

Housing Assessment – First Quarter 2020

Downtown Davenport, Iowa



Prepared For:

Downtown Davenport Partnership
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Quad Cities Regional Apartment Market Background

The Quad Cities regional apartment market remains strong at a 95% occupancy level.

The Quad Cities regional apartment market shows healthy overall occupancy levels among all rental types, indicative of a balanced market.

Since 2017, the addition of new rental product and slowing of renter household growth has resulted in a two-percentage point decline in occupancy levels among market-rate properties. A summary of the Quad Cities rental housing survey, including rental data specific to Davenport follows.

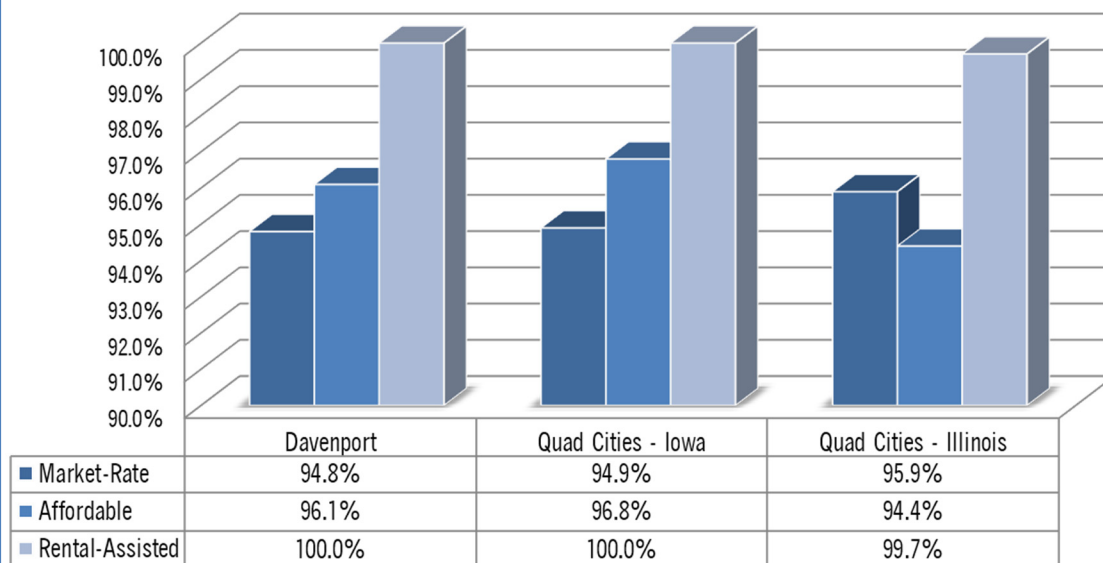
First Quarter 2019 Survey: 180 apartment properties totaling 14,400 units

	City of Davenport	City of Bettendorf	Quad Cities – Illinois*
Total Properties Surveyed	79	18	83
Total Units Surveyed	6,001	1,802	6,597
Market-Rate Occupancy	94.8%**	95.2%	95.9%
Affordable Occupancy	96.1%	100.0%	94.4%
Rental-Assisted Occupancy	100.0%	100.0%	99.7%

*Includes communities of Rock Island, Moline, East Moline, Silvis and Milan

** Does not include Gordon-VanTine Commons vacancies because the property is in its initial rent-up period

Occupancy Rates By Area and Rental Type



Rental Property Type Descriptions

- Market-Rate: Properties available to households with no rent or income limitations
- Affordable: Tax Credit properties with income and rent restrictions; available to households with incomes up to 80% of area median
- Rental-Assisted: Tenants pay no more than 30% of income; available to households with incomes below 50% of area median

Downtown Davenport – Occupancy Levels

Downtown apartment occupancy: 90%, 6 to 8 percentage points below typical occupancy, largely attributable to historic flood.

The downtown's historic flood occurred the day before the start of the peak apartment leasing season, May 1st. Flood waters, business closings, property damage and road closures remained for much of the 4-month peak season.

DDA estimates that of the 670 units surveyed in downtown, as many as 200 units were up for lease renewal during the period of time affected by the flood. During this same period, new leases were made available at Hibernia Hall and the recently opened Gordon-VanTine Commons, on the periphery of downtown. Rent concessions in several downtown properties range from \$200 to \$500 off or the first month's rent free.



Aerial of 2019 flood

Market-Rate Survey Participants (26)

- 501 Brady	- Dorothea Apartments	- Mississippi Lofts
- Andresen Flats	- Forrest Block	- Perry Hill Apartments
- Carriage Haus	- Gordon-VanTine Commons*	- Pershing Hill Lofts
- Christie Park	- Halligan Coffee Company Lofts	- Peterson Paper Lofts
- City Square	- Hibernia Hall	- Renwick
- City View	- Hotel Blackhawk	- Schricker Flats
- Crescent Lofts	- Kilkenny Building	- Union Arcade
- Current	- Lafayette Square	
- Democrat Lofts	- Market Lofts	

*Technically, not within Downtown boundaries and not included in downtown's occupancy rate

More than half of Downtown properties have sub-90 percentile occupancy

- Common characteristics of the low occupancy (sub-90%) properties:
 - Lack on-site management
 - Limited internet presence
 - Management difficult to contact
 - Average 22 units
 - Access limited by 2019 flood

Downtown Tax Credit properties fared better at 96.1% occupied.

- Five low-income properties, totaling 270, were surveyed: Riverwalk Lofts; 501 Brady; Crescent Lofts; Mississippi Lofts and Lafayette Square
- Two properties are operating from waiting lists.

Downtown Davenport – Projected Housing Demand

The region's renter household growth rate continues to slow since 2017. DDA estimates annual renter household growth for all of Scott County, Iowa at approximately 200.

- In the next five years, ESRI, Incorporated projects annual household growth of 183 for the City of Davenport
- Future projections take into consideration that pent up demand has been largely accommodated

Projected demand through 2024 shows a remaining housing deficit of 398 units, not including any planned rental housing developments.

Projected Market-Rate Demand through 2024				
Years	DDA's Projected Demand		Market-Rate Development*	Cumulative Unmet Demand
	Annual Average	Total		
2013 – 2015	120	360	284 units built, open and occupied <ul style="list-style-type: none"> • 5th Street Lofts • Democrat Lofts • Executive Square • Halligan Coffee Lofts • Market Lofts • Peterson Paper Lofts • Renwick Building • Union Arcade • Davenport Bank (fka Wells Fargo) 	76 units
2016 – 2019	90	360	236 units built; 102 units under construction <ul style="list-style-type: none"> • 501 Brady Apartments • City Square • City View • Lafayette Square • Hibernia Hall • Gordon-Van Tine Commons • Pershing Hills Lofts • 321 E 2nd Street • The Livery • KAHL Building • Bucktown Lofts 	98 units
2020 – 2024	60	300	To Be Determined	398 units
Total Units		1,020	622 units built, under construction	398 units

*Does not include Tax Credit units at or below 60% AMI

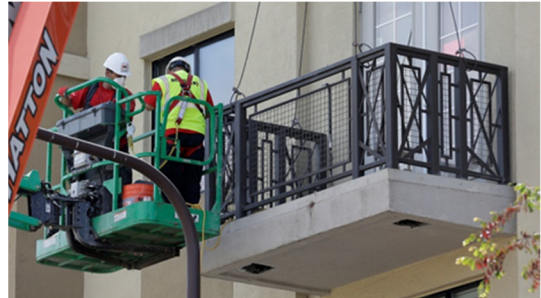
NOTE: We are aware of preliminary plans for six projects in the downtown, totaling 566 units. It is unlikely that all of these projects come to fruition, but in the event they were all developed in the next five years, there would be a surplus of market-rate units and declines in occupancies and prevailing rent levels should be expected.

Downtown Davenport – Projected Housing Demand

Optimal Development and Build-Out Considerations

- The ability to build out to full demand potential will require a variety of rental housing stock, which may include the following:

- townhome-style units;
- units with balconies;
- micro units within amenitized-buildings;
- properties with premium river views
- properties within a block of green space; restaurants and/or entertainment clusters



- Continued development of the same product could result in higher vacancies despite the presence of unmet demand.

Target Market – Household Size & Income

- By 2024, there will be a projected 7,873 one- and two-person renter households in Scott County, Iowa with incomes in excess of \$35,000. The largest segment of the market-rate renter households are those with incomes between \$35,000 and \$75,000.
- Based on projected renter incomes and affordability ratios, DDA estimates the strongest market response will be for units priced within the \$750 to \$1,100 price range.

Household Income	Renter Household Size By Income (2024)	
	One-Person	Two-Person
\$35,000 - \$49,999	1,734	1,118
\$50,000 - \$74,999	1,291	1,345
\$75,000 - \$99,999	585	603
\$100,000 - \$149,999	296	371
\$150,000 or more	192	338
Total	4,098	3,775

Data Sources: ESRI, Inc for incomes; HUD's Special Tabulations for tenure and household mix; 2010 Census; and DDA

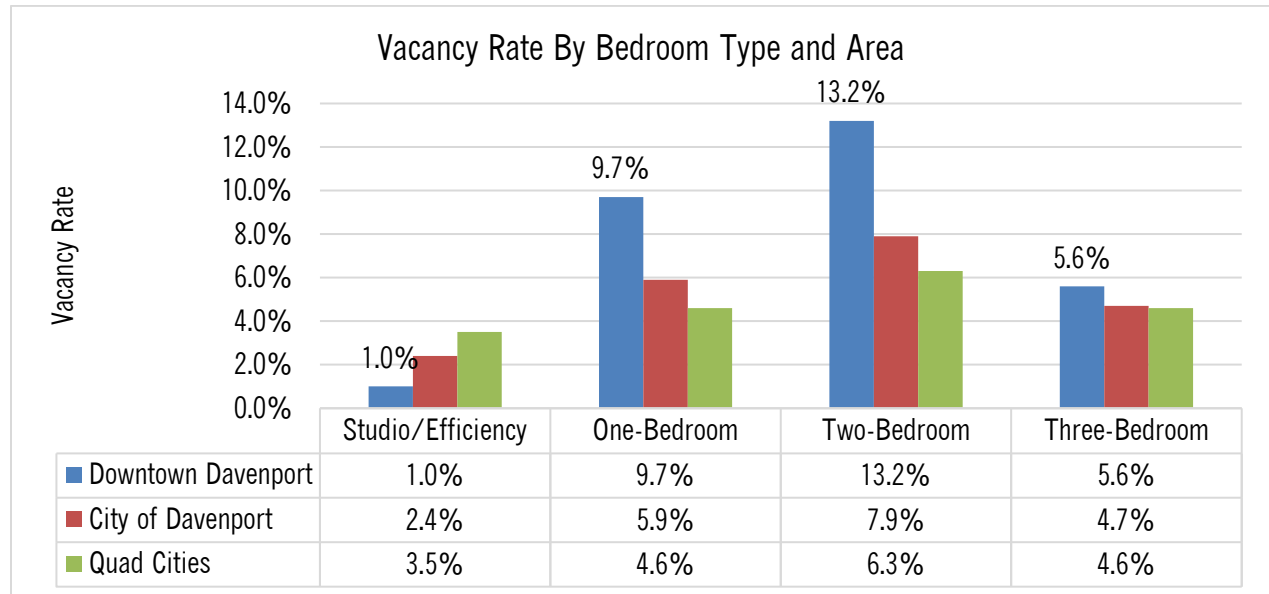
Demand remains for an additional mixed-income Tax Credit project within the downtown. An additional 46 one-bedroom units designated for low-income households will bring balance to the downtown affordable housing unit mix.

- One-bedroom vacancy rate among Tax Credit projects is 2.0%, lowest among all unit types
- Low-income tax credit one-bedroom units represent 53% of the market
- Consideration should be given to using this type of project as a catalyst in areas of the downtown void of recent development

Downtown Davenport – Median Rent Comparisons

Market-rate vacancies remain highest among two-bedroom units.

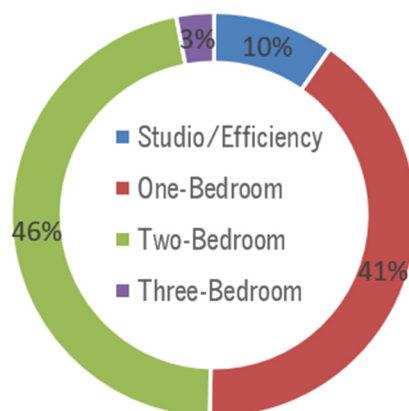
- The release of 77 more two-bedroom market-rate units at Gordon-VanTine, on the periphery of the downtown, increases the previous unit share by six percentage points.



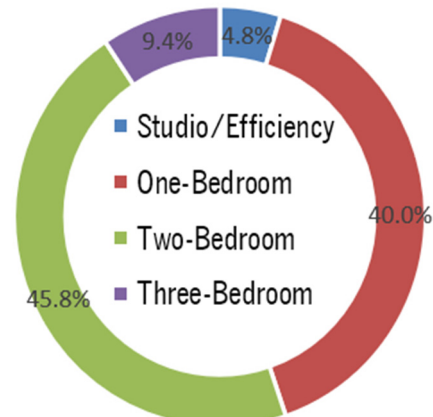
Downtown Davenport offers a higher share of two-bedroom market-rate units than one-bedrooms and the overall Quad Cities region, an atypical unit mix for a downtown.

- Most well-developed downtowns have no more than 30% to 40% two-bedrooms in the rental stock.

Downtown Davenport Unit Mix



Quad Cities Unit Mix



- Downtown's higher than typical share of two-bedroom units is resulting in higher vacancy rates

Downtown Davenport – Rent Per Square Foot

The average market-rate unit in Downtown is priced between \$1.24 and \$1.42 rent per square foot, depending on the unit type.

The distribution of average collected rent per square foot by unit types indicates that the two-bedroom units are priced slightly lower to combat the higher vacancies.

Unit Type	Collected Rent	Unit Size (SF)	Rent Per SF
Studio	\$788	567	\$1.39
One-Bedroom	\$1,040	732	\$1.42
Two-Bedroom	\$1,362	1,094	\$1.24
Three-Bedroom	\$1,785	1,375	\$1.30

As the below table shows, the highest share of two- and three-bedroom units in downtown are priced above \$1,250. The higher-priced units are primarily affordable to those renters with incomes of \$75,000 and higher which represent 30% of the market-rate renter pool.

Average Rent Levels	Share of Market-Rate Units by Average Rent Level and Bedroom Type		
	Studio/ One-Bedroom	Two-Bedroom	Three-Bedroom
Less than \$750	33.7%	-	-
\$750 - \$849	5.4%	21.2%	-
\$850 - \$1,049	33.7%	3.7%	-
\$1,050 - \$1,250	27.2%	10.4%	8.7%
\$1,250 - \$1,499	-	46.5%	21.7%
\$1,500 or more	-	18.2%	69.6%

The lowest average rents generally represent the oldest product in downtown with minimal amenities and only one bath in the two- and three-bedroom units.

Downtown Davenport – Potential Resident Appeal

Downtown Davenport has a vibrant commercial environment capable of attracting a wide variety of resident types and achieving rents upwards of 145% above average regional rents (refer to blue highlighted area below).

The commercial environment is an important factor in providing a unique lifestyle and attracting persons to live downtown. As the matrix below shows, the number and type of households that would consider living downtown increases when there is a more developed commercial environment.

Commercial Environment*	Commercial Characteristics	Target Market (s)	Description of Target Market	Prevailing Rental Housing Rate
Poor	Few retail and food & beverage establishments; high vacancies; limited community services	Urban Pioneer/Artist	Smallest target group; appreciates historic urban environ and attractive architecture; likes raw/original space;	Often large units and above average unit rent, but rent per square foot is well below market average (some ownership)
Limited	Limited retail and food & beverage; high vacancies; community services and public transit available	Urban Pioneer/Artist Low-Income Singles	Most transient group; affordability of housing is the primary concern; often reside in subsidized/public housing; proximity to support services and public transit is important	Below market <\$750 1BR; <\$900 2BR
Fair	Moderate level of restaurants and bars; modest vacancies in commercial ground floors; limited retail; public transit is important	Urban Pioneer/Artist Low-Income Singles Students/Service-Oriented Employees	Affordability important; roommate situation common; willing to overlook quality and size of apartment to be a downtown resident	Average – \$750 - \$875 1BR; \$900 - \$1,050 2BR
Healthy	Variety of restaurants and bars; coffee shops; galleries; dry cleaners; fitness center; low vacancy rate	Urban Pioneer/Artist Low-Income Singles Students/Service-Oriented Employees Young Professionals/ Entrepreneurs	Singles and married couples; owners and employees of local businesses; other creative class workers (architects, web designers, etc.); In county seats, a high share of young professionals are attorneys and government workers	Above Average – \$875 - \$1,100 1BR; \$1,050 - \$1,315 2BR
Vibrant	Variety of restaurants/bars; coffee shops; bakery; convenience retail; fitness; performing arts; boutique shops; few vacancies	Urban Pioneer/Artist Low-Income Singles Students/Service-Oriented Employees Young Professionals/ Entrepreneurs Empty Nester/Homeowners	Empty nesters and other households with incomes of \$150,000 and higher or with substantial net worth; need high-end finishings and services to support upscale lifestyle	Top End of Market – \$1,100+ 1BR \$1,315+ 2BR

*Category is based on vacancy status and variety of retail/restaurant, entertainment, and other goods and services.

Notably, achievable rent levels in some downtown areas are more likely to remain in the average to above average price range due to the lack of appealing amenities within immediate proximity.

Downtown housing development enters the Competitive Stage.

The prior years of unbridled demand for additional rental housing stock, with or without consideration of quality or price, are over. In today's market, market-rate renters have more choices and new developments will need to be competitive, in terms of quality and price, to be successful.

Future housing development should have a focus on the following elements:

- Higher share of studio/one-bedroom units representing a 70%, 80% or 100% share of a development, depending on overall size of the project and amenities.
- Target rents affordable to households within the \$35,000 to \$75,000 income range
 - \$750 - \$1,100
- Providing a variety of product not readily available in downtown
 - townhome-style units;
 - units with balconies;
 - micro units within amenitized-buildings;
 - properties with premium river views
 - properties within a block of green space; restaurants and/or entertainment clusters
 - smaller-scale projects (without dedicated parking) proximate parking ramps
- Active management and marketing efforts
 - Leasing agents available for contact throughout the day; DDA representatives found it very difficult to get in touch with management to inquire about an apartment
 - A dedicated website of the entire apartment development, not just vacant units
 - Marketing the property should continue though fully occupied

The types of ground floor uses in mixed-use apartment buildings are viewed by prospective tenants as an extension of their apartment unit and overall lifestyle and are a key consideration of whether to rent an apartment.

- Vacant ground floor space hinders marketability of upper floor apartments
- Complementary uses, such as a fitness center, coffee shop or restaurant enhance marketability and often yield rent premiums for apartments

Larger properties should capitalize on the continuing trend in downtowns offering upscale housing with offer concierge services and high-tech options similar to hotels to further promote a unique and vibrant lifestyle.

- | | |
|--------------------------------|---|
| – Package delivery center | – Car sharing service or other transportation |
| – Dry cleaning/laundry pick up | – Website with online rent pay |
| – Common area Wi-Fi | – Key fob |
| – Door attendant | – USB ports |