

Residential Market Study

Prepared for:
The City of Southgate, Michigan
Downtown Development Authority
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By Anderson Economic Group

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1.0 Executive Summary and Conclusions

1.1 Study Purpose

The City of Southgate, along with the Downtown Development Authority (DDA), is pursuing a plan to improve Southgate’s DDA District. This plan was initiated in the “Ways of Life-Eureka Corridor” study, which laid out a plan to revitalize the corridor by adding residential units and complementary commercial clusters. In order to ensure the success of the revitalization efforts, the City of Southgate commissioned Anderson Economic Group to assess the feasibility of developing additional residential units within the DDA District.

Our study focuses on the demand for housing in various categories, including owner and renter units, single-family and multi-family, and rent rates and home values. Additionally, various types of housing were considered including brownstones, stacked-flats, live-work units, standard apartments, condominiums, custom built homes, and semi-custom built homes.

The scope of this study was confined to an assessment of residential units and excluded analysis of demand for commercial, retail and service categories. Anderson Economic Group understands the city has also commissioned a second study which analyzes the demand for retail, and the conclusions from that study should be taken into consideration when formulating a long-term strategy for the DDA District. In particular, the demand for live-work units will depend on both the underlying residential demand and retail opportunities.

1.2 Study Overview

This study assesses the need for different types of housing developments in the City of Southgate DDA District. We combine qualitative analyses based on our site visits, interviews, and stakeholder surveys, with quantitative analyses of demand for residential development to provide a comprehensive look at the community.

This report is broken out into the following sections:

- “Market Overview” on page 5 reviews the City of Southgate and its DDA District, delineates the neighborhood and its market areas, and produces detailed projections of demographic figures and housing statistics.
- “Housing Price Gap Analysis” on page 18 provides a quantitative assessment of the potential for new residential development in the DDA.
- “Opportunity By Housing Type” on page 31 incorporates our quantitative price gap analysis, and projects potential for various housing types. Housing types include brownstone, live-work units, standard apartments, condominiums, rowhomes, townhomes, custom built homes, and semi-custom built homes.
- “Addendum: Examples of Successful Developments” on page 33 provides two examples of successful main street district developments.

1.3 Conclusions and Recommendations

The DDA District, Neighborhood and Primary Market Area (PMA) are experiencing population and household loss. The City of Southgate needs to take preventative actions to *stabilize* household loss which is considered necessary for long-term sustainable success. The majority of households have moderate-to-better incomes of at least \$60,000. The population is also somewhat older and more likely to be college educated when compared with the surrounding areas.

Overall, the housing statistics show opportunity for new housing in the City of Southgate, with low-vacancy rates and a significantly higher percentage of owner-occupied units than Wayne County and the State of Michigan. Additionally, no manufactured housing units exist within the DDA District or Neighborhood and relatively few exist in the PMA.

Our Housing Price Gap Analysis indicates a void in supply of both renter- and owner-occupied units in the Neighborhood, which translates into an opportunity within the DDA District. Adjusted for the trend in population loss, we recommend development of no more than 330 rental units and 1,300 privately-owned homes. The rental units should be constructed for rent levels between \$800 - \$1,500, while the owner-occupied homes should be priced at \$200,000 or higher.

Based on the gaps in demand for both renter and owner-occupied units, we also recommend construction of a 275-unit, luxury, rental and condominium complex within the DDA District. This complex should include a few live-work units¹ and the remainder should be constructed in brownstone and stacked-flat style units with “New Urbanism” design principles.

Additionally, we recommend infill² of modern single-family, custom-built homes throughout the community and the revitalization of the small, 1950s era, single-family homes in the north-eastern portion of the Neighborhood. Revitalization of Southgate Park Apartment Complex (Dix-Toledo Road) should also be considered. The following page displays photographs of these developments: to the right is a 1950s era home and to the left is Southgate Park Apartments.

1. Demand for retail and service shops must be present in order to establish live-work units.

2. Infill is defined as the use of vacant land and property within a built-up area for further construction or development, especially as part of a neighborhood preservation or Smart Growth program.



The expected absorption periods of these units varies depending on the type of housing. The rental units along Eureka Road and the revitalization of Southgate Park Apartments should be absorbed into the market within 10 months from project completion. However, the owner-occupied units will take approximately 2 years to be absorbed completely into the market.

Below we list other planning goals and initiatives that the city should consider pursuing.

- A successful multi-family development and sale of new housing within the Neighborhood will depend on the community working with qualified developers and builders to create a quality project with appropriate amenity packages. This may include new home buyer options for vaulted ceilings, upgraded kitchens, full laundry facilities, wood floors, fireplaces, private entrances, garages, convenient guest parking, balconies or porches, security features, etc. However, we do not recommend exclusive gated projects which generally do not promote interaction within the community.
- The City should collaborate with qualified developers, planners, architects and engineers to develop a planned mixed-use project along Eureka Road with New Urbanism design elements, including not only residential and retail uses, but also office, services, commercial, civic space and green space or town squares.
- A multi-phased development approach should be pursued in concert with the city's current development plans. This multi-phased approach includes developing of a long-term plan to meet the housing needs of the community.
- The community should consider continuing the street grid pattern through the surrounding residential neighborhood by improving access to the Eureka Road corridor and connectivity between adjacent neighborhoods.

2.0 Market Overview

2.1 Geographic Overview

Located in Southeast Michigan, on the eastern edge of Wayne County, the City of Southgate is one of 33 cities in the county. The city encompasses an area of 6.84 square miles and has a high population density. Like many urban areas, Southgate borders the cities of Riverview, Wyandotte, Lincoln Park, Allen Park, Taylor, and Brownstown Township. These city boundaries seem to blend into each other.

Interstate 75 intersects the northwest borders of the city limits and provides easy access to surrounding neighborhoods. State Highway 85, also known as Fort Street, is located on the eastern border of the city. Eureka Road connects these two major roadways. Based on a drive time analysis, a ten mile radius could be reached in less than 25 minutes from the city center.

For our analysis we will consider four geographic regions, discussed in order of the smallest to the largest geographic areas. These include the:

- DDA District
- Neighborhood
- Primary Market Area
- Secondary Market Area

2.2 DDA District Overview

The DDA District primarily encompasses the parcels zoned commercial on both sides of Eureka Road extending 2.5 miles, and also includes some parcels north on Dix-Toledo Road and south on Trenton Road. This district was established in 2002 to encourage economic development opportunities within the district and revitalize the area as a whole.

The DDA District has an irregular shape and is not typically recognized by consumers as a distinct geographic area. Additionally, the district does not represent a block group, census tract, or any other Census-defined boundary. As a results, the reported demographic data for the DDA District are estimates and may vary significantly based on the allocation methodology.³ Estimates based on a standard geographic area allocation method are indicated in the tables.

2.3 Neighborhood Overview

The DDA District is geographically constrained, dominated by commercial land uses, and has a low population. For purposes of this housing analysis, and to ensure meaningful analytical results, we have delineated a Neighborhood area for the DDA District, as well as a Primary Market Area. Evaluation of this Neighborhood is particularly relevant in enabling us to accurately extrapolate the amount of new housing that is supportable within the DDA District.

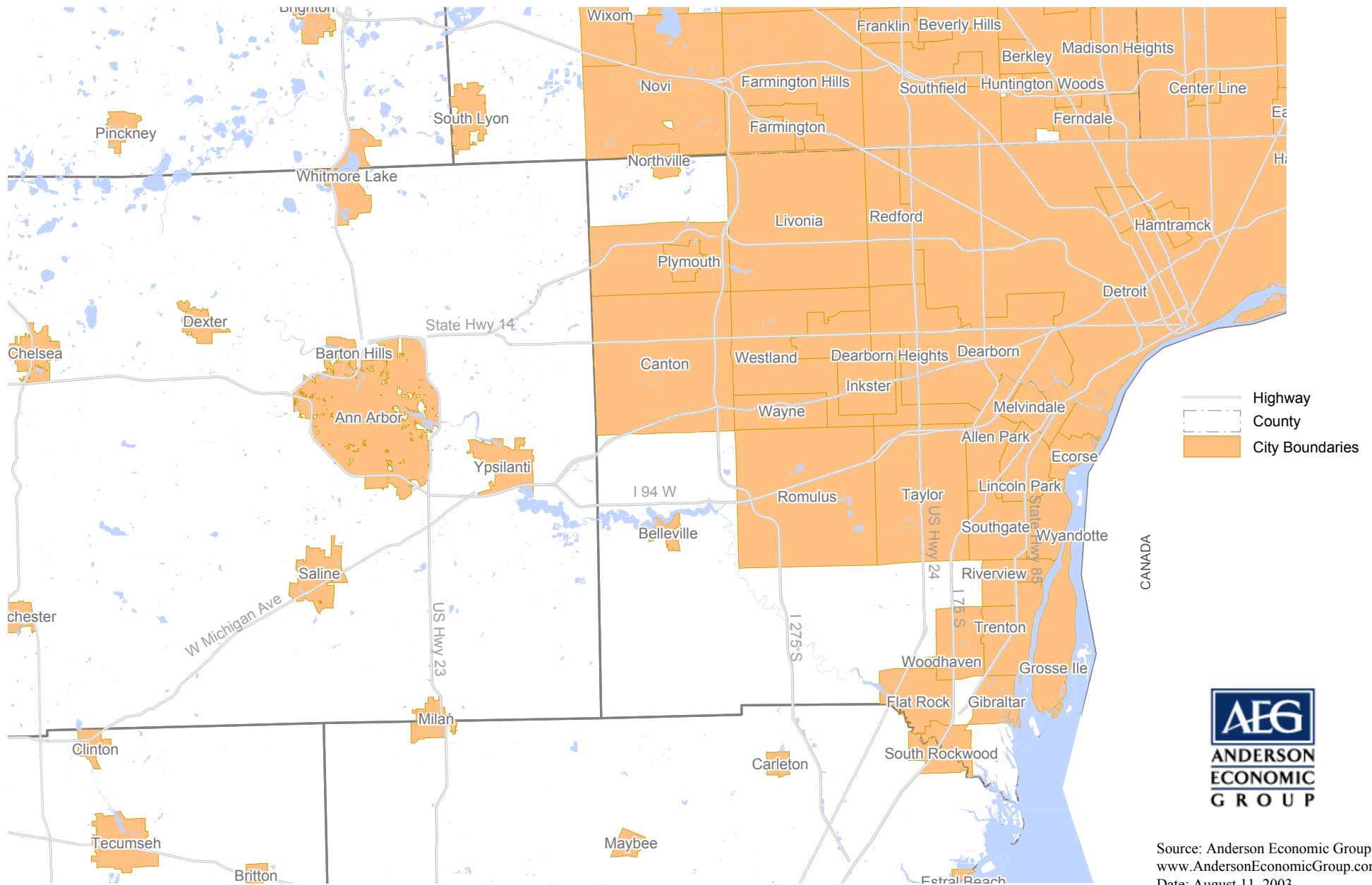
The Neighborhood forms a rectangle with Allen Road and Fort Street bordering the western and eastern perimeters, while LeRoy Avenue and Superior Avenue create the southern and northern borders, respectively.

The Neighborhood offers a variety of privately-owned housing types. In the eastern section of the Neighborhood, most of the housing options are 1950s style, single-family homes with prices ranging between \$120,000 to \$160,000. In the western section of Neighborhood, new construction of single-family homes is developing with prices ranging between \$200,000 to \$300,000. A few condominiums are available with prices ranging between \$110,000 to \$130,000, and additional condos are expected to enter the market next year starting at \$100,000. Map 2 on page 8 shows these developments geographically.

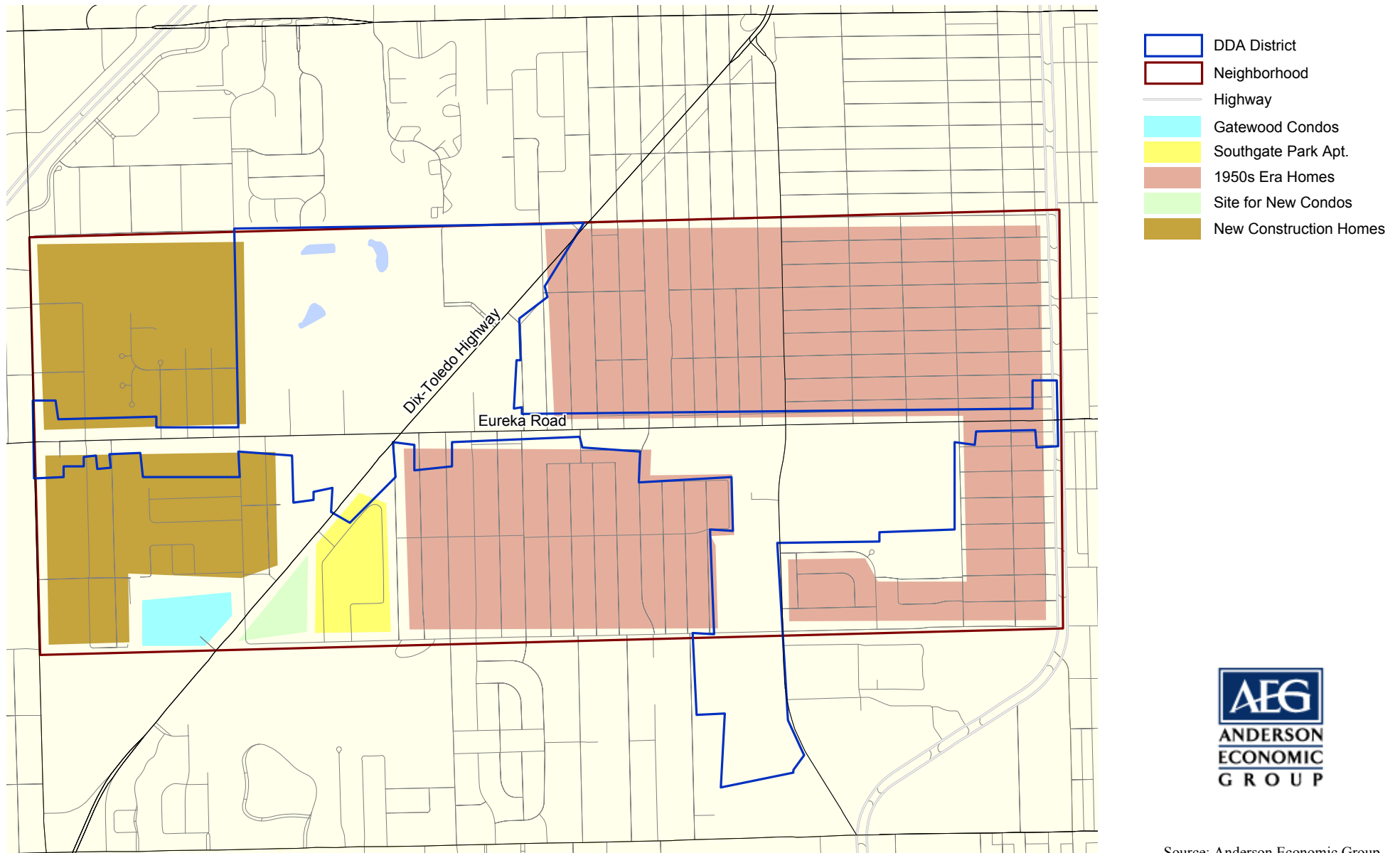
Only one multi-family rental complex exists within the Neighborhood - Southgate Park Apartments. This development offers low monthly rents ranging between \$515 to \$650 per month with a poor amenity package. Map 2 on page 8 shows the location of this development geographically.

3. For geographic areas that are not conterminous with Census-defined areas, GIS software allocates data based on geographic area, not an actual enumeration of households. Errors in allocation will occur in any demographic report generated from partial block group data.

Map 1: Market Area Overview; City of Southgate, MI



Map 2: Neighborhood Overview, City of Southgate DDA District, MI



Source: Anderson Economic Group
www.AndersonEconomicGroup.com
Date: September 3, 2003

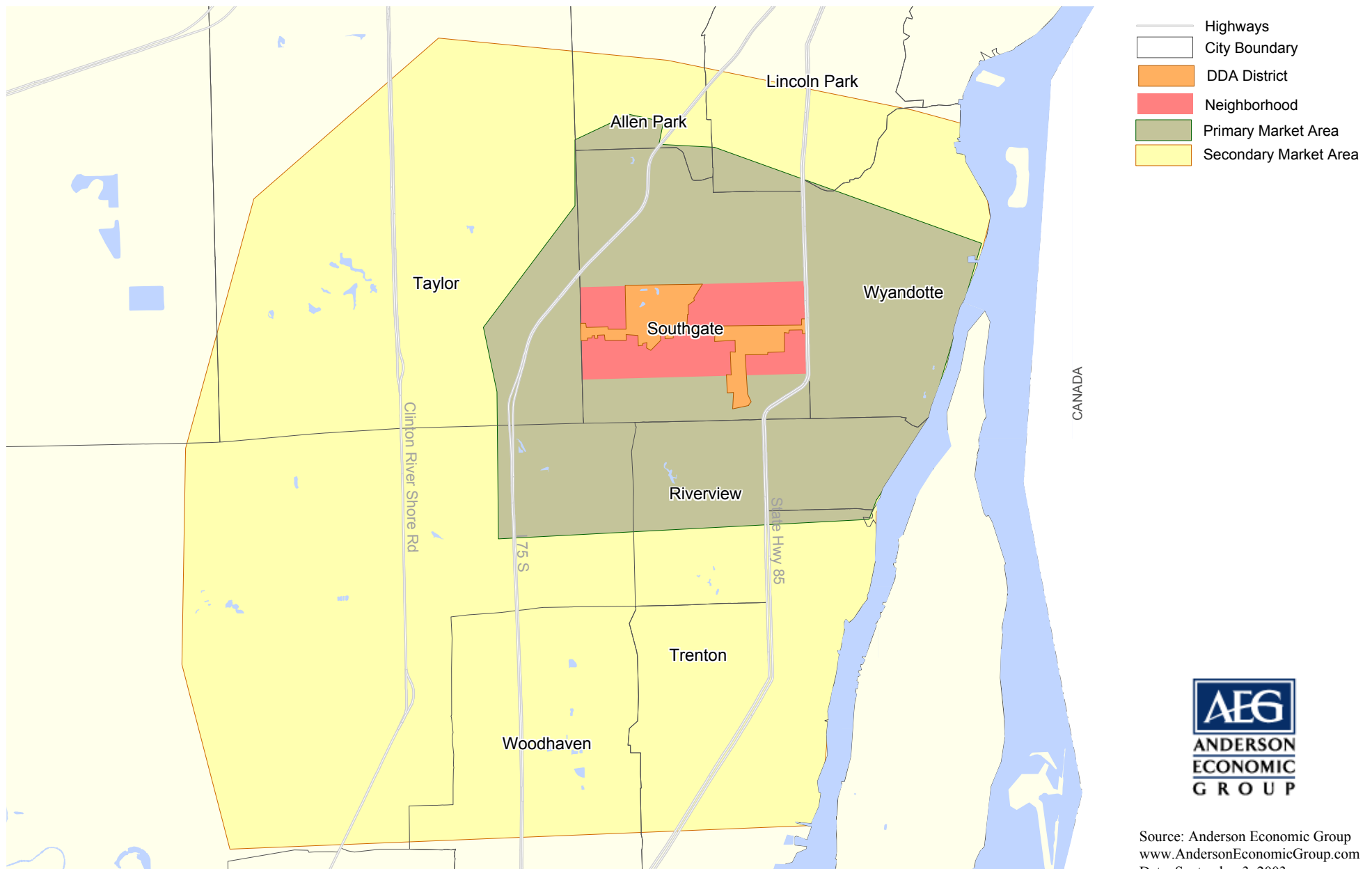
2.4 Southgate Market Areas

To define the market areas for Southgate, we conducted various drive-time analyses from the city center, considered the location of other communities, evaluated demographic figures such as median household income and population density, and reviewed other political boundaries, such as the DDA Districts and the school districts. Additionally, we spoke with local real estate agents and surveyed community stakeholders to incorporate local perspectives into our analysis.

Based on these assessments, we defined a primary and secondary market area for residential development within the Neighborhood of Southgate. The Primary Market Area (PMA) represents the region from which most of the households show similar needs for housing as in Southgate's Neighborhood.

The Secondary Market Area (SMA) is used as a regional comparison with the Southgate's Neighborhood and the PMA for relative understanding of these regions in terms of demographics and housing statistics. Both areas, along with the DDA District and Neighborhood boundaries are illustrated in Map 3 on page 10.

Map 3: Primary and Secondary Market Areas; City of Southgate, MI



2.5 Demographic and Housing Statistics

Below is a summary of the key demographic and housing statistics for the DDA District and comparative geographies. For this analysis, we assessed the DDA District, Neighborhood, and both market areas, as well as Wayne County and the State of Michigan. The data demonstrates the following highlights:

Population. Table 1 shows changes in population over time for the DDA District, its Neighborhood, the market areas, Wayne County and the State of Michigan. Compared to the State of Michigan, all five areas are expecting a decrease in population while the state is expecting an overall increase. The population in the DDA District is expected to decline by 6.4% annually over the next five years. Population within the PMA is projected to decline 3.7% between now and 2007, while the population within the SMA is expected to decline more slowly at 2.0%.

Southgate should take preventative actions to stabilize population loss, which is considered necessary for long-term sustainable success of the community. This can be achieved by providing an attractive community that includes, among other amenities, quality housing that meets the expectations of targeted households.

TABLE 1. Population Trends by Geographic Region

Comparative Areas	Census 1990	Current 2002	Projected 2007	Projected 5-year C.A.R. ^a
DDA District	1,229	1,078	1,009	-6.4%
Neighborhood	12,057	11,509	11,199	-2.7%
Primary Market Area	71,695	66,990	64,530	-3.7%
Secondary Market Area	178,737	173,505	169,961	-2.0%
Wayne County	2,109,347	2,043,266	2,005,724	-1.8%
State of Michigan	9,282,671	10,020,498	10,281,199	2.6%

Source: AEG analysis of Applied Geographic Solutions data

Italicized numbers indicate an estimate based on allocating population across an irregular area

a. C.A.R. indicates compound annual rate of growth.

Households. For comparative purposes, Table 2 shows changes in the number of households in the five geographic tiers addressed in this study. As shown, the total number of households decreased in the local areas between 1990 and 2002. While the DDA Neighborhood is relatively stable, we expect a downward trend for the surrounding areas to continue over the next 5 years, with the DDA District experiencing the most significant loss at a -4.4% annual growth rate. The State of Michigan is expected to continue to benefit from an increase in households between 2002 and 2007 at a projected 4.4% annual growth rate.

The DDA District is undergoing household loss at a significantly faster rate than the surrounding neighborhood, which mirrors the patterns in population decline. Overall, the data indicates that households are leaving the DDA District, but not necessarily the surrounding Neighborhood.

TABLE 2. Household Trends by Geographic Region

Comparative Areas	Census 1990	Current 2002	Projected 2007	Projected 5-year C.A.R.^a
DDA District	<i>464</i>	<i>450</i>	<i>430</i>	-4.4%
Neighborhood	4,345	4,697	4,685	-0.3%
Primary Market Area	28,022	28,571	28,018	-1.9%
Secondary Market Area	67,200	70,383	69,877	-0.7%
Wayne County	779,600	763,958	754,372	-1.3%
State of Michigan	3,415,400	3,846,958	4,015,229	4.4%

Source: AEG analysis of Applied Geographic Solutions data

Italicized numbers indicate an estimate based on allocating population across an irregular area

a. C.A.R. indicates compound annual rate of growth.

Household Income. As we would expect in an Urban area, median income in the DDA District, Neighborhood and market areas is above Michigan's median income. However, between 1990 and 2007, Wayne County is expected to remain below the median income of the state as a whole. It is clear that the City of Southgate is located within a relatively higher-income portion of the county.

Between 1990 and 2002, the DDA District experienced annual median household income growth of 3.5%, compared with 2.7% in the county and 3.3% in the state. Median household income in the Neighborhood is expected to continue to grow at 2.4%, compared with 6.6% in the county and 6.0% on the state level. Table 3 compares the median household income trends by geographic region.

In the 1990s, Southgate experienced high growth in household income compared to Wayne County and the State of Michigan. However, in order to continue this trend, Southgate may need to provide more luxurious housing options for its increasingly wealthy population. This will be tested further in our quantitative supply-demand analysis.

TABLE 3. Median Household Income by Geographic Region

Comparative Areas	1990	2002	2007	Actual C.A.R. ^a 1990-2002	Projected C.A.R. 2002-2007
DDA District	<i>\$40,624</i>	<i>\$61,629</i>	<i>\$69,544</i>	3.5%	2.4%
Neighborhood	<i>\$38,763</i>	<i>\$60,777</i>	<i>\$71,435</i>	3.8%	3.3%
Primary Market Area	<i>\$33,476</i>	<i>\$47,197</i>	<i>\$61,768</i>	2.9%	5.5%
Secondary Market Area	<i>\$34,582</i>	<i>\$49,744</i>	<i>\$64,574</i>	3.1%	5.4%
Wayne County	<i>\$28,108</i>	<i>\$38,742</i>	<i>\$53,299</i>	2.7%	6.6%
State of Michigan	<i>\$31,067</i>	<i>\$46,041</i>	<i>\$61,657</i>	3.3%	6.0%

Source: AEG analysis of Applied Geographic Solutions data

Italicized numbers indicate an estimate based on allocating population across an irregular area

a. C.A.R. indicates compound annual rate of growth.

Age Characteristics. Between 2002 and 2007, the median age of the PMA residents is expected to increase from 38.1 years to 39.3 years. In the Neighborhood, the median age is also expected to increase from 39.4 to 40.3 years. The Neighborhood has the lowest percentage of youth population (18 and younger) and working age population (18-65), but the senior population is much higher compared to the other regions. By comparison, the median age of Michigan residents in 2002 was relatively young at 35.1 years, and is expected to increase to 36.5 over the next five years.

Given that the Neighborhood has a somewhat older population with moderate-to-better incomes, the developer of new homes should include amenities that would appeal to an established consumer profile, with fully equipped kitchens, garages, elevators, quality fixtures, and options like wood floors, vaulted ceilings, and fireplaces.

TABLE 4. Key Age Demographics, 2002

Comparative Areas	Year	< 18 years of age	% of Pop. <18	18 - 65 years of age	% of Pop. 18 - 65	> 65 years of age	% of Pop. > 65	Median Age
DDA District	2002	223	20.7%	672	62.4%	182	16.9%	38.3
	2007	214	21.2%	629	62.3%	167	16.5%	39.3
Neighborhood	2002	2,584	22.5%	6,873	59.7%	2,052	17.8%	39.4
	2007	2,533	22.6%	6,678	59.6%	1,986	17.7%	40.3
Primary Trade Area	2002	14,788	22.1%	41,044	61.3%	11,159	16.7%	38.1
	2007	14,400	22.3%	39,362	61.0%	10,770	16.7%	39.3
Secondary Trade Area	2002	42,652	24.6%	106,298	61.3%	24,556	14.2%	36.3
	2007	42,081	24.8%	103,838	61.1%	24,045	14.1%	37.5
Wayne County	2002	558,083	27.8%	1,200,101	59.8%	247,541	12.3%	33.5
	2007	571,824	28.0%	1,223,962	59.9%	247,479	12.1%	35.0
Michigan	2002	2,611,745	26.1%	6,177,320	61.6%	1,231,433	12.3%	35.1
	2007	2,660,170	25.9%	6,339,158	61.7%	1,281,873	12.5%	36.5

Source: AEG analysis of Applied Geographic Solutions data

Italicized numbers indicate an estimate based on allocating population across an irregular area

Education. In 2002, 28% of the DDA District residents had some type of college degree, compared to 26.7% in the PMA, 27.5% in the SMA, and 28.1% in the County. The high-education levels throughout the comparative areas further implies general consumer preferences for quality housing. This demographic cluster is generally characterized by residents who have pride in home ownership, are consumer-savvy in the housing market, have high expectations of their communities, and tend to be more active in local government.

TABLE 5. Education Attainment as Percent of Population over 25 Years of Age, 2002

Education Level	DDA District	Neighborhood	PMA	SMA	Wayne County	Michigan
Less Than Grade 9	5%	7.0%	5.6%	5.5%	6.7%	5.1%
Grade 9-12	16%	17.1%	18.4%	17.4%	19.2%	13.6%
High School	19%	20.4%	18.6%	18.1%	16.9%	16.7%
Some College	32%	29.8%	30.7%	31.5%	28.4%	28.8%
Associate's Degree	7%	8.8%	8.2%	8.4%	7.0%	8.5%
Bachelor's Degree	15%	12.0%	12.7%	12.9%	13.7%	17.2%
Graduate Degree	6%	5.0%	5.8%	6.2%	8.1%	10.1%
% with Degrees	28%	25.8%	26.7%	27.5%	28.8%	35.8%

Source: AEG analysis of Applied Geographic Solutions data

Italicized numbers indicate an estimate based on allocating population across an irregular area

Vacancy and Tenure. Table 6 shows the percentages of total housing units that are associated with different uses (e.g., renter, owner, vacant). According to these figures, both the PMA and Neighborhood experienced low vacancy rates in 2000 at 3.7% and 2.4% respectively. The DDA District and SMA experienced a slightly higher vacancy rate at 4%. When compared to the State of Michigan and Wayne County, all four Southgate regions have relatively low vacancy rates. These low vacancy rates, which suggests some demand for new construction of housing units. This will be further tested by our supply-demand in Section 3.0 on page 18.

TABLE 6. Occupancy by Tenure, 2000

Housing Use	DDA District	Neighborhood	PMA	SMA	Wayne County	Michigan
Total Occupied	96%	98.9%	98.0%	95.8%	93.0%	89.5%
Owner Occupied	70%	83.2%	69.1%	68.3%	62.0%	66.0%
Renter Occupied	26%	15.7%	28.9%	27.5%	31.0%	23.5%
Total Vacant	4%	2.4%	3.7%	4.2%	7.0%	10.5%
For Rent	2%	0.5%	1.3%	1.5%	2.4%	1.7%
For Sale	1%	0.8%	0.7%	1.1%	0.9%	1.0%
Other	1%	1.1%	1.7%	1.6%	3.7%	7.8%
Total Households	100%	100%	100%	100%	100%	100%

Source: AEG analysis of AGS and Census data

Italicized numbers indicate an estimate based on allocating population across an irregular area

Housing Type. Table 7 summarizes the current housing stock by category of structure in the five comparative geographies. The table shows that the majority of housing units are unattached single-family homes (one unit per structure). In the Neighborhood, large multi-family homes make up the second most popular category with 9% of the housing stock. This skewed distribution of housing options indicates opportunities in the Southgate housing market for diversification of housing types, keeping in mind that mobile homes are not considered appropriate.

TABLE 7. Housing Unit Summary by Size of Structure

Category of Structure	% of Total Units					
	DDA District	Neighborhood	PMA	SMA	Wayne County	Michigan
1 unit	71%	87%	73%	73%	73%	74%
2 to 9 units	6%	4%	12%	14%	13%	10%
10 or more units	23%	9%	14%	11%	11%	9%
Mobile home	0%	0%	1%	3%	2%	7%

Source: AEG analysis of 2000 Census data

Italicized numbers indicate an estimate based on allocating population across an irregular area

Household Size. Table 8 shows that 2-person and 1-person households represent approximately 60% of the market in every comparative area. However, a greater percentage of 1-person households exists in the local areas than the State of Michigan overall, which contributes to a lower average household size.

When considering the types of new residential developments, it is important to consider the number of people each unit needs to accommodate. These demographic figures indicate that 2-bedroom units should be the concentration of new rental-housing developments. However, AEG recommends three-bedroom units (with two or more bathrooms) for owner-occupied households, meeting consumer expectations of today's real estate market with options for guest bedrooms, home offices, and work-rooms.

TABLE 8. Summary of Household Size, 2002

People Per Household	% of Total Households					
	DDA District	Neighborhood	PMA	SMA	Wayne County	Michigan
Households: 1 Person	<i>29%</i>	27.6%	31.7%	27.8%	28.33%	26.25%
Households: 2 Persons	<i>34%</i>	33.2%	32.5%	32.5%	28.71%	32.96%
Households: 3 Persons	<i>17%</i>	16.4%	15.8%	17.3%	16.81%	16.14%
Households: 4 Persons	<i>13%</i>	14.5%	12.6%	14.1%	13.67%	14.34%
Households: 5 Persons	<i>6%</i>	6.1%	5.3%	6.0%	7.03%	6.59%
Households: 6 Persons	<i>1%</i>	1.6%	1.6%	1.8%	3.00%	2.35%
Households: 7+ Persons	<i>0%</i>	0.7%	0.6%	0.8%	2.46%	1.38%
Average Household Size	<i>2.4</i>	2.5	2.5	2.5	2.7	2.6

Source: AEG analysis of 2000 Census data

Italicized numbers indicate an estimate based on allocating population across an irregular area

3.0 Housing Price Gap Analysis

The Housing Price Gap Analysis concentrates on determining voids in home values or contract rent segments in the current market supply for current year 2003 and projected for 2008. A gap is defined as the difference between the current housing supply and the expected demand based on income. From this quantitative, systematic, and deductive analysis, we can identify the long term need for luxury, low-income, and moderately priced housing by tenure. We use both the PMA and the Neighborhood, as defined earlier in this study, to assess opportunities.

3.0.1 Supply of Housing by Price

Table 9 shows the number of owner-occupied units, along with the vacancy rates by home value bracket for current year 2003. The summary of home values in Table 9 shows a distribution with most of the housing supply between the price of \$80,000 and \$150,000 for the Neighborhood and between \$50,000 and \$150,000 for the PMA. The low vacancy rates exist in both the Neighborhood and PMA for owner-occupied housing.

TABLE 9. Summary of Current Supply of Owner Homes (Actual Distribution)

2003 Home Value Ranges	Occupied Owner Homes		Vacant Owner Units ^a		Vacancy Rate of Owner Units ^b	
	Neighborhood	PMA	Neighborhood	PMA	Neighborhood	PMA
\$0 to \$29,999	14	132	0	0	0%	0%
\$30,000 to \$49,999	544	544	0	8	0%	1%
\$50,000 to \$79,999	337	3406	0	0	0%	0%
\$80,000 to \$99,999	1021	6887	4	25	0%	0%
\$100,000 to \$124,999	1459	4871	1	17	0%	0%
\$125,000 to \$149,999	860	2478	1	17	0%	1%
\$150,000 to \$174,999	106	1106	1	0	1%	0%
\$175,000 to \$199,999	493	493	1	0	0%	0%
\$200,000 to \$249,999	103	592	0	0	0%	0%
\$250,000 to \$299,999	62	198	0	0	0%	0%
\$300,000 to \$499,999	3	19	0	0	0%	0%
\$500,000 and up	0	33	0	0	na	0%
Totals/Average	5002	20759	8	67	0%	0%
Median Housing Value	\$114,114	\$107,653	na	na	na	na

Source: AEG Price Gap Analysis

a. Only includes units with no current resident. If the unit is for sale but occupied, the unit is not considered vacant.

b. Vacancy Rate is defined as the number of vacant units over the total number of units in the corresponding category.

Table 10 shows the number of occupied rental units with corresponding vacancy rates by monthly contract rent bracket. The summary of rental unit supply shows a distribution of rent rates with a high number of units concentrated between the price of \$400 to \$800 for the Neighborhood and between \$400 to \$700 for the PMA. Additionally, the vacancy rates in those contract rent brackets are also high, and most significantly, the vacancy rate for units between \$500 to \$600 dollars within the PMA is 8%.⁴ Both the concentration of units and the higher vacancy rates indicate that this market segment may be saturated within these ranges.

TABLE 10. Summary of Current Supply of Rental Units (Actual Distribution)

2003	Occupied Rental Units		Vacant Rental Units		Vacancy Rate of Rental Units ^a	
Monthly Contract Rent Ranges	Neighborhood	PMA	Neighborhood	PMA	Neighborhood	PMA
\$0 - \$200	36	223	0	0	0%	0%
\$200 - \$300	53	460	1	17	2%	3%
\$300 - \$400	56	687	0	8	0%	1%
\$400 - \$500	144	1388	7	83	4%	6%
\$500 - \$600	264	2206	16	182	6%	8%
\$600 - \$700	339	2006	6	66	2%	3%
\$700 - \$800	124	703	4	50	3%	7%
\$800 - \$1000	94	481	3	41	3%	8%
\$1000 - \$1250	12	66	0	0	0%	0%
\$1250 - \$1500	0	28	0	0	na	0%
\$1500 - \$1999	0	20	0	0	na	0%
\$2000 and up	0	3	0	0	na	0%
Totals/Averages	1122	8271	37	447	3%	5%
Median Contract Rent	\$587	\$568	na	na	na	na

Source: AEG Price Gap Analysis

a. Vacancy Rate is defined as the number of vacant units over the total number of units in the corresponding category.

4. Successful developments can typically keep rental vacancies below 5%.

3.0.2 Demand of Housing by Income

In measuring housing demand, it is necessary to understand the distribution of renter and owner households by income range. Based upon US Census data, Applied Geographic Solutions (AGS) projections, and a rigorous methodology that we developed through similar analyses for developers and governments, we have projected income distribution for 2003 and 2008 for the Neighborhood and PMA.

Table 11 and Table 12 show the number of renter and owner households that are projected in each defined income category. This assessment identifies a well-balanced distribution of households across the income ranges. There is a significant number of owner-occupied households within the higher income categories, in addition to those at the middle- and lower-income ranges.

The majority of renter households are in the lower-income categories of the analysis, and the median household income of the renter households is between \$25,000 and \$30,000. However, there are a significant number of renter households with much higher income, and nearly 25% of renter households earn more than \$50,000 per year.

TABLE 11. Households by Income Range and Tenure, Neighborhood

Household Income Range	2003		2008	
	Rental Households	Owner Households	Rental Households	Owner Households
\$0 to \$9,999	148	96	132	85
\$10,000 to \$14,999	188	161	166	142
\$15,000 to \$19,000	91	108	83	98
\$20,000 to \$24,999	94	196	74	154
\$25,000 to \$29,999	94	155	81	133
\$30,000 to \$34,999	101	166	82	134
\$35,000 to \$39,999	81	177	76	165
\$40,000 to \$49,999	72	158	85	188
\$50,000 to \$59,999	35	142	25	102
\$60,000 to \$74,999	85	339	75	299
\$75,000 to \$99,999	98	604	100	616
\$100,000 to \$124,999	82	648	99	781
\$125,000 to \$149,999	39	310	49	388
\$150,000 to \$199,999	27	114	34	144
Greater than \$200,000	13	58	21	90
Total:	1250	3433	1182	3519

Source: AEG Price Gap Analysis

TABLE 12. Households by Income Range and Tenure, PMA

Household Income Range	2003		2008	
	Rental Households	Owner Households	Rental Households	Owner Households
\$0 to \$9,999	1039	673	866	561
\$10,000 to \$14,999	1510	1295	1228	1053
\$15,000 to \$19,000	637	756	558	662
\$20,000 to \$24,999	546	1134	489	1015
\$25,000 to \$29,999	648	1065	540	889
\$30,000 to \$34,999	644	1060	562	925
\$35,000 to \$39,999	535	1173	453	994
\$40,000 to \$49,999	500	1098	510	1118
\$50,000 to \$59,999	241	966	174	696
\$60,000 to \$74,999	541	2168	512	2055
\$75,000 to \$99,999	527	3244	571	3512
\$100,000 to \$124,999	424	3335	515	4055
\$125,000 to \$149,999	183	1442	245	1931
\$150,000 to \$199,999	131	561	161	689
Greater than \$200,000	60	255	91	387
Total:	8165	20226	7474	20542

Source: AEG Price Gap Analysis

3.1 Price Gap Analysis

The analysis of the income projections calculated above (page 21), and the current distribution of housing patterns (page 18 and page 19) identify gaps in the residential market for both rental and owner homes. Table 13 on page 23 through Table 20 on page 30, show gaps identified by our analysis and all eight tables compare projected demand for different prices of housing against the supply of housing in those categories. We have conducted this analysis for both the Neighborhood and PMA. Additionally, we assess these regions for current year 2003 and projections in 2008.

From this comparison, we determine the residential saturation rate within each price category in the Neighborhood and PMA. The saturation rate is equal to supply of housing (actual resident distribution) divided by the demand for housing (based on income). If the saturation rate for a price category is less than 100%, then demand for housing in that category exceeds supply. If the rate is greater than 100%, then supply exceeds projected demand, and the difference implies over-saturation.

For the PMA, we assess capture rates for various housing options in order to measure the magnitude of demand in the Neighborhood. Capture rate is define as the percentage of households that the Neighborhood could attract if the appropriate mix of housing options were available. This detailed analysis leads to specific, quantifiable and actionable recommendations that are supported by our qualitative assessment of the housing market.

3.2 Renter Household Assessment

3.2.1 Renter Households Results, Neighborhood

Based on a comparison of the supply and demand results in the renter-occupied housing sector, the DDA Neighborhood indicates a gap in rental units with rental rates above \$800. In this rent range, opportunity exists for 354 rental units in 2003, decreasing to 344 units by 2008. Given this gap in the market for high-quality, high-price rental units, and tempered by current (reversible) trends in population decline, we recommend construction of no more than 330 units within the price range of \$800 to \$1,500 per month.

Our analysis also shows that units with rents between \$400 and \$800 per month are saturated in the market, while units with rents between \$0 to \$300 per month appear to be in demand. However, many households that qualify for rents in the \$0 to \$300 range are willing to pay higher rent than their earned income indicates. Most of these households receive some subsidies from the state government or unearned income from other sources, which could include gifts, family contributions, interest income from saving, stocks or other investments (particularly important for retired citizens), inheritance, welfare, and/or rent vouchers.

TABLE 13. Gaps in Rental Housing, Neighborhood 2003

2003	Expected Demand Based on Income	Supply	Difference	Saturation	Opportunity
Contract Rent Ranges					
\$0 - \$200	104	36	68	35%	0
\$200 - \$300	65	53	12	81%	0
\$300 - \$400	132	56	76	42%	0
\$400 - \$500	90	144	0	161%	0
\$500 - \$600	121	264	0	219%	0
\$600 - \$700	154	339	0	220%	0
\$700 - \$800	124	124	0	100%	0
\$800 - \$1000	127	94	33	74%	33
\$1000 - \$1250	97	12	85	12%	85
\$1250 - \$1500	64	0	64	0%	64
\$1500 - \$1999	100	0	100	0%	100
\$2000 and up	72	0	72	0%	72
<i>Total/Average</i>	1250	1122	510	79%	354

Source: AEG analysis; Applied Geographic Solutions

TABLE 14. Gaps in Rental Housing, Neighborhood 2008

2008					
Contract Monthly Rent Ranges	Expected Demand Based on Income	Supply	Difference	Saturation	Opportunity
\$0 - \$200	93	13	80	14%	0
\$200 - \$300	58	50	8	86%	0
\$300 - \$400	117	57	60	49%	0
\$400 - \$500	80	41	38	52%	0
\$500 - \$600	100	199	0	199%	0
\$600 - \$700	137	380	0	278%	0
\$700 - \$800	116	220	0	189%	0
\$800 - \$1000	113	130	0	115%	0
\$1000 - \$1250	89	22	67	25%	67
\$1250 - \$1500	65	2	63	4%	63
\$1500 - \$1999	119	0	119	0%	119
\$2000 and up	95	0	95	0%	95
<i>Total/Average</i>	1182	1114	530	84%	344

Source: AEG analysis; Applied Geographic Solutions

3.2.2 Renter Households Results, PMA

Based on a comparison of the supply and demand results in the renter-occupied housing sector, the PMA indicates a gap in rental units with rents above \$1,000, which is consistent with the results from the Neighborhood. In this rent range, opportunity exists for approximately 3,205 rental units in 2003, decreasing to 2,940 units by 2008. However, the Neighborhood alone will not capture all of the renter demand within the primary market area. More realistically and based on our experience in the market, we estimate that the Neighborhood could attract up to 20% of PMA's total opportunity, assuming a quality structure with the appropriate amenity packages and options. Using these capture rates implies that the DDA Neighborhood could support up to 386 units in 2003 and 331 units in 2008. Given the declining trend in demand, we recommend that the DDA pursue a multi-phase development plan with completion by 2008, in addition to supplemental improvements for existing apartment complexes.

TABLE 15. Gaps in Rental Housing, PMA 2003

2003	Expected Demand Based on Income	Supply	Difference	Neighborhood Capture Rate	Opportunity
Contract Monthly Rent Ranges					
\$0 - \$200	732	422	310	0%	0
\$200 - \$300	477	536	0	0%	0
\$300 - \$400	1064	851	213	0%	0
\$400 - \$500	654	1868	0	0%	0
\$500 - \$600	751	2399	0	0%	0
\$600 - \$700	1027	1422	0	0%	0
\$700 - \$800	825	366	459	0%	0
\$800 - \$1000	844	356	488	20%	98
\$1000 - \$1250	596	6	590	20%	118
\$1250 - \$1500	342	34	308	20%	62
\$1500 - \$1999	514	16	498	15%	75
\$2000 and up	339	0	339	10%	34
<i>Total/Average</i>	8165	8276	3205	7%	386

Source: AEG analysis; Applied Geographic Solutions

TABLE 16. Gaps in Rental Housing, PMA 2008

2008	Expected Demand Based on Income	Actual Resident Distribution	Difference	Neighborhood Capture Rate	Opportunity
Contract Monthly Rent Ranges					
\$0 - \$200	610	88	521	0%	0
\$200 - \$300	394	333	61	0%	0
\$300 - \$400	865	536	329	0%	0
\$400 - \$500	556	851	0	0%	0
\$500 - \$600	666	1868	0	0%	0
\$600 - \$700	867	2399	0	0%	0
\$700 - \$800	752	1422	0	0%	0
\$800 - \$1000	739	568	170	20%	34
\$1000 - \$1250	582	102	480	20%	96
\$1250 - \$1500	370	36	335	20%	67
\$1500 - \$1999	622	21	601	15%	90
\$2000 and up	449	7	442	10%	44
<i>Total/Average</i>	7472	8231	293	7%	331

Source: AEG analysis; Applied Geographic Solutions

3.3 Owner Household Assessment

3.3.1 Owner Households Results, DDA

Based on a comparison of the supply and demand results in the owner-occupied housing sector, the Neighborhood analysis indicates a gap in owner units with values above \$200,000. In this home value range, opportunity exists for 1,371 homes in 2003, increasing to 1,441 units by 2008. Given this gap in the market for high-quality, high-price homes, we recommend construction of no more than 1,300 units within the price range of \$200,000 to \$500,000 between now and 2008. This large gap suggests a rather aggressive approach for development, and we recommend building or revitalizing 400 units per year over the next 2 years, slowly decreasing the number of units in the following 3 years until the market is relatively stable.

Our analysis also shows opportunity for new housing with values between \$0 to \$30,000; \$50,000 to \$74,000; and \$150,000 to \$175,000. However, the City of Southgate should not pursue these housing options. By 2008, a gap no longer exists for housing between \$150,000 and \$175,000. Although there is an implied opportunity for homes in the \$0 to \$75,000 range, we believe that those households have actually stepped up into better homes in the \$80,000+ range, absorbing the supply in the higher price category. This can be achieved by reducing other household expenses, supplementing earned income with loans (a nation-wide trend), family contributions (less common) or other investment funds.

Meanwhile, AEG recommends that the community actively promote improvements of established and lower-income housing. In particular, the planning office should review zoning regulations to ensure that they do not make upgrades prohibitively expensive for lower-income families. The city could also consider volunteer programs or home improvement vouchers for its lower-income residents in homes that need improvements to meet code requirements. The community can also sponsor neighborhood workshops to catalyze upgrades in designated neighborhoods.

TABLE 17. Gaps in Owner Housing, Neighborhood 2003

2003					
Home Value Brackets	Expected Demand Based on Income	Actual Resident Distribution	PMA Difference	Saturation	Neighborhood Opportunity
\$0 to \$29,999	106	14	92	13%	0
\$30,000 to \$49,999	184	544	0	295%	0
\$50,000 to \$79,999	526	337	189	64%	0
\$80,000 to \$99,999	229	1021	0	445%	0
\$100,000 to \$124,999	292	1459	0	500%	0
\$125,000 to \$149,999	171	860	0	502%	0
\$150,000 to \$174,999	206	106	100	51%	0
\$175,000 to \$199,999	179	493	0	275%	0
\$200,000 to \$249,999	207	103	104	50%	104
\$250,000 to \$299,999	270	62	208	23%	208
\$300,000 to \$499,999	911	3	908	0%	908
\$500,000 and up	152	0	152	0%	152
<i>Total/Average</i>	3433	5002	1753	185%	1371

Source: AEG analysis; Applied Geographic Solutions

TABLE 18. Gaps in Owner Housing, Neighborhood 2008

2008					
Home Value Brackets	Expected Demand Based on Income	Actual Resident Distribution	PMA Difference	Saturation	Neighborhood Opportunity
\$0 to \$29,999	95	8	87	8%	0
\$30,000 to \$49,999	163	364	0	222%	0
\$50,000 to \$79,999	451	38	413	8%	0
\$80,000 to \$99,999	220	373	0	170%	0
\$100,000 to \$124,999	255	1465	0	575%	0
\$125,000 to \$149,999	147	1399	0	949%	0
\$150,000 to \$174,999	188	585	0	311%	0
\$175,000 to \$199,999	178	909	0	510%	0
\$200,000 to \$249,999	211	194	17	92%	17
\$250,000 to \$299,999	287	134	153	47%	153
\$300,000 to \$499,999	1113	51	1062	5%	1062
\$500,000 and up	210	0	210	0%	210
<i>Total/Average</i>	3518	5520	1942	241%	1441

Source: AEG analysis; Applied Geographic Solutions

3.3.2 Owner Households Results, PMA

Our analysis of the owner-occupied housing sector for the primary market area also indicates opportunity for new owner-occupied housing. For homes valued greater than \$175,000, opportunity exists for approximately 7,400 units in 2003, increasing to 8,200 units by 2008. However, the DDA will not be able to capture all the households in the primary market area. We estimate that the neighborhood could attract up to 30%⁵ of PMA's opportunity. Using these capture rates, the DDA Neighborhood could support up to 1,480 units in 2003 and 1,573 units in 2008.

TABLE 19. Gaps in Rental Housing, PMA 2003

2003					
Home Value Brackets	Expected Demand Based on Income	Actual Resident Distribution	PMA Difference	Neighborhood Capture Rate	Neighborhood Opportunity
\$0 to \$29,999	760	132	628	0%	0
\$30,000 to \$49,999	1446	544	902	0%	0
\$50,000 to \$79,999	3370	3406	0	0%	0
\$80,000 to \$99,999	1537	6887	0	0%	0
\$100,000 to \$124,999	1954	4871	0	0%	0
\$125,000 to \$149,999	1106	2478	0	0%	0
\$150,000 to \$174,999	1269	1106	163	0%	0
\$175,000 to \$199,999	996	493	502	20%	100
\$200,000 to \$249,999	1111	592	519	30%	156
\$250,000 to \$299,999	1432	198	1234	25%	308
\$300,000 to \$499,999	4529	19	4510	20%	902
\$500,000 and up	718	33	685	2%	14
Total/Average	20228	20759	9143	8%	1480

Source: AEG analysis; Applied Geographic Solutions

5. The capture rate for the owner-occupied homes is greater than that for the renter-occupied units because the market area for owner-occupied units is geographically larger when compared with market areas of renter-occupied units.

TABLE 20. Gaps in Rental Housing, PMA 2008

2008					
Home Value Brackets	Expected Demand Based on Income	Actual Resident Distribution	PMA Difference	Neighborhood Capture Rate	Neighborhood Opportunity
\$0 to \$29,999	631	76	555	0%	0
\$30,000 to \$49,999	1190	364	827	0%	0
\$50,000 to \$79,999	2915	1571	1345	0%	0
\$80,000 to \$99,999	1402	6867	0	0%	0
\$100,000 to \$124,999	1664	5980	0	0%	0
\$125,000 to \$149,999	1013	3892	0	0%	0
\$150,000 to \$174,999	1238	1800	0	0%	0
\$175,000 to \$199,999	1050	909	141	20%	28
\$200,000 to \$249,999	1202	891	311	30%	93
\$250,000 to \$299,999	1596	353	1243	25%	311
\$300,000 to \$499,999	5686	72	5614	20%	1123
\$500,000 and up	955	39	916	2%	18
<i>Total/Average</i>	20542	22814	10952	8%	1573

Source: AEG analysis; Applied Geographic Solutions

4.0 Opportunity By Housing Type

In the price gap analysis above, we identified the need for luxury rental units and high-quality privately owned homes. These conclusions are consistent with our assessment of the demographic profile of the PMA and Neighborhood residents who have moderate-to-better incomes, tend to be older and are more likely to have a college degree than the average resident in Wayne County.

In the next step of our analysis, we concentrate on types of housing structures and design. Types of housing structures that we have evaluated include brownstone, live-work units, standard apartment complexes, condominiums, rowhomes, townhomes, custom and semi-custom built homes. From our evaluation of design elements, typical amenities packages and lifestyle preferences, we have developed recommendations for the opportunity by housing types.

4.1 Rental Units by Type

For rental units, we recommended construction of up to 330 units within the Neighborhood with contract rents between \$800 to \$1,500 per month. Of these 330 units, we recommend 50% (165 units) be developed in the DDA District with Brownstone and Stacked-Flat styles. These units should include between 1,200 and 1,700 square feet of living area, and offer an open-air arrangement, 2 bedrooms, 2 bathrooms, a fully equipped kitchen, an attached one-car garage, and optional amenity packages for vaulted ceilings, upper-level skylights, fireplaces, kitchen and laundry upgrades, wood floors, patio doors and walk-out decks. In addition, the complexes should be designed to provide pedestrian access to the Eureka Road corridor, with connectivity and synergies to the surrounding neighborhoods. These units could demand rents between \$1,100 to \$1,500 per month.

Of the remaining 165 rental units, we recommend that 50% be revitalized from existing rental complexes, including Southgate Park Apartments. Revitalizing existing units will enable Southgate to meet the demands for rental housing, while increasing the overall quality of the housing stock. However, given that the complex will not be a newly constructed development, the rent should range between \$800 to \$1,200 dollars per month.

The amenities package in the revitalized units should be similar to those offered at Maple Village Apartments (located just west of I-75 on Goddard Road). Unit Amenities should include large living space (800 to 1,100 sq. ft.), washer/dryer in the unit, balcony/porches, high-quality appliances, optional wood floors, vaulted ceilings, fireplaces, etc. The development should also offer a community room, exercise equipment, swimming pool, tennis courts and pedestrian access to local retail and entertainment venues.

Absorption Rate. Based on interviews with local real estate agents and our expertise in conducting residential market assessments, we have estimated an absorption period of approximately 10 months from final construction to reach an average occupancy level. This absorption rate applies to both the revitalized units and the new construction along Eureka Road.

4.2 Owner Units by Type

For the owner-occupied units, we recommend construction of 1,300 privately owned homes in the Neighborhood, including 110 condominiums within the DDA District. These units should incorporate the Brownstone style, feature similar amenities as described in the luxury rental complex (above), and could even be integrated into the rental complex to form a larger development. The starting sale price could range between \$200,000 to \$250,000 with high-quality construction and management. Additionally, live-work units could be developed within the lower-level of the complex, however, assuming demand for retail shops and services is present in the market.

The remaining 1,190 units should be single-family custom built homes similar to those currently being developed in the western section of the Neighborhood. These homes should include a mix of both new construction, as in-fill or on available parcels, and revitalization of existing homes. The City of Southgate could encourage this development through zoning and building regulations and should review existing regulations to ensure the laws are not cost-restrictive to upgrades.

Absorption Rate. Based on interviews with local real estate agents and our expertise in residential market assessments, we estimate an absorption period of approximately two years from the end of construction for newly developed homes. For the revitalized units, the absorption period may vary depending on who completes the revitalization. If individual home owners complete the revitalization, absorption is irrelevant. However, if the City/Developer invested in a neighborhood for revitalization, we estimate the absorption rate to be less than 2 years.

5.0 Addendum: Examples of Successful Developments

To complement our analysis completed above, we provide the City of Southgate with two examples of successful multi-family developments which have helped their communities develop long-term sustainable main-street districts, these include the Brighton, MI-Main Street Crossings Rowhomes, and Glenview, IL-Optima West Condominiums.

5.0.1 Brighton, MI -Main Street Crossings Rowhomes

Located in Brighton, Michigan, Main Street Crossings is an owner-occupied rowhome development located on the Main Street District. These homes originally started selling for \$174,000 and are currently selling for greater than \$200,000.



5.0.2 Glenview, IL-Optima West Condominiums

Located in the urbanized Village of Glenview, IL, Optima West Condominiums is a new owner-occupied project developed just one block from the community's main street. Demand for these units was high, and the project was an immediate success with zero vacancy within one year.



6.0 Appendix

6.1 About Anderson Economic Group

Anderson Economic Group specializes in providing economic development, market assessment, and other consulting services to organizations seeking to improve performance, identify growth opportunities, and maximize efficiency from an increased understanding of the impacts that their decisions have on the future of their communities.

AEG considers factors that others may overlook, ensuring accurate results and actionable strategies. For this reason, our work is often used in legislative hearings, legal proceedings, and executive board strategy discussions. Since our founding in 1996, our analyses have helped clients throughout the United States to understand and respond to changes in economics, policies, and local demographics. Examples of recent clients for which AEG provided economic development services include:

- State governments in Michigan, Wisconsin, and North Carolina
- Counties including Oakland, Cass, Berrien, Van Buren, Barry, and Ionia, MI
- Metropolitan cities including of Detroit, MI; Norfolk, VA; and Fort Wayne, IN
- Smaller towns including Paw Paw, Big Rapids, and Watervliet, MI
- Non-profit organizations including Michigan Chamber of Commerce, Michigan Retailers Association, and Grand Rapids Area Chamber of Commerce
- Businesses including Detroit Lions, SBC Ameritech, and General Motors

Anderson Economic Group follows a quality assurance program based on the principles of ISO in all client engagements. This program is designed to ensure quality work, delivered on time and within budget. Our professionals are held to the highest levels of integrity, working with the client's best interests in mind.

More information on AEG, its services, and past projects can be found on the firm's web site at <http://www.AndersonEconomicGroup.com>.