retirees (in 10 groups, down from 36 percent in 2004); and 6.3 percent are likely to be traditional and non-traditional family households (in three groups, just slightly above the six percent in 2004).

The distribution of the draw areas as a percentage of the market for the Downtown Buffalo Study Area is:

Market Potential by Draw Area THE DOWNTOWN BUFFALO STUDY AREA *City of Buffalo, Erie County, New York*

| | |
|---|--------------|
| City of Buffalo (Local Draw Area): | 40.8% |
| Balance of Erie County (Local Draw Area): | 29.9% |
| Niagara County (Regional Draw Area): | 3.9% |
| Monroe County (Regional Draw Area): | 1.6% |
| Kings, New York, and Queens Counties (NYC Draw Area): | 2.8% |
| Balance of US (National Draw Area): | <u>21.0%</u> |
| Total: | 100.0% |

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

The 4,865 draw area households that have the potential to move within or to the Downtown Buffalo Study Area each year over the next five years have been categorized by tenure propensities to determine renter/owner ratios. Approximately 45.5 percent of these households (or 2,215 households, up from 1,320 households in 2004) comprise the potential market for new market-rate rentals. The remaining 54.5 percent (or 2,650 households, up slightly from 2,480 households in 2004) comprise the market for new market-rate for-sale (ownership) housing units. (*Reference* Appendix One, Table 12.)

Of these 2,650 households, 30.8 percent (or 815 households) comprise the market for multi-family for-sale units (condominium apartments and lofts); this is slightly higher than the 29 percent in 2004. Another 28.9 percent (765 households, up from 20.2 percent of the ownership market in 2004) comprise the market for attached single-family (townhouse or duplex) units. The remaining 40.4 percent (or 1,070 households, down from 50.8 percent and 1,260 households in 2004) comprise the market for all ranges and densities of single-family detached houses. (*Reference* Appendix One, Table 13.)

—Target Market Data—

Target market data are based on the Nielsen 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 demographic categories—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.

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However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, 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 *Fast-Track Professionals* or *The VIPs*.

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.”

The Downtown Buffalo Study Area
City of Buffalo, Erie County, New York
December, 2011

Over the past 23 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.



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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.



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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.

