Urban Housing
Market Study
For the Center City District of
Springfield, Missouri

Prepared For:
Urban Districts Alliance

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Executive Summary

Supply and Market Condition Analysis

As of April 2007, 299 rental loft units were inventoried in the Center City. The occupancy of the rental loft units identified was 93 percent, with most vacancy being reported at recently opened units that were still in the lease up stage.

The weighted average rent for the urban loft units is $844 per month, or $.80/SF per month. This rate is well above the Center City garden apartment average rent of $0.61/SF and the Greene County garden apartment average of $0.70/SF for units constructed between 2004 and 2006. The loft apartment rents indicate an approximate 15 percent premium on a square foot basis above newer garden apartment rents when compared to the overall Greene County market.

The acceptance of loft apartments in the Center City market has clearly been positive, as all indicators have improved over the past five years. The following table compares the 2002 findings to the 2007 findings contained within this analysis.

Loft Apartment – Supply Trends

Comparison Item	2002	2007	Change
Number of Units	45	299	+254
Average Occupancy	91%	93%	+2%
Avg. Rent/Unit	$715	$844	+$129/unit, or 18%
Avg. Rent/SF	$.55/SF	$.80/SF	$.25/SF , or 45%
Avg. Unit Size	1,300 SF	1,104 SF	-196 SF, or -15%

Source: Southwest Valuation, LLC survey data.

A rather recent trend in the urban loft market has been the conversion of units to a condominium form of ownership to allow for owned units as compared to a rental unit. One constraint to the sale of condo urban style lofts has been the restrictions placed on the resale of projects which used the federal historical tax credits as part of the renovation of the units. The regulations disallow the use of the tax credit in the event the property is sold within the five year period. Because the tax credit program has been widespread, as it relates to the redevelopment of the Center City market, owned units have not been that abundant in the market.

Several projects are now being offered for sale, and there have been a handful of reported sales in the area of $150/SF. The pricing of existing sale offerings are also in this pricing range. However, the owned unit market is in its early stages, and has limited market evidence.

Demand Analysis

General Growth Trends
The general growth characteristics of Center City suggest that the sub-market continues to act as an employment center for the region, and its concentration of government, educational, arts / entertainment, and other institutional employment is not expected to change. As the region grows, these employment industries and attractions are also expected to increase employment and activity in the Center City sub-market.

Population has remained relatively stable in the Center City sub-market, but the relative share of Greene County population continues to decline. According to Census Bureau calculations, the Center City sub-market had 15 percent of the Greene County population in 1990 and this concentration has declined to approximately 11 percent in 2007.

Comparison of Population and Employment Demographics
Center City vs. Greene County

	2007	2012
Population		
Center City	28,848	28,884
% of Greene Co.	11.10%	10.52%
Greene County	259,829	274,565
Avg. Household Size		
Center City	2.01	1.99
Greene County	2.28	2.26
% of Owner Households		
Center City	30.50%	29.91%
Greene County	65.63%	65.56%
Per Capita Income		
Center City	$15,461	$17,914
Greene County	$25,215	$30,411
% of Household Income > $35,000		
Center City	31.2%	37%
Greene County	59.4%	67.1%
Employment – Daytime		
Center City	20,972	N/A
% of Population	.73	N/A
Greene County	96,980	N/A
% of Population	.38	N/A

Source: Southwest Valuation, LLC, compiled from Site to Do Business/ESRI.

Residential Sale Activity Trends
Overall residential sales activity has increased over the past five years in the Center City sub-market, both in absolute terms and relative to Greene County sub-market activity. Price increases in Center City have been similar to increases for the rest of the Greene County market; however, the Center City activity seems to be more driven by investor and speculator interest compared to owner occupants.

College Enrollment Trends
Employment and housing demand are both highly influenced by the location of three higher education institutions in the Center City sub-market. University enrollment continues to grow in absolute and remains relatively stable when compared to the regional growth. Meanwhile, enrollment growth at Ozarks Technical College has been significant compared to that of Missouri State University, and Drury University. There are no plans for additional campus housing by any of these institutions and campus housing is considered to be at capacity. Based on these factors, demand for housing in Center City should be positive.

Demographic Survey of Center City Residents

A primary survey of Center City loft residents was conducted in April of 2007 with 153 surveys randomly sent out. Of the 153 surveys sent 123 surveys were delivered and 30 responses were received, indicating a response rate of 24 percent. Based on the survey, the Center City loft resident is younger than the average population, with 72 percent of the respondents being under 30 and 89 percent being under 40 years of age. Nearly 50 percent of the respondents were students, with 14 percent of the students also being employed. The average household size was 1.90 persons, and 50 percent of the respondents indicated that they desired ownership. The attractiveness to the area is the urban loft living and proximity to entertainment and night life.

St. Louis Case Study

The St. Louis loft market generally began five years ahead of the Springfield market and therefore, allows for some history of performance to apply to Springfield. The St. Louis market offers over 6,000 urban housing units (excluding garden and town homes) with approximately 31 percent of these units being owned units.

Sale prices have increased on an average of eight percent per year and sales activity as reflected from multiple listing service data has increased eight times from 2002 to 2006. All indications from the St. Louis case study are that a demand for owned units does exist at a concentration of 30 percent which is similar to the overall owner occupied concentration in Center City.

Little Rock Case Study

The Little Rock urban housing market also supports demand for owner occupied urban units. However, the Little Rock market has become much more concentrated with new mid and high rise units versus loft conversion of office and warehouse structures. This trend is believed to be related to the lack of historical tax credits in the Little Rock market, whereas this re-development incentive has been used almost exclusively in Springfield and considerably in St. Louis. Because of the existence of new urban housing units, the pricing for Little Rock generally exceeds St. Louis and Springfield price levels. It is believed that the Little Rock market is better able to achieve such price due to the concentration of executive employment in downtown Little Rock.

Fundamental Demand Analysis

Three fundamental demand methods were applied to forecast demand for urban housing in Center City for the next five years. The following summarizes the results of demand calculations.

Summary of Fundamental Housing Demand Conclusions
Five year Forecast - Center City

Demand Method	Total New Housing Units	Owned Housing Units 30%	Rent Housing Units 70%
Historical Growth	380 units	114 units	266 units
Comparative Urban Housing Ratios	61 units to 1,028 units Mid Point – 518 units	18 units to 308 units Mid Point – 155 units	43 units to 720 units Mid Point – 363 units
Regional Share	866 units to 1,039 units Mid Point – 953 units	260 units to 312 units Mid Point – 286 units	606 units to 728 units Mid Point – 667 units
Reconciled Forecast	550 units	165 units	385 units

Source: Southwest Valuation, LLC

The three demand methods applied in the analysis indicate a rather broad range from 380 new housing units to 953 housing units. The first method is based on the historical growth of urban housing units in the Center City sub-market over the past three years, with some added consideration to the expected availability of owned units in the market.

The second method is near the middle of the range and is based on comparison to urban housing concentrations in Little Rock and St. Louis. These comparisons would seem to applicable to forecast growth potential in Springfield, and consider the inherent supply constraints and challenges that exist with urban redevelopment.

The third method considers the regional growth for the Springfield area, but assumes that the Center City sub-market can maintain its current population share. This assumption has some support, in that the inferred indicators suggest some reversal of the population loss trends that the Center City sub-market has incurred in past decades, but this method may better reflect the "demand potential", without full consideration to the supply constraints associated with urban redevelopment.

In conclusion, more weight is placed on the first two methods, as it is believed that these methods better reflect the challenges and realities of urban redevelopment. But some consideration is being given to the third method, because as the Springfield region expands, it is believed that time-distance relationships will gain more consideration in the marketplace. Although Center City has lost its share of retailing, medical, and other private office employment uses over the past several decades, the Center City sub-market remains to have and will likely grow regional appeal as it pertains to arts, entertainment, educational, government, and other institutional employment and venues. As a result persons demanding university enrollment, Center City based employment and arts/entertainment venues will place more consideration on time-distance relationships, which could begin to stabilize or even grow the population concentration in Center City. Of course, much of this realization of demand potential will depend on the market's ability to create competitive supply in the Center City sub-market.

Price Segmentation of Owned Housing Units

Conclusions – Center City Urban Housing Price Segmentation
Four methods were applied to estimate the urban housing price segments for the Center City housing demand forecast. The following table summarizes the conclusions from each method.

Summary of Urban Housing Price Segmentation Methods

Housing Price Segment	Income Method	Greene County Overall Sales	Center City Overall Sales	St. Louis Urban Sales	Reconciled Conclusion
$105,000 to $150,000	30%	49%	49%	27%	45%
$150,000 to $225,000	31%	29%	36%	50%	35%
$225,000 to $300,000	16%	12%	10%	17%	15%
$300,000 to $450,000	13%	7%	4%	6%	5%
$450,000 to $600,000	5%	2%	0%	0%	0%
$600,000 and above	5%	1%	0%	0%	0%

Source: Southwest Valuation, LLC

Although there is some limited demand in the higher priced housing segments, the predominate demand is expected to fall in the under $225,000 price segment. The methods indicate some various between the $105,000/$150,000 segment and $150,000/$225,000 segment, but there is strong central tendency for around 80 percent of the market to fall in this range. As such these two segments are forecasted to have a share of 80 percent. Given these segmentation conclusions, the following table summarizes the reconciled urban housing demand for Center City by price segments.

Summary of Owned Urban Housing Demand – Center City Sub-Market Five Year Forecast

Housing Price Segment	Reconciled Owned Total Demand	% Share	Owned Demand
$105,000 to $150,000	165	45%	74
$150,000 to $225,000	165	35%	58
$225,000 to $300,000	165	15%	25
$300,000 and above	165	5%	8

Source: Southwest Valuation, LLC

For additional information on the Urban Housing Market Study for the Center City District of Springfield, Missouri please contact:

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