
MARKET POSITION ANALYSIS

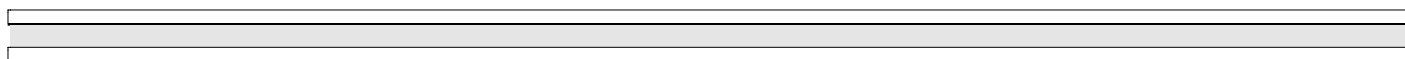
Downtown Portsmouth

City of Portsmouth
Virginia

February, 2006

On Behalf of the
THE ECONOMIC DEVELOPMENT AUTHORITY
CITY OF PORTSMOUTH

Conducted by
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Research & Strategic Analysis

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Downtown Portsmouth
City of Portsmouth, Virginia

February, 2006

INTRODUCTION

The purpose of this study is to identify the depth and breadth of the potential market for new rental and for-sale dwelling units, to be constructed in single-family attached and mid- to high-rise buildings on the waterfront in Downtown Portsmouth, Virginia. Several publicly-owned sites have been identified as potential development locations. These include:

- The North Pier, approximately 2.4 acres adjacent to the NTELOS Pavilion and the Ocean Marine Yacht Center;
 - The Columbia Street lot/former Desks Inc. site, a combined 1.7 acres, across Crawford Street from City Hall and the NTELOS Pavilion;
 - The Civic Center parking lot, two parcels containing 1.75 acres, located between the Elizabeth River and the courthouse and jail;
 - The GSA lot, 1.2 acres occupying most of the block between Crawford and Water Streets, and High and Queen Streets, adjacent to the High Street Landing; and
 - The Holiday Inn site, a 4.2-acre parcel including the Harbor Court parking garage, situated at the northernmost point of the Downtown Portsmouth waterfront, with spectacular views of the Norfolk skyline.
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The depth and breadth of the potential market have been determined using Zimmerman/Volk Associates' proprietary target market methodology. In contrast to conventional 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 preferences and lifestyle characteristics of households in the draw area within the framework of the relevant housing market context.

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 compatibility issues.

This study therefore has determined:

- Where the potential renters and buyers for new primary and/or second/vacation dwelling units located on the Downtown Portsmouth waterfront currently live (the draw areas);
- Who the potential renters and buyers are and what are they like (the target markets);
- How many are likely to rent or purchase along the Downtown waterfront if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (multi-family, single-family attached);
- What they will pay to rent or purchase newly-constructed single-family attached and mid- and high-rise multi-family dwelling units on the waterfront (market-entry base rents and prices); and
- What their alternatives are (comparable residential development elsewhere in the Tidewater region).

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

MARKET POTENTIAL

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is integral to the determination of the depth and breadth of the potential market for new primary and second/vacation dwelling units within Downtown Portsmouth.

The depth and breadth of the potential market for new rental and for-sale higher-density dwelling units to be constructed within Downtown Portsmouth have been derived from the housing preferences and financial capacities of the draw area households, identified through Zimmerman/Volk Associates' proprietary target market methodology and extensive experience with urban development and redevelopment. As derived from migration analysis—based on taxpayer records from the Internal Revenue Service—the principal draw areas for new primary dwelling units within Downtown Portsmouth includes the city itself, and the Tidewater cities of Chesapeake, Norfolk, Virginia Beach, and Suffolk. This analysis also factors in the market potential for primary dwelling units from households currently living in all other cities and counties across the nation that are represented in City of Portsmouth migration.

Migration analysis also demonstrates a consistent correlation between source counties for purchasers of primary residences and purchasers of second/vacation homes. (For example, a household changing a principal residence to a formerly part-time dwelling located in a different county is counted as an in-migrating household.) Based on that analysis, and verified by anecdotal information obtained during Zimmerman/Volk Associates' field investigation, the principal draw areas for vacation/second units include the Washington, D.C. area (the District, Arlington and Fairfax Counties, Virginia, and Montgomery and Prince George's Counties, Maryland); the Richmond area (the City of Richmond and Henrico County, Virginia), and the New York area (New York and Kings Counties, New York).

As derived from migration analysis, then, the draw area distribution of market potential for new primary residences in Downtown Portsmouth would be as follows:

Market Potential by Draw Area
Primary Dwelling Units
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

	Portsmouth:	41.4%
Chesapeake, Norfolk, Virginia Beach, Suffolk:		30.0%
	Balance of US:	<u>28.6%</u>
	Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

The draw area distribution of market potential for new second/vacation homes in a waterfront location in Downtown Portsmouth would be as follows:

Market Potential by Draw Area
Second/Vacation Units
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

Washington, D.C. Draw Area:	61.7%
Richmond Draw Area:	3.9%
New York Draw Area:	<u>34.4%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

—POTENTIAL HOUSING MARKET—

As determined by the target market methodology, which accounts for household mobility within the City of Portsmouth, as well as mobility patterns for households currently living in all other cities and counties, in the year 2006, up to 1,660 empty nesters and retirees, younger singles and couples, and traditional and non-traditional families currently living in the draw areas comprise the potential market for new primary and second/vacation housing units located on the waterfront in Downtown Portsmouth. The tenure (renter/buyer) preferences and financial capacities of these draw area households result in the following distribution of higher-density housing types (*see also* Table 1):

Potential Market for New Housing Units
Primary and Second/Vacation Units
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent	630	38.0%
Multi-family for-sale	730	44.0%
Single-family attached for-sale	<u>300</u>	<u>18.0%</u>
Total	1,660	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Table 1

Downtown Residential Mix

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Rent/Purchase Year-Round And Second-Vacation Units In 2006

Downtown Portsmouth

City of Portsmouth, Virginia

*City of Portsmouth; Regional Draw Area; All Other U.S. Counties
Draw Areas for Year-Round Units*

*Washington, D.C. Draw Area; Richmond Draw Area;
New York Draw Area
Draw Areas For Second-Vacation Units*

Total Households With The Potential To Purchase
Year-Round/Second-Vacation Units In
Downtown Portsmouth 1,660

**Downtown Residential Mix
(Multi-Family and Single-Family Attached)**

	<i>Multi- Family</i>		<i>Single- .. Family .. Attached</i>	
	<i>For-Rent</i>	<i>For-Sale</i>	<i>For-Sale</i>	<i>Total</i>
Total Households:	630	730	300	1,660
<i>{Mix Distribution}:</i>	38.0%	44.0%	18.0%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 12.

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

—MARKET CAPTURE—

After nearly 20 years' experience in various cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that an annual capture of between 10 and 15 percent of the potential market, depending on housing type, is achievable. Based on a 15 percent capture of the potential market for multi-family units, and a 10 percent capture of single-family attached units, Downtown Portsmouth should be able to support up to 235 new rental and for-sale units per year, in townhouses and mid- and high-rise buildings located along the waterfront, as follows:

**Annual Capture of Market Potential
Primary and Second/Vacation Units
DOWNTOWN PORTSMOUTH
*The City of Portsmouth, Virginia***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	630	15%	95
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	730	15%	110
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple/ condominium ownership)	<u>300</u>	10%	<u>30</u>
Total	1,660		235

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, up to two-thirds of the annual market potential of 235 new dwelling units in Downtown Portsmouth, or approximately 158 units per year, could be from households currently living outside the City of Portsmouth.

This analysis examines market potential over the next five years. Because of the dramatic changes in the composition of American households that occurred during the 1990s (*see THE TARGET MARKETS below*), and the likelihood that significant changes will continue, both the depth and

breadth of the potential market for downtown living is likely to increase. The experience of other American cities has been that, once the downtown residential alternative has been established, the percentage of households that will consider downtown housing typically increases.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

TARGET MARKETS

The market for urban housing, particularly within downtowns, is now being fueled by the convergence of the two largest generations in the history of America: the 79 million Baby Boomers born between 1946 and 1964, and the 77 million Millennials, who were born from 1977 to 1996.

Boomer households have been moving from the full-nest to the empty-nest life stage at an accelerating pace that will peak sometime in the next decade and continue beyond 2020. Since the first Boomer turned 50 in 1996, empty-nesters have had a substantial impact on urban, particularly downtown housing. After fueling the dramatic diffusion of the population into ever-lower-density exurbs for nearly three decades, Boomers, especially affluent Boomers, are rediscovering the merits and pleasures of urban living.

At the same time, Millennials are just leaving the nest. The Millennials are the first generation to have been largely raised in the post-'70s world of the cul-de-sac as neighborhood, the mall as village center, and the driver's license as a necessity of life. As has been the case with predecessor generations, significant numbers of Millennials are heading for the city. They are not just moving to New York, Chicago, San Francisco and the other large American cities; often priced out of these larger cities, Millennials are discovering second, third and fourth tier urban centers.

The convergence of two generations of this size—simultaneously reaching a point when urban housing matches their life stage—is unprecedented. This year, there are about 40 million Americans between the ages of 20 and 29, forecast to grow to 44 million by 2015. In that same year, the population aged 50 to 59 will have also reached 44 million, from 36 million today. The synchronization of these two demographic waves will mean that there will be an additional 12 million potential urban housing consumers 10 years from now.

The potential market for new rental or for-sale higher-density primary and second/vacation units in Downtown Portsmouth consists of predominantly one- and two-person households, both older households—empty nesters and retirees—as well as younger singles and couples. These households can be characterized by general household type as follows (*see also* Tables 2 *through* 5):

Target Markets for New Housing Units
Primary and Second/Vacation Units
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATT.
Empty-Nesters & Retirees	44%	30%	55%	43%
Traditional & Non-Traditional Families	13%	10%	15%	17%
Younger Singles & Couples	<u>43%</u>	<u>60%</u>	<u>30%</u>	<u>40%</u>
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Empty nesters and retirees represent 44 percent of the potential market for new higher-density dwelling units within Downtown Portsmouth—less than a third of the market for new rental units, over half the market for new condominiums, and 43 percent of the market for new townhouses. The largest market group for year-round rental units in this segment is *Middle-Class Move-Downs*; the largest market group for year-round condominiums or townhouses is *Cosmopolitan Elite*. Nearly two-thirds of these households are currently living in Portsmouth; a significant number of these households have children who have grown up and moved away; many lived in a downtown or in-town neighborhood in their youth and are likely to be attracted to appropriately-designed and positioned housing within walking distance of restaurants, shops, and entertainment venues. In other cities, older households have been among the first to move into downtown once larger, well-appointed new condominiums have become available. The largest market group for for-sale second/vacation units in Downtown Portsmouth is *Urban Establishment*. The primary residences of three-quarters of these households are in the New York City area; nearly all of the units purchased by these households are likely to be used as second or vacation homes prior to retirement.

Younger singles and couples comprise 43 percent of the market for new dwelling units within Downtown Portsmouth—60 percent of the market for new rental units, just 30 percent of the

market for new condominiums, and 40 percent of the market for new townhouses. The largest market group for rental apartments in this market segment is *Twentysomethings*; the largest market groups for second/vacation units are *e-Types* and *New Bohemians*. These younger households tend to move frequently and are employed as professionals, junior executives, office and “knowledge” workers, and other white-collar jobs.

Family-oriented households (traditional and non-traditional families) make up a small market (just 13 percent) for new primary and second/vacation units in Downtown Portsmouth. The largest market groups in this segment for year-round units, both rental and for-sale, is *Full-Nest Urbanites*. *The Social Register*, the *Entrepreneurs*, *Nouveau Money* and *Ex-Urban Elite* comprise the family markets for second/vacation condominium units in Downtown. The majority of the family households are very affluent dual-income professionals and business owners in high-tech, research or service-oriented fields.

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

**Primary Target Groups
(In Order of Median Income)
Primary and Second/Vacation Units
DOWNTOWN PORTSMOUTH
*The City of Portsmouth, Virginia***

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
<i>Old Money</i>	\$331,000	\$100,000–\$650,000	\$705,000
<i>Urban Establishment</i>	\$244,700	\$95,000–\$450,000	\$578,400
<i>Suburban Establishment</i>	\$215,800	\$85,000–\$350,000	\$440,200
<i>Affluent Empty Nesters</i>	\$201,200	\$85,000–\$325,000	\$433,500
<i>Cosmopolitan Elite</i>	\$157,200	\$75,000–\$225,000	\$401,100
<i>Cosmopolitan Couples</i>	\$135,200	\$80,000–\$175,000	\$353,000
<i>Middle-Class Move-Downs</i>	\$96,800	\$60,000–\$150,000	\$275,700

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HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Traditional & Non-Traditional Families			
<i>The Social Register</i>	\$293,900	\$100,000–\$500,000	\$615,000
<i>The Entrepreneurs</i>	\$271,300	\$100,000–\$450,000	\$542,400
<i>Nouveau Money</i>	\$260,900	\$85,000–\$375,000	\$524,300
<i>Ex-Urban Elite</i>	\$207,400	\$60,000–\$350,000	\$515,900
<i>Full-Nest Urbanites</i>	\$199,100	\$50,000–\$325,000	\$502,300
Younger Singles & Couples			
<i>e-Types</i>	\$192,000	\$80,000–\$300,000	\$457,900
<i>Fast-Track Professionals</i>	\$153,200	\$75,000–\$225,000	\$339,500
<i>The VIPs</i>	\$128,700	\$60,000–\$200,000	\$297,700
<i>Upscale Suburban Couples</i>	\$105,100	\$50,000–\$175,000	\$268,400
<i>New Bohemians</i>	\$98,800	\$40,000–\$150,000	\$238,500
<i>Twentysomethings</i>	\$75,500	\$40,000–\$125,000	\$195,600

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., 2006.

Table 2

Downtown Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Rent/Purchase Year-Round And Second-Vacation Units In 2006

Downtown Portsmouth

City of Portsmouth, Virginia

Number of Households:	<u>Total</u>	<i>Multi- Family</i>		<i>Single- ... Family ...</i>
		<u><i>For-Rent</i></u>	<u><i>For-Sale</i></u>	<i>.. Attached .. All Ranges</i>
	1,660	630	730	300
Empty Nesters & Retirees	44%	30%	55%	43%
Traditional & Non-Traditional Families	13%	10%	15%	17%
Younger Singles & Couples	43%	60%	30%	40%
	100%	100%	100%	100%

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

Table 3

**Target Groups For Multi-Family For-Rent
Year-Round And Second/Vacation Units
Downtown Portsmouth**
City of Portsmouth, Virginia

Empty Nesters & Retirees	<u>Year- Round</u>	<u>Second/ Vacation</u>	<u>Total</u>	<u>At 15 Percent Annual Capture</u>
Urban Establishment	10	10	20	3
Suburban Establishment	20	0	20	3
Affluent Empty Nesters	10	0	10	2
Cosmopolitan Elite	20	10	30	5
Cosmopolitan Couples	10	0	10	2
Middle-Class Move-Downs	<u>100</u>	<u>0</u>	<u>100</u>	<u>13</u>
Subtotal:	170	20	190	28
Traditional & Non-Traditional Families				
The Entrepreneurs	10	0	10	2
Nouveau Money	10	0	10	2
Full-Nest Urbanites	<u>30</u>	<u>10</u>	<u>40</u>	<u>6</u>
Subtotal:	50	10	60	10
Younger Singles & Couples				
e-Types	30	10	40	6
Fast-Track Professionals	20	0	20	3
The VIPs	50	0	50	8
Upscale Suburban Couples	70	0	70	11
New Bohemians	70	0	70	11
Twentysomethings	<u>130</u>	<u>0</u>	<u>130</u>	<u>18</u>
Subtotal:	370	10	380	57
Total Households:	590	40	630	95

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

Table 4

**Target Groups For Multi-Family For-Sale
Year-Round And Second/Vacation Units
Downtown Portsmouth**

City of Portsmouth, Virginia

Empty Nesters & Retirees	<u>Year- Round</u>	<u>Second/ Vacation</u>	<u>Total</u>	<u>At 15 Percent Annual Capture</u>
Old Money	40	30	70	10
Urban Establishment	40	80	120	16
Suburban Establishment	30	20	50	8
Affluent Empty Nesters	10	20	30	5
Cosmopolitan Elite	50	20	70	10
Cosmopolitan Couples	30	0	30	5
Middle-Class Move-Downs	30	0	30	5
Subtotal:	230	170	400	59
Traditional & Non-Traditional Families				
The Social Register	10	10	20	3
The Entrepreneurs	10	10	20	3
Nouveau Money	10	10	20	3
Ex-Urban Elite	0	10	10	2
Full-Nest Urbanites	30	10	40	6
Subtotal:	60	50	110	17
Younger Singles & Couples				
e-Types	20	10	30	5
Fast-Track Professionals	30	10	40	6
The VIPs	40	10	50	7
Upscale Suburban Couples	30	10	40	6
New Bohemians	20	10	30	5
Twentysomethings	30	0	30	5
Subtotal:	170	50	220	34
Total Households:	460	270	730	110

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

Table 5

**Target Groups For Single-Family Attached For-Sale
Year-Round And Second/Vacation Units
Downtown Portsmouth**
City of Portsmouth, Virginia

Empty Nesters & Retirees	<u>Year- Round</u>	<u>Second/ Vacation</u>	<u>Total</u>	<u>At 10 Percent Annual Capture</u>
Old Money	0	10	10	1
Urban Establishment	0	50	50	5
Cosmopolitan Elite	40	0	40	4
Middle-Class Move-Downs	30	0	30	3
Subtotal:	70	60	130	13
Traditional & Non-Traditional Families				
The Social Register	10	0	10	1
The Entrepreneurs	10	0	10	1
Nouveau Money	10	0	10	1
Full-Nest Urbanites	10	10	20	2
Subtotal:	40	10	50	5
Younger Singles & Couples				
e-Types	10	20	30	3
Fast-Track Professionals	10	0	10	1
The VIPs	10	0	10	1
Upscale Suburban Couples	20	0	20	2
New Bohemians	10	20	30	3
Twentysomethings	20	0	20	2
Subtotal:	80	40	120	12
Total Households:	190	110	300	30

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

DOWNTOWN MARKET-RATE RENT AND PRICE RANGES

Based on the tenure preferences of draw area households and their income and equity levels, the general range of rents and prices for new residential units—to be developed as single-family attached and mid- and high-rise multi-family buildings along the Downtown waterfront—that could currently be sustained by the market is as follows (*see also* Table 6 for greater detail):

Optimum Market Position at Market Entry
Primary and Second/Vacation Units
Single-Family Attached/Mid- and High-Rise Buildings
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
Multi-Family For-Rent—			
Hard Lofts *	\$800-\$1,225/month	550-900 sf	\$1.36-\$1.45 psf
Soft Lofts †	\$975-\$1,525/month	650-1,100 sf	\$1.39-\$1.50 psf
Flats & Duplexes	\$1,250-\$2,650/month	800-1,750 sf	\$1.41-\$1.56 psf
Multi-Family For-Sale—			
Hard Lofts *	\$150,000-\$190,000	700-1,000 sf	\$190-\$214 psf
Soft Lofts †	\$185,000-\$345,000	750-1,450 sf	\$238-\$247 psf
Flats & Duplexes	\$285,000-\$950,000	850-2,750 sf	\$322-\$345 psf
SF Attached For-Sale—			
Townhouses/Flats	\$275,000-\$375,000	900-1,250 sf	\$300-\$306 psf
Townhouses	\$395,000-\$585,000	1,300-2,100 sf	\$279-\$304 psf
Live-Work	\$475,000-\$575,000	1,500-2,000 sf	\$288-\$317 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., 2006.

The above rents and prices are in year 2006 dollars and are exclusive of consumer options and upgrades, or view, floor or location premiums. These values are also within the context of new development in the Tidewater region. (See Tables 7 and 8.) Significant premiums are typically achievable on units that face squares, parks or greens, or are located on high floors with view potential. The rents and prices will depend not only on location and adjacencies, but also on the number of new units created in that location; the larger the number of units created, the greater the potential for a wider range of values.

To meet the expectations of potential renters and purchasers, all units should be wired for cable television and high-speed internet and, if practical, be served by a building-wide WiFi system. Although hard lofts are typically designed without interior walls, with the exception of the bathrooms, as much closet and storage space as possible should be provided. Soft lofts are units that are fully finished and partitioned into individual rooms but also contain architectural elements reminiscent of hard lofts, such as exposed beams, ductwork and masonry or brick walls and large, commercial-style windows. For hard or soft lofts, bamboo or stained and polished concrete floors would be appropriate, with ceramic tile for the bathroom and kitchen areas. In the kitchens, buyers in particular will expect countertops to be granite, polished concrete or some other durable, non-traditional material, with integral or undermount sinks, mid-scale appliances, and plain-front European-style cabinetry; renters will expect contemporary, durable finishes appropriate to urban living, as opposed to the “beige” interiors of suburban multi-family housing. Bathrooms should feature minimalist contemporary faucets and fixtures.

The flats and two-story apartments will require more upscale finishes, with a choice of traditional finishes (such as crown molding, chair rails, five-panel interior doors) or modern minimal finishes (book-matched wood flat-panel doors, stainless hardware, etc.). These units should have carpeted bedroom floors, carpet or hardwood in living and dining areas and tile in the kitchens and baths. Kitchen countertops should be Corian, granite, bluestone or equivalent, with integral or undermount ceramic sinks and upscale appliances and a choice of European or traditional cabinets. Bathrooms should have ceramic tile floors and high-style, traditional fixtures.

Optimum Market Position--Waterfront Sites
Downtown Portsmouth
City of Portsmouth, Virginia
February, 2006

<i>Percent of Units</i>	<i>Housing Type</i>	<i>Unit Configuration</i>	<i>Unit Mix</i>	<i>Market-Entry Base Rent/Price Range*</i>	<i>Unit Size Range</i>	<i>Rent/Price Per Sq. Ft.*</i>	<i>Average Annual Absorption</i>
<u>38.0%</u>	Multi-Family For-Rent						<u>95</u>
	Hard Lofts	Loft / 1ba	40%	\$800	550	\$1.45	
	{Over retail; parking deck liner}	Loft / 1ba	40%	\$975	700	\$1.39	
		Loft / 1ba	20%	\$1,225	900	\$1.36	
	Soft Lofts	1br / 1ba	40%	\$975	650	\$1.50	
	{mid-rise buildings}	2br / 2ba	30%	\$1,400	1,000	\$1.40	
		2br / 2ba (dual masters)	30%	\$1,525	1,100	\$1.39	
	Apartment Flats and Duplexes	1br / 1.5ba	15%	\$1,250	800	\$1.56	
	{high-rise buildings}	1br / 1.5ba / den	25%	\$1,500	1,050	\$1.43	
		2br / 2.5ba	40%	\$1,650	1,150	\$1.43	
		3br / 2ba	19%	\$1,900	1,350	\$1.41	
		Penthouse	1%	\$2,650	1,750	\$1.51	
<u>44.0%</u>	Multi-Family For-Sale						<u>110</u>
	Hard Lofts	Loft / 1ba	40%	\$150,000	700	\$214	
	{Over retail; parking deck liner}	Loft / 1ba	35%	\$175,000	850	\$206	
		Loft / 1ba	25%	\$190,000	1,000	\$190	
	Soft Lofts	1br / 1ba	20%	\$185,000	750	\$247	
	{mid-rise buildings}	1br / 1.5ba / office	25%	\$245,000	1,000	\$245	
		2br / 2ba	40%	\$290,000	1,200	\$242	
		2br / 2.5ba / office	15%	\$345,000	1,450	\$238	
	Apartment Flats and Duplexes	1br / 1.5ba	15%	\$285,000	850	\$335	
	{high-rise buildings}	1br / 1.5ba / den	20%	\$365,000	1,100	\$332	
		2br / 2.5ba	30%	\$450,000	1,350	\$333	
		2br / 2.5ba / library	15%	\$535,000	1,650	\$324	
		3br / 2.5ba	15%	\$595,000	1,850	\$322	
		Penthouse	5%	\$950,000	2,750	\$345	

* Base rents/prices are at market entry, in year 2006 dollars and do NOT include premiums, options or upgrades

Optimum Market Position--Waterfront Sites
Downtown Portsmouth
City of Portsmouth, Virginia
February, 2006

<u>Percent of Units</u>	<u>Housing Type</u>	<u>Unit Configuration</u>	<u>Unit Mix</u>	<u>Market-Entry Base Rent/Price Range*</u>	<u>Unit Size Range</u>	<u>Rent/Price Per Sq. Ft.*</u>	<u>Average Annual Absorption</u>
<u>18.0%</u>	Single-Family Attached For-Sale						<u>30</u>
	Townhouses Over Maisonettes {3 1/2-story buildings}	1br/1.5ba	50%	\$275,000 {flat}	900	\$306	
		2br/2ba	50%	\$375,000 {TH}	1,250	\$300	
	Townhouses {3-story buildings}	2br/2.5ba	40%	\$395,000	1,300	\$304	
		3br/2.5ba	30%	\$495,000	1,750	\$283	
		3br/2.5ba	30%	\$585,000	2,100	\$279	
	Live-Work {3-story buildings}	2br	65%	\$475,000	1,500	\$317	
		2br	35%	\$575,000	2,000	\$288	
	500 to 750 sf "work" space						
<u>100.0%</u>							<u>235</u>

* Base rents/prices are at market entry, in year 2006 dollars and do NOT include premiums, options or upgrades

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Cities of Portsmouth and Norfolk, Virginia

January, 2006

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
<i>. City of Portsmouth</i>						
Meadowridge (1991)	97					100% occupancy
340 College Drive, North	16	1br/1ba	\$575	700	\$0.82	<i>Playground/courtyard.</i>
	21	2br/1ba	\$645	860	\$0.75	
	32	2br/2ba	\$670 to \$695	900 to 1,100	\$0.63 to \$0.74	
	28	3br/2ba	\$725	1,100	\$0.66	
Independence Square (1986)	152					89% occupancy
5120 George Washington Hwy.	32	1br/1ba	\$580	614	\$0.94	<i>Pool,</i>
	107	2br/1ba	\$700	816	\$0.86	<i>playground/courtyard.</i>
	13	3br/1ba	\$760	912	\$0.83	
Westwinds (1988)	408					99% occupancy
3601 Gateway Dr.	108	1br/1ba	\$630 to \$640	900 to 900	\$0.70 to \$0.71	<i>Clubhouse, pool,</i>
	228	2br/2ba	\$720 to \$740	950 to 950	\$0.76 to \$0.78	<i>tennis courts,</i>
	72	3br/2ba	\$840 to \$860	1,150 to 1,150	\$0.73 to \$0.75	<i>business center.</i>
College Square (1986)	91					100% occupancy
6000 College Dr. #161	1	1br/1ba	\$630	882 to	\$0.71 to	<i>Playground/courtyard.</i>
	43	2br/2.5ba	\$840 to \$860	1,160 to 1,160	\$0.72 to \$0.74	
	47	3br/2ba	\$905 to \$945	1,280 to 1,280	\$0.71 \$0.74	
Edgefield (1973)	176					98% occupancy
5699-B Craneybrook Lane	32	1br/1ba	\$640	750	\$0.85	<i>Pool,</i>
	112	2br/1.5ba	\$730	950	\$0.77	<i>playground/courtyard.</i>
	32	3br/2ba	\$875	1,150	\$0.76	

SOURCE: Collaborative Community Research & Design;
Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Cities of Portsmouth and Norfolk, Virginia

January, 2006

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
. <i>City of Portsmouth {continued}</i>						
The Villas	196					97% occupancy
6617 Bickford Lane	36	1br/1ba	\$659	680	\$0.97	<i>Clubhouse, pool,</i>
	160	2br/1ba	\$749	980	\$0.76	<i>business & fitness centers,</i>
Pepperwood (1983)	141					96% occupancy
3790 Pepperwood Court	12	1br/1.5ba	\$705	925	\$0.76	<i>Clubhouse, pool,</i>
	99	2br/1.5ba	\$760 to \$780	970 to 970	\$0.78 \$0.80	<i>business center, fireplaces.</i>
	12	3br/1.5ba	\$955	1,025	\$0.93	
	18	3br/2.5ba	\$970	1,100	\$0.88	
Stonebridge (1986)	138					100% occupancy
4152 Prindle Court	30	1br/1ba	\$850 to \$980	900 to 900	\$0.94 to \$1.09	<i>Clubhouse, pool,</i>
	108	2br/2ba	\$980 to \$1,060	1,000 to 1,000	\$0.98 to \$1.06	<i>tennis courts, fitness center.</i>
Heights at Olde Towne (1973)	148					91% occupancy
303 Effingham St.	56	1br/1ba	\$900 to \$975	604 to 604	\$1.49 \$1.61	<i>Clubhouse, pool, business & fitness centers,</i>
	74	2br/1ba	\$1,110 to \$1,195	879 to 879	\$1.26 \$1.36	<i>Corporate apt. available.</i>
	18	3br/2ba	\$1,315 to \$1,375	1,122 to 1,122	\$1.17 \$1.23	<i>Recently remodeled.</i>
Myrtles at Olde Towne (2004)	246					95% occupancy
850 Crawford Parkway	146	1br/1ba	\$945 to \$1,185	751 to 811	\$1.26 to \$1.46	<i>Clubhouse, pool, sport courts,</i>
	11	1br/1.5ba	\$1,330 to \$1,360	936 to 936	\$1.42 to \$1.45	<i>fitness center, garages.</i>
	89	2br/2ba	\$1,450 to \$1,740	1,095 to 1,137	\$1.32 to \$1.53	

Summary Of Selected Rental Properties

Cities of Portsmouth and Norfolk, Virginia

January, 2006

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
. City of Portsmouth {continued}						
Harbor Tower Apts. (1983)	191					87% occupancy
<i>One Harbor Court</i>	94	1br/1ba	\$1,060 to \$1,210	763 to 795	\$1.39 to \$1.52	<i>Clubhouse, pool, fitness center, saunas, garages.</i>
<i>High-rise building.</i>	93	2br/2ba	\$1,230 to \$1,605	1,050 to 1,075	\$1.17 to \$1.49	<i>Corporate apt. available.</i>
	4	2br/2.5ba	\$2,200 to \$2,500	2,100 to 2,100	\$1.05 \$1.19	
. City of Norfolk						
Lafayette Towers (1964)	168					98% occupancy
<i>4601 Mayflower Rd.</i>	124	1br/1ba	\$637 to \$849	500 to 950	\$0.89 \$1.27 to	
<i>High-rise</i>	41	2br/2ba	\$999 to \$1,099	1,300 to 1,300	\$0.77 \$0.85	
	3	3br/2ba	\$1,099 to \$1,199	1,800 to 1,800	\$0.61 \$0.67	
Breezy Point (1997)	640					100% occupancy
<i>8600 Glen Myrtle Avenue</i>	384	1br/1ba	\$650	650	\$1.00	<i>Tennis courts, pool, fitness center.</i>
	256	2br/1ba	\$790	850	\$0.93	
Pembroke Towers (1964)	168					100% occupancy
<i>601 Pembroke Ave.</i>	120	1br/1ba	\$655 to \$950	409 to 832	\$1.14 to \$1.60	<i>Pool.</i>
<i>High-rise</i>	36	2br/2ba	\$1,085 to \$1,205	1,104 to 1,104	\$0.98 \$1.09	
	12	3br/2ba	\$1,295 to \$1,405	1,242 to 1,242	\$1.04 \$1.13	

Summary Of Selected Rental Properties

Cities of Portsmouth and Norfolk, Virginia

January, 2006

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
<i>..... City of Norfolk {continued}</i>						
Beechwood (1984)	136					88% occupancy
7872 Ogden Ave.	24	1br/1ba	\$660	680	\$0.97	<i>Tennis courts,</i>
	88	2br/1.5ba	\$800 to	951 to	\$0.84	<i>Playground/courtyard.</i>
			\$810	951	\$0.85	
	24	3br/2ba	\$910	1,231	\$0.74	
John Knox Towers (1975)	150					93% occupancy
1210 Colonial Ave.	137	1br/1ba	\$675 to	422 to	\$1.25 to	<i>Clubhouse.</i>
			\$705	562	\$1.60	
<i>High-rise</i>	13	2br/1ba	\$850	692	\$1.23	
Hague Towers (1965)	256					100% occupancy
330 Brambleton Ave., West	190	1br/1ba	\$695 to	528 to	\$1.21 to	<i>Pool,</i>
			\$965	800	\$1.32	<i>fitness center.</i>
<i>High-rise</i>	17	2br/1ba	\$900 to	1,056 to	\$0.85 to	
			\$1,185	1,056	\$1.12	
	49	2br/2ba	\$920 to	1,056 to	\$0.87 to	
			\$1,200	1,056	\$1.14	
Hampton Creek Arms (1988)	118					100% occupancy
1612 Little Creek Rd., West	18	1br/1ba	\$740	825	\$0.90	<i>Pool.</i>
	100	2br/1ba	\$840	1,000	\$0.84	
Dockside (1986)	153					97% occupancy
390 Military Highway, South	27	1br/1ba	\$740 to	684 to	\$1.08 to	<i>Clubhouse, pool,</i>
			\$760	684	\$1.11	<i>tennis courts,</i>
	126	2br/2ba	\$850 to	924 to	\$0.92 to	<i>fitness center.</i>
			\$870	924	\$0.94	

SOURCE: Collaborative Community Research & Design;
Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

Cities of Portsmouth and Norfolk, Virginia

January, 2006

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
<i>..... City of Norfolk {continued}</i>						
Ghent Village (1981) 100 Westover Ave.	140					100% occupancy Clubhouse, pool, tennis courts, fireplaces.
	28	1br/1ba	\$775 to \$1,045	569 to 804	\$1.36 to \$1.30	
	102	2br/2ba	\$1,445	1,279	\$1.13	
	10	3br/2ba	\$1,545	1,334	\$1.16	
Crystal Lake (1985) 5535 Virginia Beach Blvd.	96					96% occupancy Pool, storage.
	96	2br/2ba	\$886 \$942	1,050 1,200	\$0.84 \$0.79	
Park Crescent (1991) 6450 Crescent Way	288					95% occupancy Clubhouse, tennis, fitness center, business center, fireplaces.
	39	1br/1ba	\$980	910	\$1.08	
	204	2br/2ba	\$1,300	1,285	\$1.01	
	45	3br/2ba	\$1,460	1,560	\$0.94	
Bristol at Ghent	268					Under Construction. 5-Story parking garage
		1br/1ba	n/a	n/a	n/a	
		2br/1ba	n/a	n/a	n/a	
			<i>Expected to be high rent rate \$1,000+</i>			
Heritage at Freemason Harbour (2000) 200 College Place	184					100% occupancy Clubhouse, fitness center, fireplaces, carports
	42	1br/1ba	\$1,066 to \$1,231	800 to 800	\$1.33 to \$1.54	
	97	2br/1ba	\$1,345 to \$1,706	1,183 to 1,183	\$1.14 to \$1.44	
	45	3br/2ba	\$1,472 to \$1,887	1,482 to 1,482	\$0.99 to \$1.27	
Brambleton Duke 20-Story building	248					Project Proposal.
		1br/1.5ba	n/a	n/a	n/a	
		3br/2ba	n/a	n/a	n/a	
			<i>Rents reportedly will start at \$1,250 to \$2,400</i>			

SOURCE: Collaborative Community Research & Design;
Zimmerman/Volk Associates, Inc.

Summary Of Selected For-Sale Properties

Cities of Norfolk, Portsmouth, Virginia Beach, and Newport News, Virginia

January, 2006

<u>Development (Date Opened)</u>	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
Developer/Builder							
. . . . City of Norfolk							
. . . . Water-Oriented							
Lafayette River						130	n/a
Lafayette River Properties LLC	CO	1br/1ba	\$269,900 to	900 to	\$227 to		
7-story building		3br/2ba	\$499,900	2,200	\$300		
The Landings at Bolling Square						182	n/a
Collins Enterprises	CO	2br/2ba	\$329,900 to	1,231 to	\$268 to		
		3br/2ba	\$575,900	1,980	\$291		
	TH	3br/2ba	\$399,900 to	2,114 to	\$189 to		
		4br/3.5ba	\$799,900	2,931	\$273		
The Spectrum at Willoughby Point						327	n/a
Futura Group	CO	1br/1ba	\$349,900 to	1,000 to	\$333 to		
	TH	3br/2.5ba	\$1,000,000	3,000	\$350		
Harbor Walk (7/03)						237	54 (3.0)
Genesis Group	CO	3br/2ba	\$407,600 to	2,018 to	\$190 to		
1- & 2-Story		4br/3ba	\$506,500	2,670	\$202		
	TH	3br/2.5ba	\$390,750 to	2,425 to	\$161 to		
			\$396,608	2,450	\$162		
<i>Prices have increased by as much as \$150,000</i>							
. . . . City of Norfolk							
. . . . Non-Water-Oriented							
388 Boush Street						94	66
Collins Enterprises	LOFT	1br/1ba	\$153,500 to	770 to	\$199 to		<i>reservations</i>
6-story building		1br/1.5ba	\$209,500	976	\$215		<i>only</i>
	CO	1br/1ba	\$153,500 to	790 to	\$194 to		
		3br/2ba	\$425,500	1,921	\$221		

SOURCE: Collaborative Community Research & Design;
Zimmerman/Volk Associates, Inc.

Summary Of Selected For-Sale Properties

Cities of Norfolk, Portsmouth, Virginia Beach, and Newport News, Virginia

January, 2006

<u>Development (Date Opened)</u> Developer/Builder	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
. . . . City of Norfolk Non-Water-Oriented {continued}							
St. Paul's Place (9/04)						90	81 (4.8)
Genesis Group	Lofts	1br/1ba	\$175,600 to	869 to	\$202 to		
3 &4-story buildings		2br/2ba	\$334,700	1,500	\$223		
	Flats	1br/1ba	\$211,350	996 to	\$209 to		
		2br/2ba	\$279,950	1,340	\$212		
Ghent on the Square						111	41 (8.5)
105 Westover Ave.	CO	1br/1ba	\$204,000 to	799	\$255 to		
			\$210,000		\$263		
Condo Conversion.		2br/2ba	\$239,500 to	1,024 to	\$234 to		
			\$267,500	1,038	\$258		
		3br/2ba	\$279,000 to	1,234	\$226 to		
			\$315,000		\$255		
The Row at Ghent						70	37 (6.1)
Bristol Develop. Group LLC	CO	1br/1ba	\$210,900 to	756 to	\$227 to		
5-story buildings		2br/2ba	\$295,900	1,305	\$279		
Also includes 268 rental apts.							
The Greenwood						16	14 (2.8)
Marathon Development	CO	1br/1ba	\$279,000 to	820 to	\$335 to		
		1br/2ba	\$310,000	926	\$340		
		2br/2ba	\$350,000	1,200	\$292		
Granby Tower (12/05)						309	
Marathon Develop. Group	CO	1br/1ba	\$279,000 to	793 to	\$352 to		
31-story building		1br/1.5ba	\$400,000	1,071	\$373		
		2br/2ba	\$416,900 to	1,148 to	\$363 to		
		2br/2.5ba	\$709,900	1,762	\$403		
		3br/2.5ba	\$689,900 to	1,977 to	\$275 to		
		4br/3.5ba	\$1,200,000	4,370	\$349		

SOURCE: Collaborative Community Research & Design;
Zimmerman/Volk Associates, Inc.

Summary Of Selected For-Sale Properties

Cities of Norfolk, Portsmouth, Virginia Beach, and Newport News, Virginia

January, 2006

<u>Development (Date Opened)</u> Developer/Builder	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
<i>. . . . City of Norfolk</i>							
<i>. . . . Non-Water-Oriented {continued}</i>							
The Rotunda						66	n/a
Genesis Group	CO	1br/1.5ba	\$300,000 to	900 to	\$318 to		<i>reservations</i>
<i>Adaptive re-use</i>	Penthouse	3br/2ba	\$700,000	2,200	\$333		<i>only</i>
Harbor Heights						99	60
Robinson Development Group	CO	1br/1.5ba	\$346,500 to	1,104 to	\$314 to		<i>reservations</i>
16-story building		3br/3ba	\$850,000	2,436	\$349		<i>only</i>
Tanner's Landing						27	12
Axis Develop.	CO	2br/2ba	\$375,000 to	1,589 to	\$241 to		<i>reservations</i>
4-story building		3br/2.5ba	\$600,000	2,489	\$236		<i>only</i>
<i>. . . . City of Portsmouth</i>							
<i>. . . . Water-Oriented</i>							
Admiral's Landing						67	67
Built 1996-2002	CO	1br/1ba	\$310,000 to	1,426 to	\$216 to		
7-story building		2br/2.5ba	\$439,000	2,028	\$217		
<i>resales from past 12 months</i>	TH	2br/2ba	\$259,900	1,170	\$222		
One Crawford Parkway						n/a	n/a
Built 1965			<i>Recent Resales</i>				
	<i>Sale Date</i>						
	10/05	CO	1br/1ba	\$149,500	973	\$154	
	12/05		2br/2ba	\$259,900	1,385	\$188	
	05/04		3br/3ba	\$259,900	1,931	\$135	

Summary Of Selected For-Sale Properties

Cities of Norfolk, Portsmouth, Virginia Beach, and Newport News, Virginia

January, 2006

<u>Development (Date Opened)</u> <u>Developer/Builder</u>	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
<i>. . . . City of Portsmouth</i>							
<i>. . . . Non-Water-Oriented</i>							
New Port						1,628	n/a
L. M. Sandler & Sons	CO	1br/1ba	\$150,000 to	850 to	\$176 to		
	TH	3br/2ba	\$400,000	2,000	\$200		
<i>. . . . City of Virginia Beach</i>							
<i>. . . . Water-Oriented</i>							
Old Beach Village						196	n/a
Hampton Roads Housing	Lofts	1br/1ba	\$289,000 to	752 to	\$314 to		
		2br/2ba	\$489,000	1,558	\$384		
	Flats	2br/2ba	\$499,000 to	1,543 to	\$314 to		
		4br/3.5ba	\$989,000	3,146	\$323		
The Sanctuary @ False Cape (9/04)						248	99+
Futura Group	CO		\$550,000 to	1,400 to	\$393 to		
6-story building			\$1,300,000	2,700	\$481		
Point Chesapeake						158	n/a
Teny-Peterson Residential & Napolitano Enterprises	CO	2br/2.5ba	\$789,000 to	2,000 to	\$375 to		<i>reservations only</i>
		4br/3ba	\$1,500,000	4,000	\$395		
<i>. . . . City of Virginia Beach</i>							
<i>. . . . Non-Water-Oriented</i>							
The Residences at Town Center						119	n/a
Armada Hoffer	CO	1br/1ba	\$360,000 to	800 to	\$450 to		
20-story building		3br/2ba	\$3,000,000	4,000	\$750		<i>reservations only</i>

Summary Of Selected For-Sale Properties

Cities of Norfolk, Portsmouth, Virginia Beach, and Newport News, Virginia

January, 2006

<u>Development (Date Opened)</u> Developer/Builder	<u>Unit Type</u>	<u>Beds/ Baths</u>	<u>Unit Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Total Lots/ Units</u>	<u>Total Sales (Monthly Average)</u>
<i>. . . . City of Newport News</i>							
<i>. . . . Non-Water-Oriented</i>							
The Point at City Center							
Harvey Lindsay	CO	2br/2ba 2br/2.5ba	\$299,000 to \$499,000	1,320 to 2,330	\$214 to \$227	51	36 <i>reservations only</i>
	Lofts	1br/1ba 1br/1.5ba	\$239,000 to \$289,000	895 to 1,100	\$263 to \$267		
The Meridian at City Center							
Armada Hoffler 18-story building	CO	2br/2.5ba 3br/2.5ba	\$409,000 to \$819,000	1,205 to 1,994	\$339 to \$411	119	40 <i>reservations only</i>

—*Rental Distribution*—

Based on the target household mix (*see again* Table 3) and the incomes of the target households, the distribution by rent range of the 95 new rental units that could be absorbed each year over the next five years in mid- and high-rise buildings along the waterfront in Downtown Portsmouth is as follows:

**Loft/Apartment Distribution by Rent Range
Mid- and High-Rise Buildings
DOWNTOWN PORTSMOUTH
*The City of Portsmouth, Virginia***

MONTHLY RENT RANGE	NUMBER OF UNITS	PERCENTAGE
\$750–\$1,000	17	18.0%
\$1,000–\$1,250	24	25.3%
\$1,250–\$1,500	16	16.8%
\$1,500–\$1,750	16	16.8%
\$1,750–\$2,000	16	16.8%
\$2,000 and up	<u>6</u>	<u>6.3%</u>
Total:	95	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

—*For-Sale Distribution*—

Based on the target household mix (*see again* Table 4) and the incomes of the target households, the distribution by price range of the 110 new for-sale units that could be absorbed each year over the next five years in mid- and high-rise buildings along the waterfront in Downtown Portsmouth is as follows:

Loft/Apartment Distribution by Price Range
Mid- and High-Rise Buildings
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$150,000–\$225,000	12	10.9%
\$225,000–\$300,000	14	12.7%
\$300,000–\$375,000	18	16.4%
\$375,000–\$450,000	24	21.8%
\$450,000–\$525,000	24	21.8%
\$525,000 and up	<u>18</u>	<u>16.4%</u>
Total:	110	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Based on the target household mix (*see again* Table 5) and the incomes of the target households, the distribution by price range of the 30 new single-family attached for-sale units that could be absorbed each year along the waterfront in Downtown Portsmouth is as follows:

Single-Family Attached Distribution by Price Range
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$250,000–\$325,000	12	40.0%
\$325,000–\$400,000	6	20.0%
\$400,000–\$475,000	4	13.3%
\$475,000–\$550,000	4	13.3%
\$550,000 and up	<u>4</u>	<u>13.3%</u>
Total:	30	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

UNIT TYPES

It is assumed that the multi-family buildings will be elevator-served, with double-loaded corridors; many of these buildings will have retail spaces on the ground floor. It is also assumed that dwelling units could also serve to “line” parking decks. The proposed unit types include hard and soft lofts, apartment flats and two-story units (duplexes), maisonette units, townhouses and live-work. Mid-rise buildings could contain a mix of hard and soft lofts; high-rise buildings should contain a mix of apartment flats and duplexes. To maintain the pedestrian-oriented scale and character of the streets, townhouses, maisonettes and live-work units, rather than high-rises, should predominate the sidewalk edge.

- Hard Loft: A single-level efficiency unit with loft finishes and, frequently, a sleeping alcove. Unit interiors typically have high ceilings and commercial windows and are minimally finished (with limited architectural elements such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

Soft Loft: Unit interiors typically have open floorplans, high ceilings and large commercial-style windows, but are fully finished and, where appropriate, have sleeping areas partitioned from the main living area. A soft loft may also contain architectural elements reminiscent of “hard lofts,” *e.g.*—exposed ductwork, scored and polished concrete floors, and concrete counters.

- Apartment Flat: An apartment unit on a single level, with completely-partitioned rooms. In this case, finishes and fixtures—trim, interior doors, kitchens and baths—should be offered in a choice of minimalist or traditional styles.
- Duplex: A two-story apartment; this could include a main double-height space—with at least 16-foot ceilings—and large, two-story windows. The galley kitchen, living area, and half bath are on the main level, the master bedroom and a full bath (and secondary bedrooms and baths, if any) are on the second level.

- Maisonette Apartment: Single-level and two-level apartment in a three-story building with an elevation that resembles a row of townhouses. Each unit has its own street entrance, and parking accessed from the rear. Maisonette units can also be incorporated on the ground floor of multi-story, elevator-served buildings.
- Townhouse: 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 grade.
- Live-Work: The façade is similar to that of a townhouse, except that the ground floor contains “flex” space, designed to be used separately, as office, retail or studio space, or as an accessory dwelling unit. The flex space should therefore have the widest range of permitted uses. The owner/occupant can lease the flex space separately; the live-work unit can also be purchased as an investment, in which both the residential space and flex space are leased independently.

METHODOLOGY

The technical analysis of market potential for Downtown Portsmouth included delineation of the draw areas and physical evaluation of the Downtown and the surrounding context.

The delineation of the draw areas for housing within Downtown Portsmouth was based on historical settlement patterns, migration trends for the City, and other market dynamics.

The evaluation of market potential for the Downtown, including both primary and second/vacation units, was derived from 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, younger singles/couples, traditional and non-traditional families).

NOTE: The Appendix Tables 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 Portsmouth. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns.

Appendix One, Table 1. **Migration Trends**

Between 1999 and 2003, the number of households moving into the City of Portsmouth rose substantially from 3,675 households in 1999, to 4,210 households in 2003. A significant percentage of the city’s in-migration is regional—households moving to the city from adjacent or

nearby cities and counties. More than 52 percent of all households who move to Portsmouth move from the Tidewater cities of Chesapeake, Norfolk, Virginia Beach and Suffolk; an additional five percent or more move from Newport News, Hampton, and Isle of Wight.

Since the number of households moving out of Portsmouth fluctuated between approximately 3,850 and 4,050 households per year over the study period, the city experienced net migration losses through 2000, *i.e.*—the city lost more households through out-migration than it gained through in-migration in 1999 and 2000. However, in 2001, the city showed a slight net household gain of 50 households, and a larger gain of nearly 300 households in 2003. The largest net migration losses are to the City of Suffolk, ranging from 50 households in 2000 to 120 households in 2001. The largest net migration gains are from the City of Norfolk, ranging from 25 households in 1999 to 80 households in 2003.

NOTE: Although net migration provides insights into the city's historic ability to attract or retain households compared to other locations, it is those households likely to move into the city (gross in-migration) that represent the city's external market potential.

Based on the migration data, then, the draw areas for new primary housing units in Downtown Portsmouth have been delineated as follows:

- The local (internal) draw areas, covering households currently living within the City of Portsmouth.
- The regional draw area, covering households with the potential to move to Portsmouth from Chesapeake, Norfolk, Virginia Beach and Suffolk.
- The national draw area, covering households with the potential to move to Portsmouth from all other U.S. cities and counties.

Anecdotal information obtained from real estate brokers, leasing and sales agents, and other knowledgeable sources corresponded to the migration data.

Migration analysis also demonstrates a consistent correlation between source counties for renters/purchasers of primary residences and renters/purchasers of second/vacation homes. (For example, a household changing a principal residence from a dwelling outside the county to a formerly part-time dwelling is counted as an in-migrating household.) Based on that analysis, and verified by anecdotal information obtained during Zimmerman/Volk Associates' field investigation, the principal draw areas for vacation/second units include the Washington, D.C. area (the District, Arlington and Fairfax Counties, Virginia, and Montgomery and Prince George's Counties, Maryland); the Richmond area (the City of Richmond and Henrico County, Virginia), and the New York area (New York and Kings Counties, New York).

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 OF PORTSMOUTH HOUSEHOLDS—

Geo-demographic data obtained from 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 household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Table 2.

Target Market Classification

Nearly 48 percent, or 17,925 households, of the estimated 37,605 households living in the City of Portsmouth in 2005 had the capacity to rent or buy market-rate housing. Median income in the

city was \$38,400, nearly 20 percent lower than the national median of \$47,800 in 2005. Median home value in the city was \$116,000, more than 22 percent below the national median of \$149,300. Nearly 42 percent of the draw area's "market-rate" households are classified as empty nesters and retirees, another 31 percent are younger singles and couples, and the remaining 27.5 percent are traditional and non-traditional families.

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM geo-demographic 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.

In geo-demographic segmentation, clusters of households (usually between 10 and 15) are grouped according to a variety of significant factors, ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes such as mobility rates, lifestyle patterns and compatibility issues. 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. The most affluent of the 41 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 or study area; 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 PRIMARY RESIDENCES IN THE CITY OF PORTSMOUTH (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to rent or purchase new and existing primary dwelling units in the City of Portsmouth in the year 2006. The total number from each city/county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix Two, Table 1.

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

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

Using these data, Zimmerman/Volk Associates has determined that up to 2,100 households, currently living in Portsmouth, and with the capacity to rent or purchase market-rate housing, have the potential to rent or purchase a new or existing dwelling unit in the city this year. Nearly 40 percent of these households are likely to be younger singles and couples (as characterized within six Zimmerman/Volk Associates' target market groups); another 31 percent are likely to be families

with children (in eight market groups); and the remaining 29.5 percent are likely to be empty nesters and retirees (in seven market groups).

Appendix Two, Tables 2 and 3; Appendix Three, Tables 1 through 5.
External Mobility (Households Moving To the City of Portsmouth)—

These tables determine the number of households in each target market group living in the regional (Chesapeake, Norfolk, Virginia Beach and Suffolk) and national draw areas that are likely to move to the City of Portsmouth in 2006 (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix Two, Table 4.
Market Potential for Primary Residences in the City of Portsmouth—

This table summarizes Appendix Two, Tables 1 through 3. The numbers in the Total column on page one of this table indicate the depth and breadth of the potential market for new and existing primary market-rate dwelling units in the City of Portsmouth in the year 2006 originating from households currently living in the draw areas. Approximately 5,500 households in the draw areas with the potential to rent or purchase market-rate housing have the potential to move within or to the City of Portsmouth this year. Younger singles and couples are likely to account for 39 percent of these households (in 13 market groups); just under 36 percent are likely to be traditional and non-traditional families (in 15 groups); and 25 percent are likely to be empty nesters and retirees (in 13 groups).

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

Market Potential By Draw Area	
Primary Dwelling Units	
<i>The City of Portsmouth, Virginia</i>	
Portsmouth:	37.8 percent
Chesapeake, Norfolk, Virginia Beach, Suffolk:	33.4 percent
Balance of US:	<u>28.8</u> percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

DETERMINATION OF THE POTENTIAL MARKET FOR YEAR-ROUND RESIDENCES IN DOWNTOWN PORTSMOUTH—

The total potential market for primary dwelling units in Downtown Portsmouth also includes the local, regional, and national draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to a downtown location in a given year.

Appendix One, Tables 3 through 5.

Market Potential for Year-Round High-Density Residences in Downtown Portsmouth—

As derived by the target market methodology, up to 2,030 of the 5,550 households that represent the market for new and existing primary housing units in the City of Portsmouth are a market for new year-round dwelling units within Downtown Portsmouth. (See Appendix One, Table 3.) More than 43 percent of these households are likely to be younger singles and couples (in six market groups); another 42 percent are likely to be empty nesters and retirees (in seven groups); and the remaining 15 percent are likely to be traditional and non-traditional family households (in four groups).

The distribution of the draw areas as a percentage of the potential market for year-round dwelling units within Downtown Portsmouth is as follows:

**Market Potential by Draw Area
Primary Dwelling Units
DOWNTOWN PORTSMOUTH
*The City of Portsmouth, Virginia***

Portsmouth:	41.4%
Chesapeake, Norfolk, Virginia Beach, Suffolk:	30.0%
Balance of US:	<u>28.6%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

The 2,030 draw area households that have the potential to move to new higher-density dwelling units in Downtown Portsmouth this year have also been categorized by tenure propensities to

determine the appropriate renter/owner ratios. Just over 29 percent of these households (or 590 households) comprise the potential market for year-round rental units. The remaining 70.9 percent (or 1,440 households) comprise the market for new market-rate for-sale (ownership) housing units. (See Appendix One, Table 4.)

Of the 1,440 households that comprise the market for new market-rate for-sale housing units, 31.9 percent (or 460 households) comprise the market for multi-family for-sale units (condominium/cooperative lofts/apartments); another 13.2 percent (190 households) comprise the market for attached single-family (townhouse/rowhouse/live-work) units; and the remaining 54.9 percent (790 households) comprise the market for all ranges of single-family detached houses. (See Appendix One, Table 5.)

Appendix One, Tables 6 and 7 summarize the previous tables, detailing the depth and breadth, and the general classification of the market for new primary housing units to be constructed within single-family attached and mid- and high-rise buildings on the waterfront in Downtown Portsmouth.

DETERMINATION OF THE POTENTIAL MARKET FOR SECOND/VACATION UNITS IN DOWNTOWN PORTSMOUTH—

As mentioned above, migration analysis—based on taxpayer records from the Internal Revenue Service which encompass the conversion of second/vacation units into principal residences—also demonstrates a consistent correlation between source counties for purchasers of primary residences and purchasers of second/vacation units. As extrapolated from migration data, then, the principal draw areas for vacation/second units include Washington, D.C. area (the District, Arlington and Fairfax Counties, Virginia, and Montgomery and Prince George’s Counties, Maryland); the Richmond area (the City of Richmond and Henrico County, Virginia), and the New York area (New York and Kings Counties, New York).

Appendix Four, Table 14 summarizes Appendix Four, Tables 1 through 13. The numbers in the Total column on page one of this table indicate the depth and breadth of the potential market for

second/vacation units in a waterfront location in Hampton Roads in the year 2006 originating from households currently living in the aforementioned draw areas.

The potential market for second/vacation residences in Downtown Portsmouth includes the same draw area counties. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to purchase second/vacation homes in Downtown Portsmouth in a given year.

The draw area distribution of market potential for new second/vacation homes in higher-density buildings in Downtown Portsmouth would be as follows (*see* Appendix One, Table 8):

Market Potential by Draw Area
Second/Vacation Units
DOWNTOWN PORTSMOUTH
The City of Portsmouth, Virginia

Washington, D.C. Draw Area:	61.7%
Richmond Draw Area:	3.9%
New York Draw Area:	<u>34.4%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2006.

Up to 1,540 draw area households have the potential to rent/purchase second/vacation units in higher-density buildings along Downtown Portsmouth's waterfront this year. Empty nesters and retirees are likely to account for more than 68 percent of these households (in five market groups); just over 18 percent are likely to be traditional and non-traditional families (in five groups); and the remaining 13.6 percent are likely to be younger singles and couples (in five groups).

The 1,540 draw area households that have the potential to rent/purchase a second/vacation unit within Downtown Portsmouth this year have also been categorized by tenure propensities to determine renter/owner ratios. (*See* Appendix One, Table 9.) Just 2.6 percent (or 40 households) represent the renter market and more than 97 percent (1,500 households) comprise the market for new for-sale second/vacation units in Downtown Portsmouth in 2006.

Of these 1,500 households, 18 percent (or 270 households) comprise the market this year for multi-family for-sale units (condominium apartments); another 7.3 percent (110 households) comprise the market for attached single-family (rowhouse/duplex) units; and the remaining 74.7 percent (or 1,120 households) comprise the market for all ranges of single-family detached houses. (See Appendix One, Table 10.)

Appendix One, Tables 11 and 12 summarize the previous tables, detailing the depth and breadth, and the general classification of the market for new second/vacation units to be constructed within higher-density buildings along the waterfront in Downtown Portsmouth.

—Target Market Data—

Target market data are based on the 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 relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

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

Age, 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 *Upscale Suburban Couples* or *Fast-Track Professionals*.

Household Classification Methodology:

Household classifications are based on the Claritas PRIZM geo-demographic segmentation system, which was established in 1974 and is the most widely-used neighborhood target marketing system in the United States. Claritas uses 15 unique clustering algorithms to define various domains of affluence and settlement density. These algorithms isolate the key factors in each density-affluence domain that accounted for the most statistical difference among neighborhoods within that group.

Over the past 18 years, Zimmerman/Volk Associates has augmented the PRIZM cluster system 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. (See TARGET MARKET METHODOLOGY *above*.) For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.



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Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



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Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

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

