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# MARKET ANALYSIS

Of

## Residential Market Potential

The SoBro Study Area  
City of Louisville/Jefferson County, Kentucky

May, 2005

On Behalf of the  
DOWNTOWN DEVELOPMENT CORPORATION

Conducted by  
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Research & Strategic Analysis

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## MARKET ANALYSIS

### Residential Market Potential

SoBro Study Area  
*City of Louisville/Jefferson County, Kentucky*

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#### INTRODUCTION

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The purpose of this study is to identify the depth and breadth of the market for newly-introduced market-rate housing units—created both through the adaptive re-use of existing non-residential buildings as well as through new construction—to be leased or sold within the SoBro Study Area. For the purposes of this study, the SoBro Study Area encompasses the area bounded by Broadway in the north, Interstate 65 in the east, Kentucky Street to the south, and 9<sup>th</sup> Street to the west. Because of the existence of uses incompatible with residential development, the industrial area south of Kentucky and the six blocks east of Interstate 65.

The extent and characteristics of the potential market for new housing units in SoBro were identified using Zimmerman/Volk Associates' proprietary target market methodology. This methodology was developed in response to the challenges that are inherent in the application of conventional supply/demand analysis to urban development and redevelopment. Supply/demand analysis ignores the potential impact of newly-introduced housing supply on settlement patterns, which can be substantial when that supply is specifically targeted to match the housing preferences and economic capabilities of the draw area households.

In contrast to conventional supply/demand analysis, then—which is based on supply-side dynamics and baseline demographic projections—target market analysis determines the depth and breadth of the potential market derived from the housing preferences and socio-economic characteristics of households in the defined draw area. Because it considers not only basic

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demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues, the target market methodology is particularly effective in defining a realistic housing potential for urban development and redevelopment.

In brief, using the target market methodology, Zimmerman/Volk Associates determined:

- Where the potential renters and buyers for new housing units in SoBro are likely to move from (the draw areas);
- Who currently lives in the draw areas and what they are like (the target markets);
- How many have the potential to move to the Study Area if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- What their alternatives are (new construction or existing housing stock in Downtown Louisville and in other areas of the city);
- What they will pay to live in SoBro (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

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

NOTE: Tables 1 through 6, included in this document, contain summaries of the market potential and optimum market position for new market-rate housing units created through adaptive re-use of existing buildings and/or new construction within the SoBro Study Area, City of Louisville/Jefferson County, Kentucky. Tables 7 and 8, also included in this document, outline the rental supply-side context, and the changes in rents between 2000 and 2005. Table 9 details the relevant for-sale supply-side data. The appendix tables contain migration and target market data covering the appropriate draw areas for the City of Louisville/Jefferson County and for SoBro and are published in a separate volume.

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## MARKET POTENTIAL

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American households, perhaps more than any other nation's, have always demonstrated extraordinary mobility. In 2004, depending on region, between 16 and 18 percent of American households moved from one dwelling unit to another. Household mobility is higher in urban areas; a higher percentage of renters move than owners; and a higher percentage of younger households move than older households.

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is therefore integral to the determination of the depth and breadth of the potential market for market-rate housing units within the SoBro Study Area.

Analysis of City of Louisville/Jefferson County migration and mobility patterns from 1998 through 2002—the latest data available from the Internal Revenue Service—shows that the city/county continues to experience net migration losses to other counties in the region, and net migration gains from outside the region. (See Appendix One, Table 1.)

At the beginning of the study period, in 1998, more than 13,100 households moved out of Louisville/Jefferson County, compared to the 12,715 households that moved into the city/county that year, for a net loss of approximately 400 households. By 2002, the number of households moving out of Louisville/Jefferson County had dropped to 12,445; the number moving in also fell slightly to 12,490, which resulted in a slight net gain of just under 50 households. Between 25 and 30 percent of the city/county's in-migration is from other counties in the region, although collectively, the majority of in-migration is from urban areas in the United States.

However, even though net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

This study therefore identifies the depth and breadth of the potential market for market-rate housing units within both the City of Louisville/Jefferson County and the SoBro Study Area,

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including those households already living in the city and those households that are likely to move into the city if appropriate housing options were to be made available.

*Where will the potential market for housing in the City of Louisville/Jefferson County move from?*

*—The Draw Areas—*

The depth and breadth of the potential market for new and existing market-rate housing units in the City of Louisville/Jefferson County was determined through migration, mobility and target market analyses of households currently living within defined draw areas. Based on the migration analysis, the draw areas for the City of Louisville/Jefferson County have been delineated as follows:

- The primary (internal) draw area, covering households currently living within the Louisville city limits, as well as those currently living in the balance of Jefferson County. Between 11 and 15 percent of the households living in the Louisville/Jefferson County move to another residence within the city/county each year.
- The local draw area, covering households with the potential to move to the City of Louisville/Jefferson County from the adjacent counties of Bullitt and Oldham in Kentucky, and Clark County, Indiana. Households moving from these three counties comprise just under 20 percent of total Louisville/Jefferson County in-migration.
- The urban draw area, covering households with the potential to move to the City of Louisville/Jefferson County from Cook County, Illinois (Chicago), Hamilton County, Ohio (Cincinnati), Davidson County, Tennessee (Nashville), and Marion County, Indiana (Indianapolis). Households moving from these four counties comprise approximately five percent of total Louisville/Jefferson County in-migration.
- The national draw area, covering households with the potential to move to the City of Louisville/Jefferson County from all other U.S. counties. Approximately 9,500 households move into the City of Louisville/Jefferson County from elsewhere in the

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United States each year; a small additional number are households moving from outside the United States.

As derived from migration, mobility and target market analysis, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Louisville/Jefferson County and with the financial capacity to rent or purchase market-rate dwelling units) would be as follows (*see also* Appendix One, Table 7):

**Market Potential By Draw Area**  
*City of Louisville/Jefferson County, Kentucky*

Louisville/Jefferson (Primary Draw Area):	72.4 percent
Bullitt, Oldham & Clark (Local Draw Area):	6.6 percent
Chicago, Cincinnati, Nashville & Indianapolis (Urban Draw Area):	1.5 percent
Balance of US (National Draw Area):	19.5 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

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The target market methodology identifies those households with a preference to live in urban neighborhoods. After discounting for those segments of the city’s potential market that have preferences for suburban and/or rural locations, the distribution of draw area market potential for new and existing units within the SoBro Study Area would be as follows (*see also* Appendix One, Table 11):

**Market Potential By Draw Area**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

Louisville/Jefferson (Primary Draw Area):	77.4 percent
Bullitt, Oldham & Clark (Local Draw Area):	1.4 percent
Chicago, Cincinnati, Nashville & Indianapolis (Urban Draw Area):	2.9 percent
Balance of US (National Draw Area):	16.3 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

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The primary and urban draw areas represent somewhat larger proportions of market potential for new housing in SoBro than for the city/county as a whole. Conversely, the local and national draw area, represent somewhat smaller segments of market potential for SoBro than for the city/county as a whole.

*How many households are likely to move within or to the SoBro Study Area?*

As determined by the target market methodology, which accounts for household mobility within the City of Louisville/Jefferson County, as well as mobility patterns for households currently living in all other cities and counties, in the year 2005, up to 4,200 younger singles and couples, empty nesters and retirees, and family-oriented households currently living in the draw areas represent the potential market for new and existing market-rate housing units within the SoBro Study Area. The housing preferences of these draw area households—according to tenure (rental or for-sale) and broad financial capacity—can be arrayed as follows (*see also* Table 1):

**Potential Market For New and Existing Housing Units**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent	1,340	31.9%
Multi-family for-sale	720	17.1%
Single-family attached for-sale	520	12.4%
Low-range single-family detached	420	10.0%
Mid-range single-family detached	850	20.2%
High-range single-family detached	<u>350</u>	<u>8.3%</u>
Total	4,200	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

These 4,200 households comprise just under 13 percent of the approximately 32,600 households that represent the potential market for the combined City of Louisville/Jefferson County, a share of the total market that is consistent with Zimmerman/Volk Associates' experience in other cities.

Table 1

**Potential Housing Market**

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households  
With The Potential To Move To The Area In 2005

**SoBro**

*City of Louisville/Jefferson County, Kentucky*

*Jefferson County; Adjacent Counties; Out of State Urban Counties; All Other US Counties  
Draw Areas*

Total Target Market Households  
With Potential To Rent/Purchase In  
City of Louisville/Jefferson County, Kentucky 32,590

Total Target Market Households  
With Potential To Rent/Purchase In  
SoBro 4,200

**Potential Housing Market**

	<i>Multi- ..... Family .....</i>		<i>Single- ..... Family .....</i>				<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached .. All Ranges</i>	<i>..... Detached .....</i>	<i>Low-Range</i>	<i>Mid-Range</i>	
Total Households:	1,340	720	520	420	850	350	4,200
<i>{Mix Distribution}:</i>	31.9%	17.1%	12.4%	10.0%	20.2%	8.3%	100.0%

**SoBro Residential Mix**

	<i>Multi- ..... Family .....</i>		<i>Single- .. Family .. .. Attached .. All Ranges</i>	<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>		
Total Households:	1,340	720	520	2,580
<i>{Mix Distribution}:</i>	51.9%	27.9%	20.2%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 10.

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

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The market potential numbers indicate the depth of the potential market for new housing units within the Study Area, not housing need and not projections of household change. These are the households that are likely to move within or to SoBro if appropriate housing options were to be made available.

From the perspective of draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Downtown Louisville/SoBro market area, the potential market for new housing units within the Study Area could include the full range of housing types, from rental multi-family to for-sale single-family detached. However, as in the Downtown, new construction should concentrate on higher-density housing types, which support civic and commercial urban development and redevelopment most efficiently and include:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale); and
- Townhouses, rowhouses, live-work (single-family attached for-sale).

The raw space version of a loft, or “hard” loft, is adaptable for a wide range of non-residential uses, from an art or music studio to a small office, as well as residential living areas. The loft is not dependent upon building form, other than that it is almost always within a multi-unit building.

Although lofts can accommodate work space, the live-work units are typically attached buildings, each with only one principal dwelling unit that includes flexible space that can be used as office, retail, or studio space, or as an accessory dwelling unit. Live-work units could therefore be developed through adaptation of a rowhouse or even the combination of two adjacent rowhouses. The non-residential ground-floor uses could be helpful in establishing a daytime presence in neighborhoods that are largely residential, thereby adding an element of security.

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This analysis has determined then that in the year 2005 up to 2,580 households currently living in the defined draw areas represent the pool of potential renters/buyers of new market-rate housing units (new construction and/or adaptive re-use of formerly non-residential structures), excluding single-family detached units, within the SoBro Study Area (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached housing types would be as follows:

**Target Residential Mix  
 Market-Rate Higher-Density Housing Units  
 SOBRO STUDY AREA  
 City of Louisville/Jefferson County, Kentucky**

Multi-family for-rent (lofts/apartments, leaseholder)	1,340	51.9%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	720	27.9%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	<u>520</u>	<u>20.2%</u>
Total	2,580	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

Again, these numbers indicate the depth of the potential market for market-rate housing units within the SoBro Study Area if appropriate housing options were available. Without an appropriate range of available housing options throughout the Study Area, these households have either moved elsewhere or have moved less frequently than their typical mobility rates would predict.

*How fast will the units lease or sell?*

—Market Capture—

After more than a fifteen 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 five and 10 percent of the potential market, depending on housing type, is achievable in this Study Area. Based on a 10 percent capture of the potential market for multi-

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family units, and a five percent capture of single-family attached units, the SoBro Study Area could support up to 232 new units per year, as follows:

**Annual Capture of Market Potential**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	1,340	10%	134
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	720	10%	72
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple/ condominium ownership)	<u>520</u>	5%	<u>26</u>
Total	2,580		232

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

Based on the migration and mobility analyses, and dependent on the creation of appropriate new housing units, up to 20 percent of the annual market potential of 232 new dwelling units in the SoBro Study Area, or approximately 45 units per year, could be from households moving from outside the City of Louisville. Over five years, the realization of that market potential could lead to an increase of more than 225 households living in SoBro that moved from elsewhere in the region or the country.

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 urban 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.

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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 MARKET ANALYSIS

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### *Who is the potential market?*

#### *—The 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 82 million Baby Boomers born between 1946 and 1964, and the 78 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, particularly affluent Boomers, are rediscovering the merits and pleasures of urban living.

Meanwhile, 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 the main means of liberation. 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

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priced out of these larger cities, Millennials are discovering second, third and fourth tier urban centers.

The convergence of two generations of this size—each 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 11 years from now.

As determined by this analysis, then, the potential market for new and existing market-rate housing units in the SoBro Study Area can be characterized by general household type as follows (*see also* Table 2):

**Target Residential Mix By Household Type**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE ROWHOUSES
Empty-Nesters & Retirees	27%	22%	35%	27%
Traditional & Non-Traditional Families	6%	7%	3%	8%
Younger Singles & Couples	<u>67%</u>	<u>71%</u>	<u>62%</u>	<u>65%</u>
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

- **The largest general market segment is composed of younger, mostly childless households (younger singles and couples). These households typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses.**

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The potential markets for SoBro in this segment include *Suburban Achievers, Upscale Suburban Couples, Urban Achievers, Small-City Singles, Twentysomethings, New Bohemians* and *e-Types*—young professionals and office workers, many in medical fields; small business owners; and artists or artisans. These households are true urbanites who prefer to live downtown or in-town neighborhoods for their diversity, as well as for the availability of a variety of activities, including employment and cultural opportunities, as well as restaurants and clubs.

Younger singles and couples currently represent between 62 and 71 percent of the market, depending on housing type, for market-rate housing units in SoBro. However, as noted above, the “Millennials” are likely to become an even larger market for urban housing. If the preference for urban housing demonstrated by the leading edge of this group is representative of the entire generation, the market potential from this segment should increase significantly over the next decade.

- **The next largest market segment is comprised of older households (empty nesters and retirees). A significant number of these households have children who have grown up and moved away; another large percentage are retirees, with incomes from pensions, savings and investments, and social security. Many of them are currently living in Louisville’s suburbs.**

These older households are quite dissimilar in their attitudes from either younger or family-oriented households. They have different expectations, and paramount among them is the perceived ease and convenience of single-level living, meaning a master suite on the same floor as the living area, and few stairs in the unit. They want their dwelling units to accommodate, to the fullest extent possible, their ability to age in place.

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The potential markets for SoBro in this segment include *Multi-Ethnic Empty Nesters*, *Mainstream Retirees*, *Middle-American Retirees*, *Middle-Class Move-Downs*, *Suburban Establishment*, *Affluent Empty Nesters*, and *Cosmopolitan Couples*, mostly empty-nest couples moving from single-family detached houses elsewhere in Louisville.

Empty-nest and retiree households currently represent between 22 percent and 35 percent of the market for housing units in the SoBro Study Area, depending on housing type. However, as with the Millennial Generation, over the next several years this market segment should substantially increase, because larger numbers of the “Baby Boom” generation will be entering the empty-nest life stage. In 2005, the oldest Baby Boomers are celebrating their 59th birthdays; in city after city across the country, a significant number of Baby Boomers have already made the decision to move from detached houses in the suburbs to rental or condominium apartments in or near downtowns, when those units have been available.

- **The third, and smallest, general market segment is comprised of family-oriented households (traditional and non-traditional families). Non-traditional families, which during the 1990s became an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single parent with one or more children, an adult caring for younger siblings, a grandparent with grown children and grandchildren, to an unrelated same-sex couple with children. Traditional families contain a married man and woman with an average of two or more children. These can also include “blended” families, in which each parent was previously married to another individual and each has children from that marriage.**

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Households with school-age children have historically been among the first to leave a city when one or all of three significant neighborhood elements—good schools, safe and secure streets, and sufficient green space—are perceived to be at risk. Although this is the smallest market segment, the households within three of the four family groups—*Full-Nest Urbanites*, *Multi-Cultural Families*, and *Multi-Ethnic Families*—are households that have a preference for urban living. Most of the adults in these households were raised in or near an urban center and have rejected the suburban alternative; most will already have made appropriate school accommodations—public, charter, parochial or private. The fourth group, *Unibox Transferees*, seeks new construction with a strong potential for escalation; they will choose to live in both urban and suburban neighborhoods.

Depending on housing type, family-oriented households comprise between three and seven percent of the market for housing units within the SoBro Study Area.

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

**Primary Target Groups**  
**(In Order of Median Income)**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
<i>Empty Nesters &amp; Retirees</i>			
<i>Suburban Establishment</i>	\$71,400	\$45,000–\$135,000	\$197,700
<i>Affluent Empty Nesters</i>	\$71,100	\$40,000–\$150,000	\$194,600
<i>Cosmopolitan Couples</i>	\$65,700	\$40,000–\$140,000	\$256,000
<i>Mainstream Retirees</i>	\$55,400	\$35,000–\$85,000	\$124,600
<i>Multi-Ethnic Empty Nesters</i>	\$53,300	\$35,000–\$90,000	\$194,800
<i>Middle-Class Move-Downs</i>	\$44,200	\$30,000–\$80,000	\$144,400
<i>Middle-American Retirees</i>	\$42,900	\$25,000–\$75,000	\$113,100
<i>Traditional &amp; Non-Traditional Families</i>			
<i>Full-Nest Urbanites</i>	\$74,300	\$40,000–\$100,000	\$327,000
<i>Unibox Transferees</i>	\$71,300	\$45,000–\$90,000	\$199,400
<i>Multi-Cultural Families</i>	\$49,300	\$30,000–\$80,000	\$192,800
<i>Multi-Ethnic Families</i>	\$44,300	\$30,000–\$70,000	\$126,800

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HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
<b>Younger Singles &amp; Couples</b>			
<i>e-Types</i>	\$81,700	\$50,000–\$125,000	\$334,900
<i>Upscale Suburban Couples</i>	\$58,600	\$40,000–\$95,000	\$151,900
<i>New Bohemians</i>	\$54,800	\$30,000–\$90,000	\$228,300
<i>Twentysomethings</i>	\$46,600	\$30,000–\$80,000	\$135,200
<i>Suburban Achievers</i>	\$45,400	\$25,000–\$90,000	\$136,600
<i>Urban Achievers</i>	\$43,700	\$25,000–\$75,000	\$169,200
<i>Small-City Singles</i>	\$39,900	\$25,000–\$75,000	\$127,800

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., 2005.

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

Table 2

**SoBro Residential Mix By Household Type**

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households  
With The Potential To Move To The Area In 2005

**SoBro**

*City of Louisville/Jefferson County, Kentucky*

Number of Households:	Total	Multi- ..... Family .....		Single- .. Family .. .. Attached .. All Ranges
		<i>For-Rent</i>	<i>For-Sale</i>	
	2,580	1,340	720	520
<b>Empty Nesters &amp; Retirees</b>	27%	22%	35%	27%
<b>Traditional &amp; Non-Traditional Families</b>	6%	7%	3%	8%
<b>Younger Singles &amp; Couples</b>	67%	71%	62%	65%
	100%	100%	100%	100%

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

Residential Market Potential  
 SoBro Study Area  
*City of Louisville/Jefferson County, Kentucky*  
 May, 2005

MARKET-RATE RENT AND PRICE RANGES: SOBRO

*What is the market currently able to pay?*

*—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 newly-developed market-rate residential units that could currently be sustained by the market is as follows (*see also* Table 3):

**Rent, Price and Size Range  
 Newly-Created Housing  
 SOBRO STUDY AREA  
*City of Louisville/Jefferson County, Kentucky***

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
<b>RENTAL—</b>			
Hard Lofts*	\$575-\$1,100/month	600-1,200 sf	\$0.92-\$0.96 psf
Soft Lofts†	\$700-\$1,550/month	650-1,450 sf	\$1.07-\$1.08 psf
<b>FOR-SALE—</b>			
Hard Lofts*	\$80,000-\$160,000	600-1,200 sf	\$133 psf
Soft Lofts†	\$95,000-\$200,000	650-1,450 sf	\$138-\$146 psf
Townhouses Over Flats	\$110,000-\$185,000	750-1,300 sf	\$142-\$147 psf
Rowhouses	\$150,000-\$285,000	1,000-2,000 sf	\$143-\$150 psf
Live-Work	\$195,000-\$295,000	1,250-2,000 sf	\$148-\$156 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., 2005.

Table 3

**Optimum Market Position**  
**SoBro Study Area**  
*City of Louisville/Jefferson County, Kentucky*  
**May, 2005**

<i>Housing Type</i>	<i>Percent Mix</i>	<i>Base Rent/Price Range*</i>	<i>Base Unit Size Range</i>	<i>Base Rent/Price Per Sq. Ft.*</i>
<b>Multi-Family For-Rent</b>				
Hard Lofts <i>Open Floorplans</i>	30%	\$575 to \$1,100	600 to 1,200	\$0.92 to \$0.96
Soft Lofts <i>1 to 3-Bedrooms</i>	60%	\$700 to \$1,550	650 to 1,450	\$1.07 to \$1.08
<b>Multi-Family For-Sale</b>				
Hard Lofts <i>Open Floorplans</i>	20%	\$80,000 to \$160,000	600 to 1,200	\$133
Soft Lofts <i>1 to 3-Bedrooms</i>	45%	\$95,000 to \$200,000	650 to 1,450	\$138 to \$146
Townhouses Over Flats <i>1 and 2-Bedrooms</i>	35%	\$110,000 Flat \$185,000 TH	750 1 br 1,300 2 br	\$142 to \$147
<b>Single-Family Attached For-Sale</b>				
Rowhouses <i>2 and 3-Bedrooms</i>		\$150,000 to \$285,000	1,000 to 2,000	\$143 to \$150
Live-Work <i>1 and 2-Bedrooms</i> <i>750 to 1,000 sf "work" space</i> <i>500 to 1,000 sf "living" space</i>		\$195,000 to \$295,000	1,250 to 2,000	\$148 to \$156

NOTE: Base rents/prices in year 2005 dollars and exclude floor, view or lot premiums, options or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Residential Market Potential  
SoBro Study Area  
*City of Louisville/Jefferson County, Kentucky*  
May, 2005

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The above rents and prices are in year 2005 dollar, are exclusive of consumer options and upgrades, or floor or location premiums, and cover the broad range of rents and prices currently sustainable in SoBro. 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.

All units should be wired for cable television and high-speed internet or, if practical, within range of a building-wide WiFi system. For “hard lofts,” unless existing floors can be salvaged, stained and polished concrete would be appropriate for the floors of each unit, ceramic tile for the bathroom and kitchen areas. In the kitchens, countertops should be polished concrete or some other durable, non-traditional material, with integral or undermount stainless sinks and appliances, and plain-front European-style, although inexpensive, cabinetry. Although these units are typically designed without interior walls, with the exception of the bathroom, 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, reconditioned floors and large, commercial-style windows. In the kitchens, countertops should be granite or polished concrete, with integral or undermount ceramic sinks and stainless appliances, and European cabinets. Bathrooms should have ceramic tile floors and non-traditional fixtures.

The above rents and prices are “market rates”—that is, within the economic context of both older and more recently-constructed market-rate rental units in Louisville and relative to price ranges and prices per square foot of new construction elsewhere in the city. Rents and prices lower than those proposed above would likely require substantial subsidy to bring to market.

Residential Market Potential  
 SoBro Study Area  
*City of Louisville/Jefferson County, Kentucky*  
 May, 2005

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—*Rental Distribution*—

The market-rate rent range covers leases by households with annual incomes ranging between \$25,000 and \$100,000 or more. A one-person household with an income of \$30,000 per year, paying no more than 30 percent of gross income for rent and utilities (the national standard for affordability) could be qualified for a rent of \$550 per month. A two- or three-person household, with an income of \$100,000 or more per year, paying no more than 30 percent of gross income for rent and utilities, could be qualified for a rent of \$2,250 per month or more.

Based on the target household mix (*listed on Table 4*) and the incomes of the target households, the distribution by rent range of the 134 new rental units that could be absorbed each year over the next five years in the SoBro Study Area is as follows:

**Loft/Apartment Distribution By Rent Range**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

MONTHLY RENT RANGE	NUMBER OF UNITS	PERCENTAGE
\$500–\$750	24	17.9%
\$750–\$1,000	36	26.9%
\$1,000–\$1,250	34	25.4%
\$1,250–\$1,500	28	20.8%
\$1,500 and up	<u>12</u>	<u>9.0%</u>
Total:	134	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

Table 4

**Target Groups For Multi-Family For-Rent  
{Hard and Soft Lofts}  
SoBro Study Area**

*City of Louisville/Jefferson County, Kentucky*

<b>Empty Nesters &amp; Retirees</b>	<i>Number of Households</i>	<i>At 10 Percent Capture</i>
Suburban Establishment	40	4
Affluent Empty Nesters	30	3
Cosmopolitan Couples	30	3
Mainstream Retirees	40	4
Multi-Ethnic Empty Nesters	60	6
Middle-Class Move-Downs	70	7
Middle-American Retirees	20	2
Subtotal:	290	29
<b>Traditional &amp; Non-Traditional Families</b>		
Full-Nest Urbanites	40	4
Multi-Cultural Families	50	5
Multi-Ethnic Families	10	1
Subtotal:	100	10
<b>Younger Singles &amp; Couples</b>		
e-Types	40	4
Upscale Suburban Couples	170	17
New Bohemians	90	9
Twentysomethings	80	8
Suburban Achievers	350	35
Urban Achievers	130	13
Small-City Singles	90	9
Subtotal:	950	95
<b>Total Households:</b>	<b>1,340</b>	<b>134</b>

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

Residential Market Potential  
 SoBro Study Area  
*City of Louisville/Jefferson County, Kentucky*  
 May, 2005

*—For-Sale Distribution—*

The market-rate price range covers purchases by households with annual incomes generally ranging between \$30,000 and \$150,000. A one-person household with an income of \$35,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest at current rates, taxes, insurance and utilities, could be qualified for a mortgage of \$80,000. A two- or three-person household with an income of \$150,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest at current rates, taxes, insurance and utilities, could be qualified for a mortgage of \$375,000.

Based on the target household mix (*listed on Table 5*) and incomes of the target households, the distribution by price range of the 72 market-rate for-sale apartments that could be absorbed each year over the next five years in the SoBro Study Area is as follows:

**Loft/Apartment Distribution By Price Range**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$75,000–\$150,000	30	41.7%
\$150,000–\$200,000	24	33.3%
\$200,000–\$250,000	12	16.7%
\$250,000 and up	<u>6</u>	<u>8.3%</u>
Total:	72	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

Table 5

**Target Groups For Multi-Family For-Sale  
{Hard Lofts, Soft Lofts and Townhouses Over Flats}  
*SoBro Study Area***

*City of Louisville/Jefferson County, Kentucky*

<b>Empty Nesters &amp; Retirees</b>	<i>Number of Households</i>	<i>At 10 Percent Capture</i>
Suburban Establishment	30	3
Affluent Empty Nesters	30	3
Mainstream Retirees	50	5
Cosmopolitan Couples	20	2
Multi-Ethnic Empty Nesters	70	7
Middle-American Retirees	20	2
Middle-Class Move-Downs	30	3
Subtotal:	250	25
<b>Traditional &amp; Non-Traditional Families</b>		
Multi-Cultural Families	20	2
Subtotal:	20	2
<b>Younger Singles &amp; Couples</b>		
e-Types	20	2
Upscale Suburban Couples	70	7
New Bohemians	30	3
Twentysomethings	30	3
Suburban Achievers	150	15
Urban Achievers	120	12
Small-City Singles	30	3
Subtotal:	450	45
<b>Total Households:</b>	<b>720</b>	<b>72</b>

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

Residential Market Potential  
 SoBro Study Area  
*City of Louisville/Jefferson County, Kentucky*  
 May, 2005

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Based on the target household mix (*listed on Table 6*) and incomes of the target groups, the distribution by price range of the 26 market-rate townhouses/rowhouse/live-work units that could be absorbed each year over the next five years in the SoBro Study Area is as follows:

**Townhouse/Rowhouse/Live-Work Distribution By Price Range**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

PRICE RANGE	NUMBER OF UNITS	PERCENTAGE
\$150,000–\$200,000	13	50.0%
\$200,000–\$250,000	9	34.6%
\$250,000 and up	<u>4</u>	<u>15.4%</u>
Total:	26	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

Table 6

**Target Groups For For-Sale Single-Family Attached  
{Townhouses, Rowhouses, Live-Work}  
SoBro Study Area**

*City of Louisville/Jefferson County, Kentucky*

<b>Empty Nesters &amp; Retirees</b>	<i>Number of Households</i>	<i>At 5 Percent Capture</i>
Suburban Establishment	20	1
Affluent Empty Nesters	10	1
Cosmopolitan Couples	10	1
Mainstream Retirees	10	1
Multi-Ethnic Empty Nesters	60	2
Middle-Class Move-Downs	20	1
Middle-American Retirees	10	1
Subtotal:	140	8
<b>Traditional &amp; Non-Traditional Families</b>		
Full-Nest Urbanites	10	1
Multi-Cultural Families	30	1
Subtotal:	40	2
<b>Younger Singles &amp; Couples</b>		
e-Types	10	1
Upscale Suburban Couples	70	2
New Bohemians	20	1
Twentysomethings	20	1
Suburban Achievers	110	6
Urban Achievers	80	4
Small-City Singles	30	1
Subtotal:	340	16
<b>Total Households:</b>	<b>520</b>	<b>26</b>

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

Residential Market Potential  
SoBro Study Area  
*City of Louisville/Jefferson County, Kentucky*  
May, 2005

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#### THE CURRENT AND HISTORIC CONTEXT\_\_\_\_\_

Please refer to the *MARKET SURVEY OF DOWNTOWN HOUSING, LOUISVILLE, KENTUCKY* prepared by the Allgeier Company and dated January 10, 2005, which provides a detailed description of each of the rental and for-sale properties located in Downtown Louisville. Tables 7 through 9 following this page summarize the Market Survey information.

## Summary Of Selected Rental Properties

*Downtown Louisville, Kentucky*

**January, 2005**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Existing Units as of 2000 Study .....</i>					
<i>..... Civic District .....</i>					
<b>Hampton Hall</b> 209 York Street	<b>64</b>				<b>84% occupancy</b> Optional garage parking.
	Efficiency	\$275	300	\$0.92	
	1BR/1BA	\$325	na		
<b>River View Place {Kentucky Towers} (1924:1972)</b> 511 South Fifth Street	<b>274</b>				<b>80% occupancy</b> Adaptive re-use. Pool, Laundry facility.
	1BR/1BA -Sm.	\$390	445	\$0.88	
	1BR/1BA -Lg.	\$530	600	\$0.88	
	2BR/1BA	\$640	825	\$0.78	
	2BR/2BA	\$750	1,085	\$0.69	
<b>The Monsarrat</b> 747 South Fifth Street	<b>18</b>				<b>83% occupancy</b> Security system, W/D hookups in some units.
	1BR/1BA	\$525 to \$575	795 to 810	\$0.66 to \$0.71	
	2BR/1BA	\$700 to \$750	870 to 875	\$0.80 to \$0.86	
	2BR/2BA	\$850	1,100	\$0.77	
<b>The 800 Building (1962)</b> 800 South Fourth Street	<b>246</b>				<b>90% occupancy</b> Laundry facility. Fitness room, Balconies.
	1BR/1BA	\$535 to \$645	712 to 808	\$0.75 to \$0.80	
	2BR/2BA	\$740 to \$1,200	1,036 to 1,428	\$0.71 to \$0.84	
	3BR/2BA	\$1,100	1,503	\$0.73	
	4BR/2.5BA	\$1,700	2,093	\$0.81	
<b>Barrington Place (1962: 2001)</b> 537 South Third Street	<b>218</b>				<b>95% occupancy</b> Laundry facility. Fitness center, Sun deck.
	Efficiency	\$430 to \$460	440	\$0.98 to \$1.05	
	1BR/1BA	\$550 to \$580	500 to 658	\$1.10 to \$0.88	

SOURCE: Allgeier Company;  
Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Downtown Louisville, Kentucky*

**January, 2005**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . . . Existing Units as of 2000 Study: Civic District (continued) . . . . .					
<b>Crescent Centre (1989)</b> 709 South Third Street	<b>209</b>				<b>96% occupancy</b>
	1BR/1BA	\$595 to \$730	615 to 1,010	\$0.72 to \$0.97	Fitness room, W/D in some units,
	2BR/2BA	\$750 to \$915	925 to 1,251	\$0.73 to \$0.81	Video rental. Optional parking.
<b>Weissinger-Gaulbert (85)</b> 709 South Third Street	<b>85</b>				<b>98% occupancy</b>
	Efficiency	\$475	300	\$1.58	Fitness room,
	1BR/1BA	\$625 to \$650	600 to 650	\$1.00 to \$1.04	W/D in some units, Garage parking.
	2BR/1BA	\$760 to \$880	750 to 1,286	\$0.68 to \$1.01	
	3BR/2BA	\$1,035 to \$1,075	1,511 to 1,617	\$0.66 to \$0.68	
	4BR/3BA	\$1,425	1,938	\$0.74	
. . . . . Medical District . . . . .					
<b>The Worthington (Rem. 1989)</b> 745 Second Street	<b>66</b>				<b>98% occupancy</b>
	1BR/1BA	\$546	465 to 570	\$0.96 to \$1.17	Fitness room, W/D hookups,
	2BR/2BA	\$646 to \$766	740 to 1,310	\$0.58 to \$0.87	Courtyard, Secure garage parking.
<b>Phoenix Place (1984)</b> 510 South Shelby Street	<b>265</b>				<b>90% occupancy</b>
	Efficiency	\$450 to \$565	575 to 858	\$0.66 to \$0.78	Pool, clubhouse, fitness center,
	1BR/1BA	\$565 to \$600	740 to 900	\$0.67 to \$0.76	tennis.
	2BR/1.5BA	\$605 to \$705	820 to 1,020	\$0.69 to \$0.74	
	3BR/2BA	\$720	1,300	\$0.55	

SOURCE: Allgeier Company;  
Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Downtown Louisville, Kentucky*

**January, 2005**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Existing Units as of 2000 Study: Medical District (continued) .....</i>					
<b>University of Louisville</b>	<b>102</b>				<b>97% occupancy</b>
<b>Medical-Dental Apts.</b>	Dorm Rooms	\$298	197	\$1.51	<i>Furnished units.</i>
<i>627 South Preston St.</i>	Efficiency	\$570	439 to 479	\$1.19 to \$1.30	<i>28 are dorm rooms.</i>
	1BR/1BA	\$630	620 to 704	\$0.89 to \$1.02	
	2BR/1BA	\$720	1,021	\$0.71	
 <b>620-622 East Market Street</b>	 <b>3</b>				 <b>100% occupancy</b>
<i>620 East Market Street</i>	1BR/1.5BA	\$850	1,050	\$0.81	<i>Gated surface</i>
	1BR/1BA	\$1,250	1,150	\$1.09	<i>parking.</i>
	2BR/1.5BA	\$1,150	1,400	\$0.82	
<i>..... eMain District .....</i>					
<b>The Carlyle</b>	<b>16</b>				<b>81% occupancy</b>
<i>201 East Main Street</i>	Efficiency	\$375	550	\$0.68	<i>Laundry facility.</i>
	1BR/1BA	\$475	to 650	\$0.73 to	<i>rear surface</i>
		\$525		\$0.81	<i>parking.</i>
	2BR/1BA	\$625	800	\$0.78	
	2BR/2BA	\$550	1,200	\$0.46	
 <b>Billy Goat Strut (1980s)</b>	 <b>32</b>				 <b>94% occupancy</b>
<i>600 East Main Street</i>	Efficiency	\$500	700	\$0.71	<i>Courtyard.</i>
	1BR/1BA	\$500	to 700 to	\$0.71 to	
		\$600	800	\$0.75	
	1BR/1BA w/loft	\$685	to 1,000 to	\$0.66 to	
		\$725	1,100	\$0.69	
	2BR/1.5BA	\$700	to 1,150 to	\$0.61 to	
		\$810	1,200	\$0.68	

SOURCE: Allgeier Company;  
Zimmerman/Volk Associates, Inc.

**Summary Of Selected Rental Properties***Downtown Louisville, Kentucky***January, 2005**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . . Existing Units as of 2000 Study: eMain District (continued) . . . .					
<b>626 East Main Building</b> 626 East Main Street	<b>22</b> Efficiency	\$325	450 to 500	\$0.65 to \$0.72	<b>50% occupancy</b> {unit renovations as leases expire}
	1BR/1BA	\$650 to \$700	650 to 700	\$1.00	
	2BR/1BA	\$415 to \$495	750 to 1,100	\$0.45 to \$0.55	
	3BR/1BA	\$455	1,200	\$0.38	
<b>MTM Building</b> 234 East Main St.	<b>4</b> 2BR/1BA	\$600 to \$900	2,000 to 2,500	\$0.30 to \$0.36	<b>100% occupancy</b> Rear surface parking.
<b>325 East Market</b> 325 East Market Street	<b>4</b> Efficiency	\$750 to \$1,500	1,100 to 2,300	\$0.65 to \$0.68	<b>75% occupancy</b> Secured garage.
. . . . Units On-line Since 2000 Study . . . .					
. . . . Civic District . . . .					
<b>The St. Francis</b> 233 West Broadway	<b>58</b> Efficiency	\$600 to \$630	550	\$1.09 to \$1.15	<b>97% occupancy</b> Adaptive re-use. On-site parking.
	1BR/1BA	\$680 to \$720	650	\$1.05 to \$1.11	
	2BR/2BA	\$820 to \$900	1,000	\$0.82 to \$0.90	
	Penthouse	\$1,400	1,400	\$1.00	
<b>Louisville Glassworks Lofts</b> 815 West Market St.	<b>35</b> Lofts	\$626 to \$1,704	782 to 3,358	\$0.80 to \$1.00	<b>90% occupancy</b> Adaptive re-use. Garage parking.

SOURCE: Allgeier Company;  
Zimmerman/Volk Associates, Inc.

## Summary Of Selected Rental Properties

*Downtown Louisville, Kentucky*

**January, 2005**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Units Under Construction .....</i>					
<b>The Lofts of Broadway (1905; 2005)</b> <i>419 Finzer Street</i>	<b>83</b> Lofts	\$700 to \$800	680 to 905	\$0.88 to \$1.03	<i>Adaptive re-use. Expected completion May, 2005.</i>
<i>..... Proposed Units .....</i>					
<b>Off Broadway Lofts</b> <i>604 Third Street</i>	<b>70</b> 2BR Lofts	\$400 to \$600	600 to 850	\$0.71 to \$0.67	<i>Adaptive re-use. Projected to start construction in 2005.</i>
<b>The Hub</b> <i>East Main Street</i>	<b>60</b>	\$750 to \$1,375			<i>New construction. Projected to start construction in 2006.</i>
<b>Glassworks Commons</b> <i>Eighth &amp; Jeffersn Streets</i>	<b>44</b>				<i>New construction. In preliminary planning phase.</i>
<b>Clarksdale Revitalization</b> <i>between Jefferson and Muhammad Ali Boulevard and between Jackson &amp; Hancock Streets</i>	<b>59</b>	{Market-Rate Units}			<i>Mixed-use redevelopment. Revitalization of public housing site.</i>

**Change In Downtown Rents**  
*Downtown Louisville, Kentucky*  
**2000, 2005**

<i>Property</i>	<i>Unit Size</i>	<i>2000 Rents</i>	<i>2005 Rents</i>	<i>2005 Rent per Sq. Ft.</i>	<i>Change 2000-2005</i>	<i>Percent Change</i>
..... Civic District .....						
<b>Hampton Hall</b>						
	Efficiency	300	\$270	\$275	\$0.92	\$5 to 2% to
	1BR/1BA	na	\$295	\$325		\$30 11%
<b>River View Place {formerly Kentucky Towers}</b>						
	1BR/1BA -Sm.	445	\$350	\$390	\$0.88	\$40 11%
	1BR/1BA -Lg.	600	\$525	\$530	\$0.88	\$5 1%
	2BR/1BA	825	\$675	\$640	\$0.78	(\$35) -5%
	2BR/2BA	1,085	\$775	\$750	\$0.69	(\$25) -3%
<b>The Monsarrat</b>						
	1BR/1BA	795 to	\$550	\$525 to	\$0.66 to	(\$25) to -5% to
		810		\$575	\$0.71	\$25 5%
	2BR/1BA	870 to	\$525	\$700 to	\$0.80 to	\$175 to 33% to
		875		\$750	\$0.80	\$225 43%
	2BR/2BA	1,100	\$700	\$850	\$0.77	\$150 21%
<b>The 800 Building</b>						
	1BR/1BA	712 to	\$495 to	\$535 to	\$0.75 to	(\$35) to -5% to
		808	\$680	\$645	\$0.80	\$40 8%
	2BR/2BA	1,036 to	\$700 to	\$740 to	\$0.71 to	\$40 to 6% to
		1,428	\$975	\$1,200	\$0.84	\$225 23%
	3BR/2BA	1,503	\$920	\$1,100	\$0.73	\$180 20%
	4BR/2.5BA	2,093	\$1,100	\$1,700	\$0.81	\$600 55%
<b>Crescent Centre</b>						
	1BR/1BA	615 to	\$580 to	\$595 to	\$0.72 to	\$15 to 3% to
		1,010	\$690	\$730	\$0.97	\$40 6%
	2BR/2BA	925 to	\$710 to	\$750 to	\$0.73 to	\$40 5% to
		1,251	\$875	\$915	\$0.81	\$40 6%

SOURCE: Allgeier Company;  
 Zimmerman/Volk Associates, Inc.

**Change In Downtown Rents***Downtown Louisville, Kentucky***2000, 2005**

<i>Property</i>	<i>Unit Size</i>	<i>2000 Rents</i>	<i>2005 Rents</i>	<i>2005 Rent per Sq. Ft.</i>	<i>Change 2000-2005</i>	<i>Percent Change</i>
<i>..... Civic District (continued) .....</i>						
<b>Weissinger-Gaulbert</b>						
Efficiency	300	\$450	\$475	\$1.58	\$25	6%
1BR/1BA	600 to 650	\$600 to \$700	\$625 to \$650	\$1.00 to \$1.04	\$25 to \$50	4% to 8%
2BR/1BA	750 to 1,286	\$700 to \$800	\$760 to \$880	\$0.68 to \$1.01	\$60 to \$80	9% to 10%
3BR/2BA	1,511 to 1,617	\$900 to \$995	\$1,035 to \$1,075	\$0.66 to \$0.68	\$135 to \$80	9% to 14%
4BR/3BA	1,938	\$1,295 to \$1,395	\$1,425	\$0.74	\$30 to \$130	2% to 10%
<i>..... Medical District .....</i>						
<b>The Worthington</b>						
1BR/1BA	465 to 570	\$479	\$546	\$0.96 to \$1.17	\$67	14%
2BR/2BA	740 to 1,310	\$579 to \$699	\$646 to \$766	\$0.58 to \$0.87	\$67	10% to 12%
<b>Phoenix Place</b>						
Efficiency	575 to 858	\$435	\$450 to \$565	\$0.66 to \$0.78	\$15 to \$130	3% to 30%
1BR/1BA	740 to 900	\$500	\$565 to \$600	\$0.67 to \$0.76	\$65 to \$100	13% to 20%
2BR/1.5BA	820 to 1,020	\$550	\$605 to \$705	\$0.69 to \$0.74	\$55 to \$155	10% to 28%
3BR/2BA	1,300	\$850	\$720	\$0.55	(\$130)	-15%
<i>..... eMain District .....</i>						
<b>The Carlyle</b>						
Efficiency	550	\$300 to \$375	\$375	\$0.68	\$0.00 to \$75.00	0% to 25%
1BR/1BA	650	\$425 to \$450	\$475 to \$525	\$0.73 to \$0.81	\$50 to \$100	12% to 24%
2BR/1BA	800	\$475	\$625	\$0.78	\$150	32%
2BR/2BA	1,200	\$550	\$550	\$0.46	\$75	16%

SOURCE: Allgeier Company;  
Zimmerman/Volk Associates, Inc.

**Change In Downtown Rents***Downtown Louisville, Kentucky***2000, 2005**

<i>Property</i>	<i>Unit Size</i>	<i>2000 Rents</i>	<i>2005 Rents</i>	<i>2005 Rent per Sq. Ft.</i>	<i>Change 2000-2005</i>	<i>Percent Change</i>
<i>..... eMain District (continued) .....</i>						
<b>Billy Goat Strut</b>						
	Efficiency	700	\$450	\$500	\$0.71	\$50 11%
	1BR/1BA	700 to 800	\$450	\$500 to \$600	\$0.71 to \$0.75	\$50 11%
	1BR/1BA w/loft	1,000 to 1,100	\$645	\$685 to \$725	\$0.66 to \$0.69	\$40 6%
	2BR/1.5BA	1,150 to 1,200	\$600 to \$750	\$700 to \$810	\$0.61 to \$0.68	\$60 to \$100 8% to 17%
<b>626 East Main Building</b>						
	Efficiency	450 to 500	\$300 to \$315	\$325	\$0.65 to \$0.72	\$10 to \$25 3% to 8%
	1BR/1BA	650 to 700	\$375 to \$395	\$650 to \$700	\$1.00	\$275 to \$305 73% to 77%
	2BR/1BA	750 to 1,100	\$395 to \$475	\$415 to \$495	\$0.45 to \$0.55	\$20 4% to 5%
	3BR/1BA	1,200	\$435	\$455	\$0.38	\$20 4%
<b>MTM Building</b>						
	2BR/1BA	2,000 to 2,500	\$600 to \$800	\$600 to \$900	\$0.30 to \$0.36	\$100 13%

SOURCE: Allgeier Company;  
Zimmerman/Volk Associates, Inc.

## Summary Of Selected For-Sale Properties

*Downtown Louisville, Kentucky*

**January, 2005**

<u>Development Address</u>	<u>Unit Type</u>	<u>Number of Units</u>	<u>Market-Entry Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Additional Information</u>
<i>..... New Units Introduced After 2000 .....</i>						
<i>..... Civic District .....</i>						
<b>Glassworks Lofts II</b> 214 S. Eighth St.	Loft	7	\$97,700 to \$302,710	712 to 1,926	\$137 to \$157	<b>100% Sold.</b> <i>Adaptive re-use.</i>
		<i>Resale:</i>	\$172,000	1,228	\$140	
<b>Hancock Street Firehouse</b> 221-223 South Hancoc	2 BR	3	\$105,750 to \$120,000	1,012 to 1,314	\$91 to \$104	<b>100% Sold.</b> <i>Adaptive re-use.</i>
		<i>Resale:</i>	\$169,900	1,317	\$129	
<b>550 Lofts</b> 550 S. Fifth St.	Loft	8	\$149,950 to \$195,950	1,160 to 1,496	\$129 to \$131	<b>63% Sold.</b> <i>Adaptive re-use.</i> 5 units sold;
		<i>Sales Price Range:</i>	\$159,950 to \$225,000		\$132 {approx.}	<i>3 pending upon completion of construction.</i>
<b>Waterfront Park Place</b> 222 E. Witherspoon St.		76	\$250,000 to \$2,000,000	1,320 to 6,500	\$189 to \$308	<b>52% Sold.</b> <i>New construction.</i> 8 units occupied. <i>Phase 2 proposed.</i> <i>Pool, concierge, fitness center.</i>
		<i>Sales Price Range:</i>	\$321,000 to \$2,600,000			

## Summary Of Selected For-Sale Properties

*Downtown Louisville, Kentucky*

**January, 2005**

<u>Development Address</u>	<u>Unit Type</u>	<u>Number of Units</u>	<u>Market-Entry Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Additional Information</u>
<i>..... Units Under Construction .....</i>						
<i>..... eMain District .....</i>						
<b>Park Place Lofts</b>		<b>22</b>				<b>73% Sold.</b>
400 E. Main St.	Flat	<b>11</b>	\$135,750 to \$295,000	890 to 1,900	\$153 to \$155	<b>11 under contract</b>
	TH	<b>10</b>	\$233,000 to	1,550	\$150 to	<b>4 under contract</b>
		<b>1</b>	\$295,000	1,800	\$164	
			<i>List Price Range-7 Remaining THs:</i>	\$263,500 to \$279,000	1,550 \$170 to \$180	<i>New construction. 8 garage spaces from \$11,000 to \$12,500.</i>
<i>..... West Main District .....</i>						
<b>The Levy</b>		<b>23</b>				<b>7 Pre-sales.</b>
133 S. Third St.			<i>Sales Price Range:</i>	\$234,360 to \$467,700	1,512 to 3,118	\$150 to \$155
						<i>Adaptive re-use. Exercise room.</i>
<i>..... SoBro .....</i>						
<b>SoHo Condos</b>		<b>30</b>				<b>6 Pre-sales.</b>
Fifth & Breckinridge	1BR		\$120,000 to \$132,000	825	\$145 to \$160	<i>New construction. 26 townhouses in Phase 2.</i>
	2BR		\$165,000	1,200	\$138	
	2BR		\$120,000 to \$210,000	1,400	\$86 to \$150	

### Summary Of Selected For-Sale Properties

*Downtown Louisville, Kentucky*

**January, 2005**

<u>Development Address</u>	<u>Unit Type</u>	<u>Number of Units</u>	<u>Market-Entry Price Range</u>	<u>Unit Size Range</u>	<u>Price Per Sq. Ft.</u>	<u>Additional Information</u>
. . . . . Resales . . . . .						
. . . . Civic District . . . .						
<b>Crescent Centre Condos</b>		<b>22</b>				<b>All Sold &amp; Occupied</b>
638-646 S. Second St.	2 BR - TH	22	\$103,000 to \$169,000	1,820	\$57 to \$93	<i>Attached garages.</i>
. . . . West Main District . . . .						
<b>The Harbison</b>		<b>22</b>				<b>All Sold &amp; Occupied</b>
711 West Main Street	Studio	2	\$127,500 to		\$114 to	<i>Guard, valet parking, Waterfront views.</i>
	1 BR	7	\$177,500		\$147	<i>4 resales since 2002.</i>
	2 BR	9				<i>Annual appreciation of resales</i>
	3 BR	2				<i>from 7.4 % to 9%, with one at 27.8%</i>

## URBAN HOUSING TYPES

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Adaptive re-use of existing, non-residential buildings can yield either lofts or fully-finished apartments. The lofts, whether for-rent or for-sale, new construction or adaptive re-use, should include work space as a permitted use.

Building and unit types most successfully used in residential redevelopment or new residential construction in other urban neighborhoods comparable in size and scale to SoBro, include:

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is four or more stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk. Parking is either below grade, at grade behind or interior to the building, or in an integral structure.

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

- Loft Apartment Building: Either adaptive re-use of older warehouse and manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version is usually elevator-served with double-loaded corridors.

**Hard Lofts:** Unit interiors typically have high ceilings and commercial windows and are minimally finished (with limited architectural elements such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

**Soft Lofts:** Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of "hard

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lofts,” such as brick walls and iron railings, particularly if the building is an adaptive re-use of an existing industrial structure.

The building’s loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. (Loft apartments can also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

- Maisonette Apartment Building (Townhouse Over Flat): A three-story building with an elevation that resembles a row of townhouses; the interior, however, combines single-level and two-level apartments. Each unit has its own street entrance, and attached or detached garage or open on-site parking, accessed from the rear of the building.
- Mansion Apartment Building: A two- to four-story flexible-use structure with a street façade resembling a large detached house (hence, “mansion”). The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives. The form of the parking can be in open lots, in garages with units above, or integral to the building.

Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.

- Townhouse/Rowhouse: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed

from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.

- Live-work is a unit or building type that accommodates non-residential uses in addition to, or combined with living quarters. The typical live-work unit is a building, either attached or detached, with a principal dwelling unit that includes flexible space that can be used as office, retail, or studio space, or as an accessory dwelling unit.

Regardless of the form they take, live-work units should be flexible in order to respond to economic, social and technological changes over time and to accommodate as wide as possible a range of potential uses. The unit configuration must also be flexible in order to comply with the requirements of the Fair Housing Amendments Act and the Americans with Disabilities Act.

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

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## METHODOLOGY

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The technical analysis of market potential for the SoBro Study Area included delineation of the draw areas and physical evaluation of the Study Area and the surrounding context.

The delineation of the draw areas for housing within SoBro was based on historic settlement patterns, migration trends for Jefferson County, and other market dynamics.

The evaluation of market potential for the Study Area 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, traditional and non-traditional families, younger singles/couples).

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

## DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to the City of Louisville/Jefferson County. 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 1998 and 2002, the number of households moving into the City of Louisville/Jefferson County remained fairly constant, ranging between approximately 12,500 households to just over 12,800 households. A significant percentage of the county’s in-migration is regional—households moving to the area from adjacent or nearby counties. Approximately 28 percent of all households

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who move to Louisville/Jefferson County move from the 12 counties of the Louisville Metropolitan Statistical Area.

Until 2002, Louisville/Jefferson County has experienced net migration losses, *i.e.*—the city/county lost more households through out-migration than it gained through in-migration. However, those losses have declined from approximately 800 households in 1999 to approximately 360 households in 2001. In 2002, for the first time, Louisville/Jefferson County experienced a slight net migration gain, *i.e.*—the county gained more households through in-migration than it lost through out-migration—although that gain was fewer than 50 households.

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

Based on the migration data, the draw areas for the City of Louisville/Jefferson County have been delineated as follows:

- The primary (internal) draw area, covering households currently living within the Louisville city limits, as well as those currently living in the balance of Jefferson County. Between 11 and 15 percent of the households living in the Louisville/Jefferson County move to another residence within the city/county each year.
- The local draw area, covering households with the potential to move to the City of Louisville/Jefferson County from the adjacent counties of Bullitt and Oldham in Kentucky, and Clark County, Indiana. Households moving from these three counties comprise just under 20 percent of total Louisville/Jefferson County in-migration.
- The urban draw area, covering households with the potential to move to the City of Louisville/Jefferson County from Cook County, Illinois (Chicago), Hamilton County, Ohio (Cincinnati), Davidson County, Tennessee (Nashville), and Marion County, Indiana (Indianapolis). Households moving from these four counties comprise approximately five percent of total Louisville/Jefferson County in-migration.

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- The national draw area, covering households with the potential to move to the City of Louisville/Jefferson County from all other U.S. counties. Approximately 9,500 households move into the City of Louisville/Jefferson County from elsewhere in the United States each year; a small additional number are households moving from outside the United States.

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

#### Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

#### TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from 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**

Just under 69 percent, or 201,550 households, of the estimated 293,050 households living in the City of Louisville/Jefferson County in 2004 had the capacity to rent or buy market-rate housing. Median income within the city/county was \$43,200, just over seven percent lower than the national median of \$46,500 in 2004. Median home value within the city/county was \$127,300, just 5.6

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percent below the national median of \$134,900. Nearly 39 percent of Louisville/Jefferson's "market-rate" households are classified as empty nesters and retirees, another 30.7 percent are traditional and non-traditional families, and the remaining 30.4 percent are younger singles and couples. (See Appendix One, Table 2.)

#### 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

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households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

#### **DETERMINATION OF THE POTENTIAL MARKET FOR THE CITY OF LOUISVILLE/JEFFERSON COUNTY (MOBILITY ANALYSIS)—**

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Louisville/Jefferson County in the year 2005. 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 One, Table 3.

#### **Internal Mobility (Households Moving Within The City Of Louisville/Jefferson County)—**

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 jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that nearly 24,600 households, currently living in the City of Louisville/Jefferson County and with the capacity to rent or purchase market-rate housing, have the potential to move from one residence to another within the city/county this year. Up to 38.2 percent of these households are likely to be younger singles and couples (as characterized within 13 Zimmerman/Volk Associates' target market groups); more than 31 percent are likely to be traditional and non-traditional families (in 14 market groups); and the remaining 30.6 percent are likely to be empty nesters and retirees (in 13 market groups).

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Appendix One, Tables 4 Through 6; Appendix Two, Tables 1 Through 4; Appendix Three, Tables 1 Through 5.

**External Mobility** (Households Moving To The City Of Louisville/Jefferson County From Outside The County)—

These tables determine the number of households in each target market group and living in the local (Bullitt, Oldham, and Clark Counties), urban (Cook, Hamilton, Davidson, and Marion Counties), and national draw areas that are likely to move to the City of Louisville/Jefferson County this year (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 7.

**Market Potential For The City Of Louisville/Jefferson County —**

Appendix One, Table 7 summarizes Appendix One, Tables 4 through 6. 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 market-rate dwelling units in the City of Louisville/Jefferson County in the year 2005 originating from households currently living in the draw areas. Up to 32,590 households with the potential to rent or purchase market-rate housing have the potential to move within or to the City of Louisville/Jefferson County this year. Younger singles and couples are likely to account for 37.4 percent of these households (in 13 market groups); just over 34 percent are likely to be traditional and non-traditional families (in 15 groups); and 28.4 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 Louisville/Jefferson County is as follows:

**Market Potential By Draw Area**  
*City of Louisville/Jefferson County, Kentucky*

Louisville/Jefferson (Primary Draw Area):	72.4 percent
Bullitt, Oldham & Clark (Local Draw Area):	6.6 percent
Chicago, Cincinnati, Nashville & Indianapolis (Urban Draw Area):	1.5 percent
Balance of US (National Draw Area):	19.5 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

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**DETERMINATION OF THE POTENTIAL MARKET FOR THE SOBRO STUDY AREA—**

The total potential market for SoBro also includes the primary, local, urban, 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 SoBro in a given year.

Appendix One, Tables 8 Through 10.  
**Market Potential For The SoBro Study Area —**

As derived by the target market methodology, nearly 5,000 of the 32,590 households that represent the market for new and existing housing units in the City of Louisville/Jefferson County are a market for new or existing housing units within the SoBro Study Area, or approximately 15 percent of the total potential market. (See Appendix One, Table 8.) Younger singles and couples are likely to account for 63 percent of these households (in seven market groups); 31 percent are likely to be empty nesters and retirees (in seven groups); and 6.4 percent are likely to be traditional and non-traditional families (in four groups).

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

**Market Potential By Draw Area**  
**SOBRO STUDY AREA**  
*City of Louisville/Jefferson County, Kentucky*

Louisville/Jefferson (Primary Draw Area):	77.4 percent
Bullitt, Oldham & Clark (Local Draw Area):	1.4 percent
Chicago, Cincinnati, Nashville & Indianapolis (Urban Draw Area):	2.9 percent
Balance of US (National Draw Area):	16.3 percent
Total:	100.0 percent

SOURCE: Zimmerman/Volk Associates, Inc., 2005.

The 4,990 draw area households that have the potential to move within or to the Study Area this year have been categorized by tenure propensities to determine renter/owner ratios. Nearly 43 percent of these households (or 2,130 households) comprise the potential market for rental units, of which 1,340 households comprise the potential market for new and existing market-rate rentals.

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*City of Louisville/Jefferson County, Kentucky*  
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The remaining 57 percent (or 2,860 households) comprise the market for market-rate for-sale (ownership) housing units. (See Appendix One, Table 9.)

Of these 2,860 households, 25.2 percent (or 720 households) comprise the market for multi-family for-sale units (condominium apartments and lofts); and another 18.2 percent (520 households) comprise the market for attached single-family (townhouse or duplex) units. More than 56 percent (or 1,620 households) comprise the market for all ranges of single-family detached houses. (See Appendix One, Table 10.)

#### —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 slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. 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

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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 15 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. 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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## ASSUMPTIONS AND LIMITATIONS—

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

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

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



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## RIGHTS AND STUDY OWNERSHIP—

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

