



Market Feasibility Study for Senior Housing in Alexandria, Minnesota

Site Location:

Broadway Street and Fourth Avenue, Alexandria, MN 56308

Prepared for:

GoodNeighbor Properties, LLC

Prepared by:

Viewpoint Consulting Group, Inc.

Date:

February 6, 2019



February 6, 2019

Robert Thompson
President
GoodNeighbor Properties, LLC
1210 Broadway, Suite 400
Alexandria, MN 56308

Subject: Market Feasibility Study for a Senior Rental Housing Development in Alexandria, Minnesota

Dear Mr. Thompson:

Pursuant to your request, we have conducted a Market Feasibility Study for a proposed 73-unit upscale senior apartment development in Alexandria called Alexandria Senior Apartments. This study assesses the site location being considered for the proposed development, examines growth trends and demographic characteristics of the senior population in the primary market area, analyzes the competitive market in the surrounding area, and calculates demand for senior (55+) rental housing. The proposed development concept is reviewed in light of the analysis and the development's appeal to the target market is discussed.

Based on our analysis, we find market demand to support Alexandria Senior Apartments. Demand calculations, recommended rents, and projected absorption can be found in the *Demand Analysis and Conclusions* section of this report.

Thank you for selecting Viewpoint Consulting Group, Inc. to conduct this market study. Please call us if you have any questions regarding this report.

Sincerely,

A handwritten signature in blue ink that reads "Jay Thompson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jay Thompson
President

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Purpose and Scope of Study

Viewpoint Consulting Group, Inc. was engaged by GoodNeighbor Properties, LLC to conduct an analysis of the market potential for senior rental housing in Alexandria, Minnesota. As proposed, the development would have 73 total units with 70% of the units restricted to seniors ages 55+ and 30% open to any age. It would be located on a block northeast of Broadway Street and Fourth Avenue and would be located above ground-floor commercial space.

Scope of Services

The scope of this study includes the following:

1. Review the site for the proposed development and assess its appropriateness for senior rental housing.
2. Analysis of demographic trends and characteristics and economic conditions as they relate to the potential demand for additional senior rental housing.
3. Survey of competitive/comparable senior housing properties; analyzing information on age of properties, location in relation to the Site, unit mix and sizes, monthly rents, services available (if any), occupancy rate, and unit features and common areas.
4. Identification of planned and proposed competitive developments; discuss their impact on the market and the subject development.
5. Calculation of demand for senior rental housing in the primary draw area and estimation of the portion of demand that can be captured by the proposed development.
6. Review the development concept; suggested modifications (if any) that would strengthen its appeal to the target market and make rent recommendations.
7. Projection of the absorption period for the development.

This report includes both primary and secondary research. Primary data is data collected by Viewpoint Consulting Group, Inc. through interviews. Secondary data is gathered from other sources and is credited when used. Secondary data in this report comes from the following sources: Census bureau, ESRI, and Minnesota Department of Employment and Economic Development.

Site Location and Analysis

Alexandria is a community of about 13,500 people in Douglas County in west-central Minnesota. Alexandria is located on Interstate 94 approximately 65 miles northwest of St. Cloud and 100 miles southeast of Fargo, North Dakota.

Alexandria is situated among many scenic lakes that are lined by cabins, resorts, and permanent lake homes. Because Alexandria's city limits do not include most of the homes lining the many lakes – Alexandria's population does not accurately reflect the actual size of the community. Zip Code 55308 encompasses the many lake homes just outside Alexandria's city boundary and had an estimated population of 26,062 in 2018 – or about twice the size of the population in Alexandria's city limits.

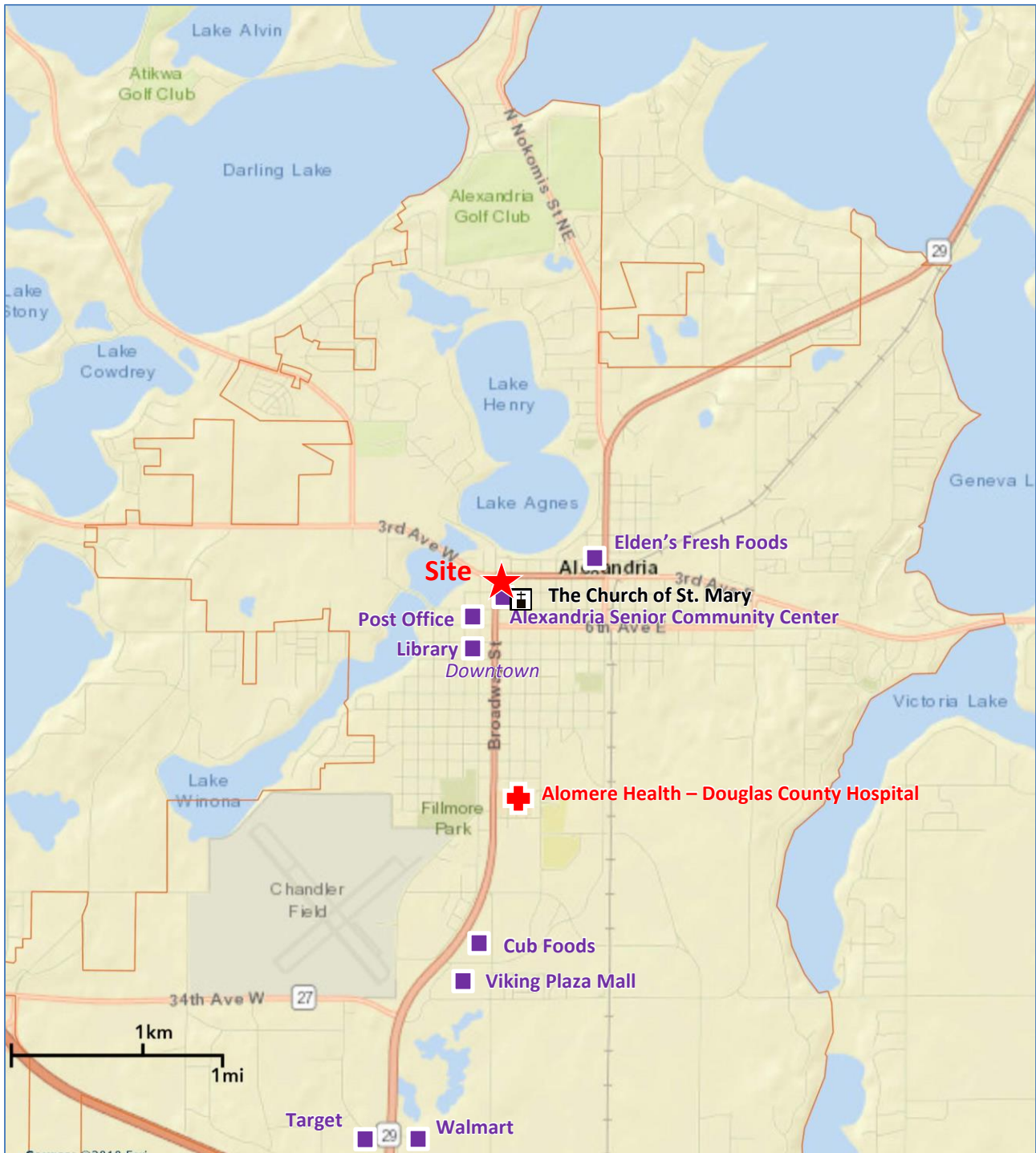
More specifically, the subject site ("Site") for the proposed senior housing development is a collection of parcels occupying most of the block east of Broadway Street between Third and Fourth Avenues, on the northern edge of Alexandria's downtown. Broadway Street is the "main street" through downtown Alexandria and is also a major transportation artery. Likewise, Third Avenue is a major east-west transportation artery and contains some commercial businesses. Thus, the Site has great access and visibility. The main access to the building would be from Fourth Avenue and Hawthorne Street. As of 2016, the annual average daily traffic on Broadway Street at the Site was 13,300 vehicles and on Third Avenue it was 17,500 vehicles. These traffic counts are among the highest in Alexandria.

Maps showing the location of the Site are shown on the following pages.

Alexandria Regional Location



Site Location – Proposed Senior Rental Development Alexandria, Minnesota



Aerial Image of Site Location



Alexandria Overview

The proposed senior housing development would be located in Alexandria, Minnesota. Alexandria is a community of 13,592 people (2017 estimate) along Interstate 94 approximately 65 miles northwest of St. Cloud and about 50 miles southeast of Fergus Falls. It is the county seat of Douglas County and a regional commercial center for the surrounding rural area.

Alexandria has steadily grown since it was incorporated in 1877. Its population has grown from about 5,000 in 1940 to over 11,000 in 2010. As mentioned earlier, there are many homes surrounding the lakes just beyond Alexandria's city limits. Thus, the actual population of the urban area is about twice the size of the City of Alexandria.

Alexandria Population

1940	5,051
1950	6,319
1960	6,713
1970	6,973
1980	7,608
1990	7,838
2000	8,820
2010	11,070

As a commercial center, Alexandria has numerous shopping choices, restaurants, a hospital, and a sizeable employment base. Among the largest employers in Alexandria are Alomere Douglas County Hospital, Alexandria Public Schools, Douglas Machine, Knute Nelson, Alexandria Industries, 3M, Brenton Engineering, Central specialties, Tastefully Simple, Arrowwood Resort & Conference Center, and Alexandria Technical & Community College.

Shopping in Alexandria is concentrated along Broadway Avenue, from its downtown (primarily between Third and Eight Avenues) southward past Viking Plaza Mall and to Interstate 94. While the downtown is characterized by many smaller stores and services, Broadway Street near Interstate 94 is anchored by big-box stores (Target, Walmart, Menards, and Fleet Farm). The downtown contains many stores, services, and Douglas County Library, US Post Office, and Alexandria Senior Community Center.

A defining characteristic of Alexandria is the presence of many lakes. Within the city limits or within a few miles are Lake Agnes, Carlos, Cowdrey, Darling, Geneva, Ida, Lakota, Le Homme Dieu, Mary, Miltona, Victoria, and Winona. The subject Site is a block south of Lake Agnes. Along with the shopping, services, and healthcare, the presence of the numerous lakes makes Alexandria an appealing place to live and a recreation destination. To some seniors, these attributes also likely make Alexandria an appealing retirement destination.

Adjacent and Surrounding Land Uses

The Site is situated on the northern edge of Alexandria's downtown – on Broadway Street the primary commercial corridor through the downtown. All the land uses surrounding the Site would be compatible with multifamily housing. Immediately surrounding the site are the following:

West: The Site's primary visibility is on Broadway Street, which forms the Site's western border. Broadway Street is one of Alexandria's two primary connections with Interstate 94, about three-miles south of the Site. For about a six-block stretch, beginning with the Site's block on 3rd Avenue, Broadway is solidly lined with commercial buildings forming Alexandria's "main street." Directly across Broadway Street from the Site is the Alexandria Armory and two office buildings (a one-story and a two-story building). On the same block of the Site, at the intersections of 3rd and 4th Avenues, are small businesses. At Broadway and 3rd Avenue is West Central Glass, Radiator, and Air Conditioning. At Broadway and 4th Avenue is Edward Jones Investments.

South: The core of downtown Alexandria's businesses are along Broadway Avenue, south of the Site. Directly across 4th Avenue from the Site is American Cleaners. Kitty-corner is Ace Hardware. Among the other businesses on the block south of the Site are Narlie's Boutique, Dancin' Off Broadway, Viking Pawn, Downtown Diner, Revive Hair Company, Hennen's, and Roers Bakery. On the block south of the Site, on Hawthorn Street, is Alexandria Senior Community Center.

East: East of the Site, across Hawthorne Avenue is a one-story office building on 3rd Street (containing State Farm Insurance, Life State Wealth Management, and Gardonville), and a parking lot. Kitty-corner from the Site, southeast of Hawthorne Street and 4th Avenue is The Church of St. Mary. Beyond the office building, parking lot, and Church, is a residential neighborhood.

North: At the intersection of Broadway Street and 3rd Avenue is West Central Glass, Radiator, and Air Conditioning, which will become part of the Site. Across 3rd Avenue are commercial businesses, including Counselor Realty, Goodwill, Downtown Liquor, and a two-story office building. One block north of the Site is Lake Agnes, with Big Ole Central Park along its southern shores.

Photographs of Site and Adjacent Land Uses



The Site as viewed from the intersection of Broadway Street and 4th Avenue (minus the building on the corner).



The Site, as viewed looking northwest from Hawthorne Street and 4th Avenue.



Looking north on Broadway Street from 4th Avenue; Site is on the right.



Business across Broadway Street from the Site.



Looking south on Broadway Street from the Site (Ace Hardware is kitty-corner from the Site).



Current business on the southwest corner of Broadway Street and 3rd Avenue (will become part of the Site).

Photographs of Site and Adjacent Land Uses



Lake Agnes, one block north of the Site.



Goodwill located north of 3rd Avenue, kitty-corner from the Site.



Looking west on 3rd Avenue from Hawthorne Street; Site is on left.



The Church of St. Mary, across 4th Avenue and Hawthorne Street from the Site.



View of Site from 4th Avenue and Hawthorne Street.



Looking west on 4th Avenue from Hawthorne Street; Site is on right.

Access and Visibility

The Site is situated on the northern end of Alexandria's downtown, occupying most of the block east of Broadway Street between Third and Fourth Avenues. Broadway Street, which is also Highway 29, is the primary north-south artery through Alexandria. Highway 29 connects Alexandria to Glenwood to the south and to Parkers Prairie to the north. Highway 29 also has Alexandria's primary connection to Interstate 94, about three and a half miles south of the Site.

Third Avenue, which is also County Road 82, is also a major east-west transportation artery through Alexandria. It connects Alexandria to Osakis on the east. West of Alexandria, it largely parallels Interstate 94 and connects with small towns all the way to Fergus Falls. As of 2016, the annual average daily traffic on Broadway Street at the Site was 13,300 vehicles and on Third Avenue it was 17,500 vehicles. West of the Site, Third Avenue had a traffic count of 14,500 vehicles as it passes between Lakes Winona and Agnes. Overall, these traffic counts are among the highest in Alexandria. Thus, the Site has great access and visibility

Overall, access and visibility to the Site are excellent. This is not only to Alexandria residents but also to persons currently living in the surrounding areas traveling into Alexandria.

Proximity to Shopping, Services, and Health Care

Alexandria contains shopping, services, restaurants, and a hospital – all of which increase the appeal of Alexandria as a location for senior housing. Because Alexandria is a small community geographically (about 18 square miles), all these places are in close proximity to the Site (about a 10 minute-drive at most). Of particular importance for senior housing is the availability of health care. Alexandria contains Alomere Douglas County Hospital. It is on Broadway Street at 17th Avenue, or about one-mile south of the Site. Also in Alexandria are several medical clinics, including Alomere Health Alexandria Clinic, Broadway Medical Center, Midway Medical Clinic, and Sanford Health Easton Place Clinic.

Alexandria contains an abundance of retail, services, and restaurants. This includes many in the downtown which are within walking distance of the Site. Among these are hair salon/barber shops, a bakery, cafes, and restaurants, a hardware store, and specialty shops.

About two miles south of the Site is a retail concentration that contains Viking Plaza Mall, Midway Mall, Cub Foods, and Midway 9 Theatre. Viking Plaza is an enclosed mall that contains about 30 stores. About three miles south of the Site are Target and Walmart along with other smaller stores and restaurants. Closer to the Site, along Third Avenue, is a Goodwill (kitty-corner from the Site), Elden's Fresh Foods, Thrifty White Pharmacy, and Wells Fargo Bank.

Alexandria has many places of worship. Within a few blocks of the Site are St. Mary, Zion Lutheran, Calvary Lutheran, First Congregational, Catalyst Covenant, and Cornerstone.

Appropriateness for Senior Housing

The Site on Broadway Street is appropriate for market rate senior rental housing for the following reasons:

1. The Site has great access and visibility provided by both Broadway Street and Third Avenue. Both are major transportation arteries through Alexandria.
2. The Site's location in downtown Alexandria is conveniently located to shopping and services, restaurants, health care, and places of worship. Douglas County Library, Alexandria Senior Community Center, and US Post Office are also close to the Site.
3. Alexandria contains Alomere Douglas County Hospital and several medical clinics making access to healthcare very convenient.
4. Although it is in the downtown, the Site is on the edge of a residential neighborhood and has a somewhat peaceful setting to the east.
5. The properties surrounding the Site would be compatible with a senior housing building.
6. The Site is one block from Lake Agnes, and Big Ole Central Park, which are on the shores of Lake Agnes and contain walking paths (including Central Lakes Trail).

Overall, the Site would be very appealing to many seniors currently living in Alexandria and the surrounding area who are seeking senior rental housing that is within walking distance or close driving distance to shopping, services, health care, restaurants, recreation, and places of worship.

Demographic and Employment Analysis

This section of the report presents a review of demographic and economic characteristics and trends for the subject development's primary draw area. These characteristics and trends provide insight into current and future demand for market rate senior rental housing in the primary draw area. First, the primary market area for the proposed development is defined and then demographic data is analyzed (population and household growth trends, population age distribution, senior household incomes, and household tenure and size) and economic conditions (resident employment, covered jobs).

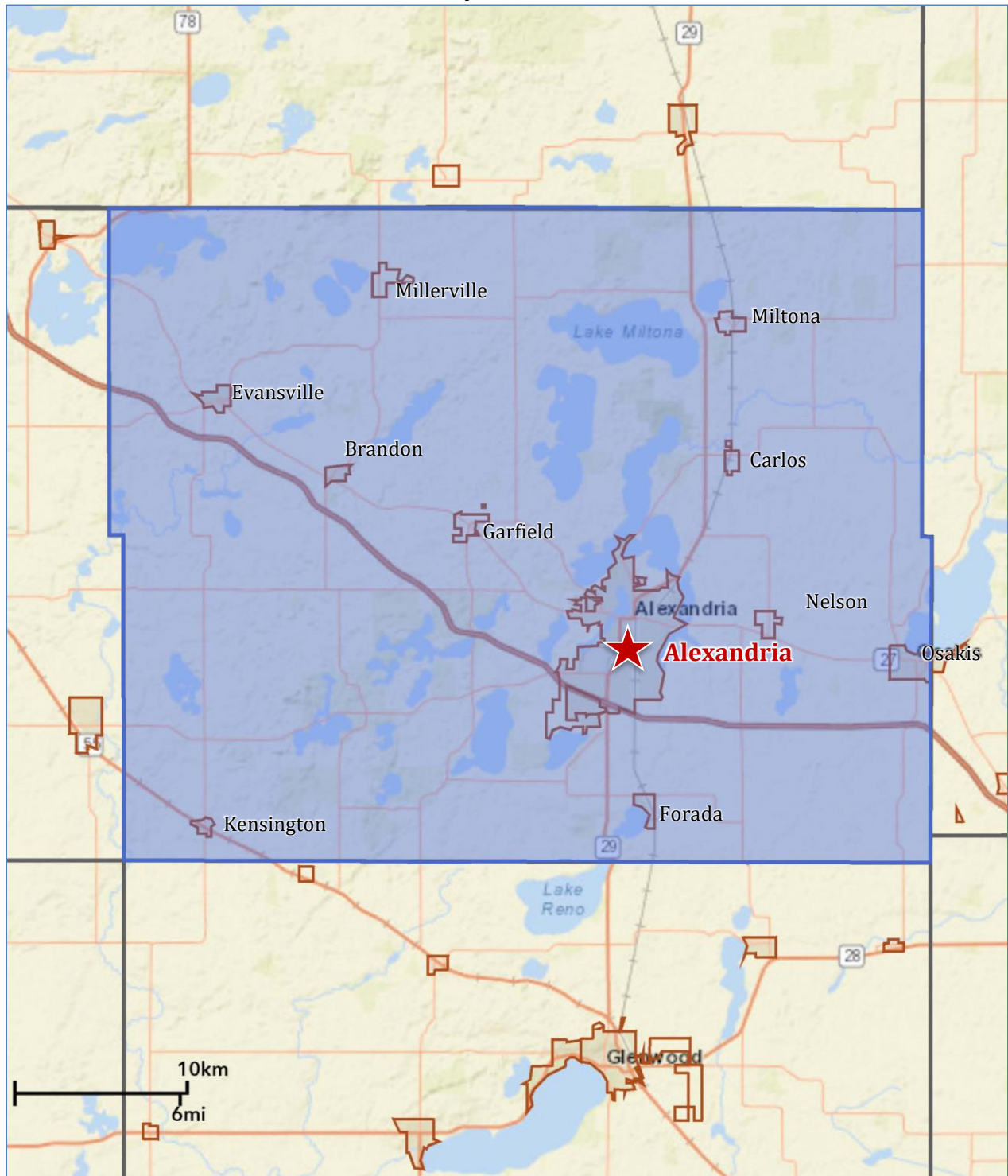
Based on rural characteristics of the surrounding area, Alexandria's positioning as a regional commercial center, proximity to senior housing properties in other communities, and our knowledge of senior housing draw areas, we estimate that a new senior housing development in Alexandria would attract approximately 80% of its residents from a draw area (Primary Market Area, or "PMA") that is Douglas County. Along with Alexandria, Douglas County contains the communities listed below.

Population of PMA Communities			
Alexandria	13,568	Kensington	296
Brandon	479	Millerville	105
Carlos	489	Miltona	408
Evansville	598	Nelson	190
Forada	194	Osakis	1,717
Garfield	345		

The remaining portion of demand (20%) would come from outside the PMA, including parents of adult children living in the PMA and seniors currently living just outside the PMA. In particular, much of the demand from outside the PMA would come from nearby smaller communities without many senior housing options of their own.

A map of the PMA is shown on the following page.

Primary Market Area



Demographic Growth Trends and Economic Conditions

Table 1 shows overall population and household growth and projections in Alexandria and the PMA. Tables 2 and 3 show employment growth trends for Douglas County. Table 2 shows resident employment growth in Douglas County (number of employed people) and Table 3 shows the number of jobs covered by unemployment insurance in Alexandria and Douglas County. The key demographic and economic findings are summarized on the following pages.

- ▶ The total population in the PMA was 36,009 in 2010. The population experienced very strong growth of 9.7% last decade. This growth rate outpaced the growth rate of Minnesota (+7.8%).
- ▶ Alexandria is the largest community in the PMA. Its population grew by 25.5% last decade, reaching 11,070 in 2010. Alexandria accounted for about 70% of the PMA's growth.
- ▶ This decade, the PMA's growth rate is again projected to exceed the State's rate. By 2020, the PMA's population is projected to reach 39,900 (+10.8% during the decade). Alexandria's population is projected to reach 13,900 in 2020.
- ▶ Alexandria's city limits stop short of many homes surrounding area lakes, such as Lakes Latoka, Cowdrey, Louise, Darling, Carlos, Le Homme Dieu, Geneva, and Victoria. There is a significant population living around these lakes, which are all within about a mile of Alexandria's city limits. While Alexandria had a population of 11,070 in 2010, its zip code (56308) had a population of 23,863.
- ▶ The local economy is performing well compared to the nation as measured by the unemployment rate. Douglas County's unemployment rate was 2.8% in 2018, compared to 3.7% nationwide. Minnesota's unemployment rate was 3.2%.
- ▶ The number of employed people in Douglas County (Table 2) reached 20,497 in 2018. This is up from a low of 18,471 in 2010 (during the Great Recession) and is at its highest since at least 2007. The total number of jobs in Douglas County (Table 3) has also rebounded from the low-point of the Great Recession. As of 1st Half 2018, there were 18,713 jobs in the county. Of this total, 13,957 were in Alexandria (Alexandria accounts for 75% of the PMA jobs).

Both population and employment growth will indirectly affect demand for senior housing. Out-of-area seniors will move to be near adult children in the PMA and growth will also create demand for homes – positively influencing the value of homes, including homes currently occupied by seniors.

Table 1
Population and Household Growth Trends and Projections
Primary Market Area
2000 to 2030

	-- Census --		-- Projections --		Change 2010 - 2020	
	2000	2010	2020	2030	No.	Pct.
POPULATION						
Alexandria	8,820	11,070	13,900	15,300	2,830	25.6
Remainder of PMA	24,001	24,939	26,000	28,700	1,061	4.3
PMA	32,821	36,009	39,900	44,000	3,891	10.8
<i>Greater Minnesota</i>	<i>2,277,417</i>	<i>2,454,358</i>	<i>2,506,754</i>	<i>2,525,563</i>	<i>52,396</i>	<i>2.1</i>
<i>Minnesota</i>	<i>4,919,479</i>	<i>5,303,925</i>	<i>5,687,161</i>	<i>5,974,304</i>	<i>383,236</i>	<i>7.2</i>
HOUSEHOLDS						
Alexandria	4,047	5,298	5,950	6,960	652	12.3
Remainder of PMA	9,229	9,991	11,000	11,810	1,009	10.1
PMA	13,276	15,289	16,950	18,770	1,661	10.9
<i>Greater Minnesota</i>	<i>873,671</i>	<i>969,478</i>	<i>969,730</i>	<i>977,000</i>	<i>252</i>	<i>0.0</i>
<i>Minnesota</i>	<i>1,895,127</i>	<i>2,087,227</i>	<i>2,306,229</i>	<i>2,475,880</i>	<i>219,002</i>	<i>10.5</i>
Sources: US Census, ESRI; Minnesota Demographic Center, Viewpoint Consulting Group, Inc.						

**Table 2, Resident Employment Trends
Douglas County, 2007 to 2018**

	--- Douglas County ---			MN	USA
	<u>Labor Force</u>	<u>Employment</u>	<u>% Unemploy.</u>		
2007	20,039	19,154	4.4%	4.6%	4.6%
2008	20,363	19,352	5.0%	5.4%	5.8%
2009	20,767	19,387	6.6%	8.1%	9.3%
2010	19,817	18,471	6.8%	7.4%	9.6%
2011	19,780	18,584	6.0%	6.5%	8.9%
2012	19,810	18,812	5.0%	5.6%	8.1%
2013	19,851	18,971	4.4%	4.9%	7.4%
2014	19,796	19,057	3.7%	4.2%	6.2%
2015	19,983	19,296	3.4%	3.7%	5.3%
2016	20,112	19,406	3.5%	4.0%	4.7%
2017	20,245	19,568	3.3%	3.9%	4.5%
2018	21,089	20,497	2.8%	3.2%	3.7%

Source: MN Dept. of Employment and Economic Development; Viewpoint Consulting Group, Inc.

**Table 3, Covered Employment Trends
Alexandria & Douglas County, 2007 to 1st Half 2018**

	<u>Alexandria</u>	<u>Douglas County</u>	<u>Minnesota</u>
2007	13,869	17,443	2,688,406
2008	13,521	17,700	2,680,530
2009	13,237	17,264	2,572,442
2010	12,855	16,947	2,563,391
2011	13,018	17,157	2,603,526
2012	13,217	17,480	2,644,935
2013	13,348	17,795	2,692,170
2014	13,478	17,977	2,729,613
2015	13,720	18,217	2,774,450
2016	13,703	18,386	2,813,648
2017	13,934	18,784	2,853,895
1st H 2018	13,957	18,713	2,854,991
Change, '10 - '18			
Number	1,102	1,766	291,600
Percent	8.6%	10.4%	11.4%

Source: MN Dept. of Employment and Economic Development - Quarterly Census of Employment and Wages; Viewpoint Consulting Group, Inc.

Senior Demographic Analysis

Tables 4 through 8 show key economic and demographic variables related to the demand for senior housing in the PMA (age distribution of the senior population and household base, senior household income, senior homeownership rates, and home values). The demographic and home value data is from ESRI, a national demographics firm.

The key senior demographic and economic findings are summarized on the following pages.

Senior Population and Household Trends

- ▶ While the PMA's total population increased by 9.7% last decade, its senior (age 65+) population grew by 20.0%, reaching 7,069 in 2010. Seniors ages 75 and over, the primary target market for senior housing, grew by 14.8% last decade.
- ▶ Alexandria's zip code (56308) has an estimated population of 26,062 in 2018, of which 2,899 were seniors ages 75 and over. While Alexandria's zip code accounted for 67% of the PMA's total population, it accounted for 71% of its age 75+ population. Alexandria is a housing destination for persons living in the local countryside when they reach their elder years.
- ▶ Between 2018 and 2023, all age groups above 60 in the PMA are projected to grow. Strong growth is projected in the age 75-to-79-age-group. Overall, the PMA's 75+ population is projected to increase by 17.4% over the next five years.

Senior Household Incomes

- ▶ Incomes in the PMA are above average compared to Greater Minnesota (Minnesota minus the seven-county Twin Cities Metro Area), meaning a higher percentage of seniors would likely be able to afford market rate housing. The estimated median income of age 75+ households in the PMA in 2018 was \$31,973, or higher than Greater Minnesota's median of \$29,217.
- ▶ The target market for senior rental housing is generally senior households age 65 and older with incomes of at least \$50,000 (plus some lower-income senior homeowners). By allocating 40% of their income toward rent, seniors with this income could afford gross rents beginning at approximately \$1,100. It should be noted that seniors can oftentimes allocate a higher proportion of their income toward rent since they generally have fewer expenses than younger households. In 2018, an estimated 2,318 households age 65 and older in the PMA had incomes of at least \$50,000. By 2023, about 2,750 households age 65 and older are projected to have incomes of at least \$55,000 (increased from \$50,000 to adjust for inflation).

Senior Household Tenure

- ▶ Seniors who own their homes have an additional source of income through the sale of their home that can be utilized for alternative housing. Upon the sale of their home, the proceeds can be invested, and the income used dollar for dollar as supplementary income for housing and services. As Table 4 illustrates, as of 2010, a similar percentage of seniors in the PMA are homeowners compared to Greater Minnesota.

Home Value Trends

- ▶ Seniors can use the proceeds from the sale of their home to off-set the cost of senior housing. Home values in the PMA are average compared to Greater Minnesota; the estimated median home value in the PMA in 2018 was \$217,443, compared to \$184,211 in Greater Minnesota.
- ▶ A senior selling their home for \$217,000 could receive an investment return of approximately \$500 monthly from the sale (sale price minus 7% sales agent fees, and a 3% annual return on their investment).

Table 4
Senior Population Growth Trends and Projections
Primary Market Area
2000 to 2023

Age	2000	2010	2018	2023	Change, 2018 to 2023	
					No.	Pct.
55 to 59	1,809	2,518	2,894	2,587	-307	-10.6%
60 to 64	1,624	2,314	2,811	2,975	164	5.8%
65 to 69	1,474	2,063	2,600	2,906	306	11.8%
70 to 74	1,418	1,564	2,125	2,466	341	16.0%
75 to 79	1,178	1,267	1,588	1,977	389	24.5%
80 to 84	898	1,051	1,089	1,350	261	24.0%
85+	921	1,124	1,380	1,435	55	4.0%
Total 65+	5,889	7,069	8,782	10,134	1,352	15.4%
Total 75+	2,997	3,442	4,057	4,762	705	17.4%
Total Population	32,821	36,009	39,025	41,137	2,112	5.4%
<i>56038 (Alexandria)</i>	<i>21,829</i>	<i>24,026</i>	<i>26,062</i>	<i>27,479</i>	<i>1,417</i>	<i>5.4%</i>
<i>Greater Minnesota</i>	<i>2,277,423</i>	<i>2,454,358</i>	<i>2,563,584</i>	<i>2,642,625</i>	<i>79,041</i>	<i>3.1%</i>
<i>Minnesota</i>	<i>4,919,479</i>	<i>5,303,925</i>	<i>5,657,912</i>	<i>5,898,234</i>	<i>240,322</i>	<i>4.2%</i>

Sources: ESRI; Census Bureau; Viewpoint Consulting Group, Inc.

Table 5
Senior Household Growth Trends and Projections
Primary Market Area
2000 to 2023

Age	2000	2010	2018	2023	Change, 2018 to 2023	
					No.	Pct.
55 to 64	1,942	2,752	3,187	3,080	-107	-3.4%
65 to 74	1,750	2,176	2,778	3,133	355	12.8%
75+	1,939	2,354	2,703	3,144	441	16.3%
Total 65+	3,689	4,530	5,481	6,277	796	14.5%
Total Households	13,276	15,289	16,584	17,492	908	5.5%
<i>56038 (Alexandria)</i>	<i>8,975</i>	<i>10,383</i>	<i>11,278</i>	<i>11,902</i>	<i>624</i>	<i>5.5%</i>
<i>Greater Minnesota</i>	<i>873,673</i>	<i>969,478</i>	<i>1,010,155</i>	<i>1,039,723</i>	<i>29,568</i>	<i>2.9%</i>
<i>Minnesota</i>	<i>1,895,127</i>	<i>2,087,227</i>	<i>2,216,108</i>	<i>2,306,130</i>	<i>90,022</i>	<i>4.1%</i>

Sources: ESRI; Census Bureau; Viewpoint Consulting Group, Inc.

Table 6
Household Incomes by Age of Householder
Primary Market Area
2018 and 2023

2018 Households by Age			
Income	55 - 64	65-74	75+
<\$15,000	292	294	456
\$15,000 to \$24,999	257	254	583
\$25,000 to \$34,999	248	247	412
\$35,000 to \$49,999	373	429	488
\$50,000 to \$74,999	638	583	391
\$75,000 to \$99,999	489	369	167
\$100,000 to \$149,999	469	357	133
\$150,000+	421	245	73
Total	3,187	2,778	2,703
Median HH Income	\$64,285	\$55,081	\$31,973
<i>Greater Minnesota Median HH Income</i>	<i>\$64,909</i>	<i>\$50,185</i>	<i>\$29,217</i>
<i>Minnesota Median HH Income</i>	<i>\$76,298</i>	<i>\$56,038</i>	<i>\$32,912</i>
2023 Households by Age			
Income	55 - 64	65-74	75+
<\$15,000	237	280	494
\$15,000 to \$24,999	203	244	606
\$25,000 to \$34,999	203	250	460
\$35,000 to \$49,999	312	434	552
\$50,000 to \$74,999	559	611	464
\$75,000 to \$99,999	507	454	229
\$100,000 to \$149,999	588	532	229
\$150,000+	471	328	110
Total	3,080	3,133	3,144
Median HH Income	\$75,929	\$62,231	\$35,222
<i>Greater Minnesota Median HH Income</i>	<i>\$76,500</i>	<i>\$56,823</i>	<i>\$32,644</i>
<i>Minnesota Median HH Income</i>	<i>\$86,718</i>	<i>\$64,948</i>	<i>\$37,107</i>
Sources: ESRI; Viewpoint Consulting Group, Inc.			

**Table 7
Tenure by Age of Householder
Primary Market Area, 2010**

Households	Owners		Renters	
	No.	Pct.	No.	Pct.
Age 55 to 64	2,430	88.3%	322	11.7%
Age 65 to 74	1,937	89.0%	239	11.0%
Age 75 to 84	1,237	78.2%	344	21.8%
Age 85+	395	51.1%	378	48.9%
Total	5,999	82.4%	1,283	17.6%
Total Age 65+	3,569	78.8%	961	21.2%
Total Age 75+	1,632	69.3%	722	30.7%
<i>Greater Minnesota</i>				
Age 65+		78.7%		21.3%
Age 75+		71.1%		28.9%
<i>Minnesota</i>				
Age 65+		77.4%		22.6%
Age 75+		70.0%		30.0%

Sources: ESRI; Viewpoint Consulting Group, Inc.

**Table 8
Median Home Value
Primary Market Area, 2018**

	Median Home Value	Average Home Value
PMA	\$217,443	\$264,876
56038	\$222,813	\$274,441
Greater Minnesota	\$184,211	\$223,843
Minnesota	\$227,055	\$271,376

Sources: ESRI; Viewpoint Consulting Group, Inc.

Competitive Market Analysis

This section analyzes the current market conditions for senior housing in the PMA. It includes a survey of competitive properties in and near the PMA and an inventory of planned and proposed developments that may increase the future competitive supply.

Senior Housing Defined

Senior housing encompasses a wide variety of product types. The properties that include the lowest level of services are **adult** properties, which offer virtually no support services or health care, but restrict tenancy to those age 55 and over. Adult properties can be rental or owner-occupied (attached or detached townhomes, condominiums and cooperatives). Congregate properties, better known as **independent living**, offer support services such as meals and housekeeping. These services are either included in the rent or offered a-la-carte so that residents can choose whether or not to pay for them. Independent living properties attract an older and frailer senior population than adult properties (generally seniors age 75 and over).

The most service-intensive housing types are **assisted living**, **memory care**, and **enhanced care suites** (or “assisted living care suites,” or simply “care suites”) as they offer the highest level of services short of a nursing home. Some of the typical services they provide are meals, housekeeping, linen changes, personal laundry, 24-hour emergency response and a wide range of personal-care and therapeutic services. The meals and services are built into the monthly fee, charged through a tiered service package or offered a-la-carte.

Alexandria Rental Market Overview

The Alexandria HRA commissioned a citywide housing study in 2018 – the City of Alexandria Housing Study Update – October 2018. The study surveyed a total of 1,760 rental units in Alexandria, including 1,149 general-occupancy market rate units in 34 properties. Among the general-occupancy market rate rental units, only 19 units were vacant. This equated to a vacancy rate of only 1.7%, or well below the stabilized vacancy rate of 5.0% which allows for consumer choice and turnover. The vacancy rate is very low despite several new properties that came on-line during the previous year. The newer properties, which generally have rents higher than the older properties, were fully occupied when surveyed.

No senior rental properties without services were identified in the housing study. There are, however, three congregate projects with “light services.” They are Vista Prairie at Windmill Ponds, Grand Arbor Lakes Senior Apartments, and Arabella Manor I and II. While classified as light services, Vista Prairie at Windmill Ponds is a flexible care property offering assisted living to residents in any unit. Combined, these three properties have a total of 250 units. Grand Arbor Lakes Senior Apartments was fully occupied with a waiting list and Vista Prairie at Windmill Ponds had four openings. Arabella Manor did not disclose occupancy information.

Based on projected growth, demographic trends, and rental market conditions, the 2018 study calculated demand for 470 to 520 rental housing units in the Alexandria over the next five years (to 2023). Of this total, demand was calculated for 260 to 300 units of market rate rental housing and 100 to 110 units of senior housing with services.

The 2018 housing study identifies that households ages 65+ will represent the largest net growth of any age cohort over the next five years. With this growth, it was recommended 20% of conventional rental units be developed as age-designated. So far, the housing study pointed out that developers have focused on either general-occupancy apartments that serve broad segments of the market or senior housing that offers services. Nothing has been built for independent seniors who want to be in an age-restricted building but do not need services.

Competitive Senior Housing Supply

Table 9 shows the inventory of adult rental (or “senior rental”) properties in the PMA that would provide competition to a new development in Alexandria. For each property, Table 9 provides information on location, year built, distance to Alexandria, and number of units. A summary of unit mix, sizes, and rents is presented in Table 10, followed by more detailed data sheets for each property. Key highlights about the competitive supply are discussed on the following pages.

- ▶ No market rate senior rental properties (55+ with no services) were identified in the PMA. There is a 55+ ownership option – Village Cooperative. Arabella Manor is listed as 55+ rental, but it has some meals and home care services available and attracts an older resident base – making it more of a congregate/optional-services property. There are also subsidized senior rental properties where low-income residents pay rent based on income (Bethel Manor, Highland Terrace, Viking Tower, and Winona Shores). However, no age-restricted, market rate rental properties that would be directly competitive with the subject development were identified.
- ▶ As there are no competitive senior rental properties in Alexandria, Table 10 shows monthly rents at three newer general-occupancy rental properties in Alexandria and two independent (congregate/optional-services) properties. Four 55+ rental properties outside the PMA – one each in Cold Spring, Eagan, Fergus Falls, and Sartell – are also included in table 10. These properties provide insight into rents that could be achieved at a new 55+ rental property in Alexandria.
- ▶ Three of the newer general-occupancy properties in Alexandria are included in Table 10. Granite Manor/Runestone are on the same campus, with one having opened in 2013 and the other in 2015. Lakewood Terrace opened in 2011 with a second phase opening in 2017. Woodland Apartments opened in October 2017. They represent current options for active seniors who would like to move to rental housing in Alexandria but do not need services. All three are fully occupied. The average rent at these three properties combined is about \$840 for one-bedroom units and \$1,045 for two-bedroom units, and \$1,325 for three-bedroom units. The average unit sizes are 675 square feet for one-bedroom units and 1,005 for two-bedroom units, and 1,270 for three-bedroom units. The average rent per square foot equates to \$1.24 for one-bedroom units, and \$1.04 for two-bedroom and three-bedroom units.
- ▶ A map on Page 26 shows the location of the newer general-occupancy rental properties and the two congregate independent properties in Alexandria (Arabella Manor and The Lakes at Grand Arbor). As shown on the map, none of the competitive/comparable properties are in or near the downtown. Thus, unlike the subject development, they are not very walkable to shopping, services, and restaurants.

Table 9
Competitive/Comparable Senior Housing Supply
Primary Market Area, January 2019

Property Name	Location	Year Built	Miles from Alexandria	Number of Units
Senior (55+) Rental				
-- None --				0
Subtotal				0
Independent Living				
Arabella Manor	Alexandria	2005/'14	0.0	74
Lakes Senior Apts.	Alexandria	2011/'17	0.0	162
Galeon - Terrace Heights	Osakis	1995	11.0	20
Subtotal				256
Source: Viewpoint Consulting Group, Inc.				

- ▶ Lakes Senior Apartments opened in two phases on the Grand Arbor campus – one in 2011 and one in 2017. The campus has a continuum of care starting with the Lakes Senior Apartments and including assisted living and memory care housing. Rent for Lakes Senior Apartments range from \$1,377 to \$1,971 for one-bedroom units to \$3,064 to \$3,154 for two-bedroom plus den units. Residents have access to a multitude of common spaces and can purchase meals, housekeeping, and other home health services for a fee. Likewise, residents at Arabella Manor, a 74-unit property that opened in 2005 with a second phase in 2014, can purchase noon meals, housekeeping, and other personal care services for a fee. Its estimated rents are \$1,300 to \$1,700 for one-bedroom units and \$1,640 to \$2,420 for two-bedroom units.
- ▶ The four senior (55+) rental properties in Table 10 opened from 2016 (River Oaks Landing in Fergus Falls) to 2019 (Granite Landing in Cold Spring). Whereas the subject development would be positioned as upscale in Alexandria, with concrete and steel construction and high-end finishes, River Oaks Landing and Granite Landing are more basic market rate properties (e.g., Granite Landing has wall-unit air conditioners). The average rent at these two properties is \$985 for one-bedroom units and \$1,375 for two-bedroom units.
- ▶ Chateau Waters is a upscale property built in Sartell in 2016. The four-story building has an abundance of common spaces, including a restaurant, wellness center with swimming pool, mini-store, media center, art studio, theatre, chapel, gift shop, outdoor dining, fire pit and grilling area, putting green, shuffleboard, and pickleball court. The 72-unit property has rents that equate to an average of \$3.20 per square foot (from \$2,600 for a one-bedroom unit to \$4,000 for a two-bedroom plus den unit). Its rents include a \$150 meal credit to an on-site restaurant, wellness membership, and concierge services.

Newer Rental Housing & Independent Senior Properties Surveyed

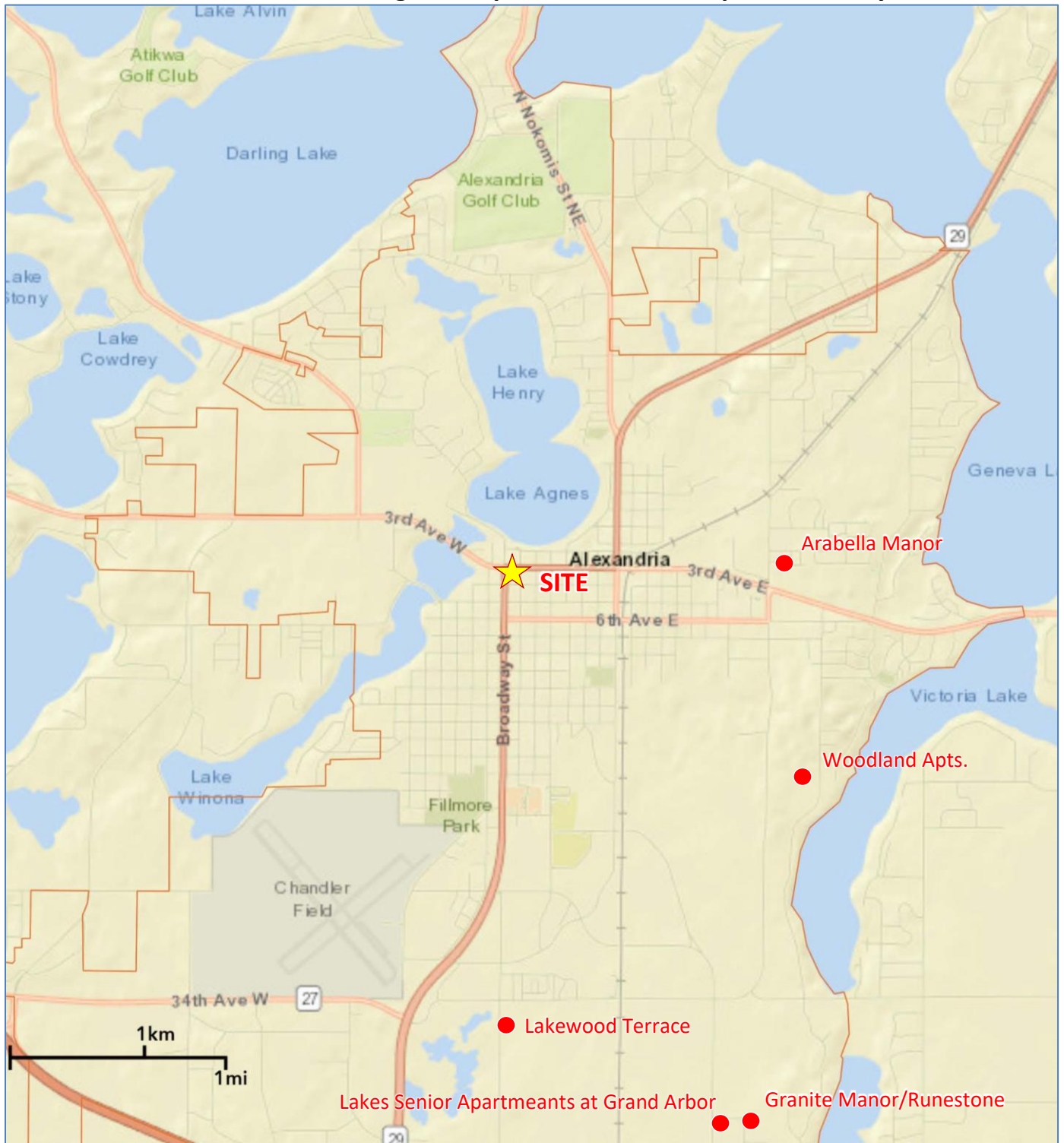



Table 10
Monthly Rent Summary
Competitive/Comparable Properties
January 2019


Property Name	No. of Units	Year Built	Unit Type	Unit Size (sf)	Monthly Rent	Comments
General-Occupancy Rental Properties in Alexandria						
Granite Manor/ Runestone 4541 Arbor Crossing SE Alexandria	131	2013	Stu	611 - 611	\$750 - \$750	Two 3-story buildings. Rent includes water/sewer, heat, & trash. Tuck-under & UG parking = \$40-\$60/mo.
			1BR	745 - 745	\$900 - \$900	
			2BR	879 - 1,170	\$990 - \$1,090	
			3BR	1,311 - 1,428	\$1,275 - \$1,325	
Woodland Apts 1964 10th Ave SE Alexandria	36	2017	Stu	450 - 450	\$595 - \$625	3-story building. Rent includes heat, water/sewer, & trash. Detached garages = \$75/mo.
			1BR	600 - 600	\$750 - \$795	
			2BR	840 - 840	\$895 - \$895	
			3BR	1,000 - 1,000	\$1,200 - \$1,200	
Lakewood Terrace 3703 S. Broadway St. Alexandria	92	2011/'17	1BR*	661 - 661	\$671 - \$671	Five 4-story buildings. * TIF units. Residents pay electric and heat. Detached garages included in rent.
			2BR*	808 - 808	\$806 - \$806	
			2BR	1,090 - 1,200	\$1,100 - \$1,300	
			3BR	1,390 - 1,490	\$1,430 - \$1,510	
Congregate/Optional-Services Properties in Alexandria						
Arabella Manor 1810 Darling Ave. Alexandria	74	2005/'14	1BR	745 - 1,061	n.a.	2-story building. Rent includes all utilities and activities. Noon meal, housekeeping, and other home health services are available for an additional fee.
			2BR	932 - 1,504		
Lakes Senior Apts. by Grand Arbor 4403 Pioneer Rd Alexandria	73	2011	1BR	708 - 858	\$1,432 - \$1,759	3-story building on campus with assisted Living and memory care. Rent includes all utilities, local telephone and cable TV, and social programs & events. Meals, housekeeping, and home care services available for a fee.
			1BR+D	968 - 1,170	\$1,958 - \$2,367	
			2BR	1,149 - 1,534	\$2,323 - \$3,046	
			2BR+D	1,619 - 1,622	\$3,275 - \$3,280	


(Continued)


Table 10
Monthly Rent Summary
Competitive/Comparable Properties
January 2019


Property Name	No. of Units	Year Built	Unit Type	Unit Size (sf)	Monthly Rent	Comments
Comparable Senior (55+) Rental Properties in Other Communities						
River Oaks Landing 1480 Westside Dr. Fergus Falls	24	2016	1BR 2BR 3BR	964 - 964 1,130 - 1,340 1,664 - 1,664	\$1,000 - \$1,000 \$1,225 - \$1,450 \$1,800 - \$1,800	Age 55+. 3-story building. Rent includes heat, water/sewer, trash, & UG parking.
Chateau Waters Pine Cone Rd Sartell	72	2016	1BR 1BR+D 2BR 2BR+D	800 - 850 950 - 1,050 1,000 1,045 1,150 1,400	\$2,600 - \$2,800 \$3,200 - \$3,400 \$3,400 - \$3,400 \$3,600 - \$4,000	Age 55+. 4-story building. Rent includes all utilities, \$150 meal credit on on-site restaurant, wellness membership, and concierge.
Affinity at Eagan 4000 Eagan Outlets Pkwy Eagan	173	2018	Stu 1BR 1BR+D 2BR	522 - 522 608 - 733 863 - 863 916 - 1,235	\$1,490 - \$1,590 \$1,595 - \$1,755 \$1,910 - \$1,975 \$1,890 - \$2,505	Age 55+. 5-story building. Rent includes all utilities, and UG parking. 2nd occupant = \$150/mo.
Granite Landing 103 Main Street Cold Spring	50	2019	1BR 1BR+D 2BR 2BR+D	630 - 775 893 - 893 1,000 - 1,076 n.a.	\$965 - \$965 \$1,295 - \$1,295 \$1,395 - \$1,425 \$1,470 - \$1,470	Age 55+. 3-story building. Rent includes all utilities and underground parking.
Source: Viewpoint Consulting Group, Inc.						


Name:	Granite Manor/Runestone						
Address:	4727 Arbor Crossing SE Alexandria, MN						
Property Type:	General-occupancy Two 3-story buildings						
Number of Units:	131						
Year Built:	2013/'15						
Occupancy Level:	100.0%						
Unit Type	Units	Sq. Ft.		Monthly Rent		Avg. Rent/SF	
STU	n.a.	611	- 611	\$750 - \$750		\$1.23	
1BR		745	- 745	\$900 - \$900		\$1.21	
2BR		879	- 1,170	\$990 - \$1,090		\$1.02	
3BR		1,311	- 1,428	\$1,275 - \$1,325		\$0.95	
Total/Average	131	938		\$998		\$1.06	
Common Area Amenities				Unit Features		Included in Rent	
<i>Business Center</i>	No	<i>Picnic/Patio</i>	Yes	<i>Washer/Dryer</i>	Yes	<i>Water</i>	Yes
<i>Community Room</i>	Yes	<i>Play Area</i>	No	<i>Fireplace</i>	No	<i>Electric</i>	No
<i>Secure Entrance</i>	Yes	<i>Laundry</i>	No	<i>Patio/Balcony</i>	Yes	<i>Heat</i>	Yes
<i>Elevator</i>	Yes			<i>AC</i>	Yes	<i>Trash</i>	Yes
<i>Pool</i>	No					Parking	
<i>Hot Tub</i>	No					<i>Garage</i>	TU, Det.
<i>Fitness Room</i>	Yes					<i>Fee</i>	\$40 or \$60/mo.
Source: Viewpoint Consulting Group, Inc.							


Name: Lakewood Terrace							
Address: 3703 - 3709 S. Broadway St.							
Property Type: General-occupancy							
Number of Units: 72							
Year Built: 2011/'17							
Occupancy Level: 100%							
Unit Type	Units	Sq. Ft.		Monthly Rent	Avg. Rent/SF		
1BR*	8	661	- 661	\$671 - \$671	\$1.02		
2BR*	8	808	- 808	\$806 - \$806	\$1.00		
2BR	36	1,090	- 1,200	\$1,100 - \$1,300	\$1.05		
3BR	20	1,390	- 1,490	\$1,430 - \$1,510	\$1.02		
Total/Average:		72	1,136	\$1,172	\$1.03		
* TIF units							
Common Area Amenities			Unit Features		Included in Rent		
Business Center	No	Picnic/Patio	No	Washer/Dryer	Yes	Water	Yes
Community Room	No	Play Area	No	Fireplace	No	Electric	No
Secure Entrance	Yes	Laundry	No	Patio/Balcony	Yes	Heat	No
Elevator	Yes			AC	Yes	Trash	Yes
Pool	No					Parking	
Hot Tub	No					Garage	Detached
Fitness Room	No					Fee	Included
Four buildings built in 2011, 2016, and 2017.							
Source: Viewpoint Consulting Group, Inc.							


Name:	Woodland Apartments							
Address:	1964 10th Ave SE Alexandria							
Property Type:	General-occupancy							
Number of Units:	36							
Year Built:	Oct. 2017							
Occupancy Level:	100%							
Unit Type	Units	Sq. Ft.		Monthly Rent		Avg. Rent/SF		
Stu	12	450	- 450	\$595	- \$625	\$1.36		
1BR	12	600	- 600	\$750	- \$795	\$1.29		
2BR	10	840	- 840	\$850	- \$895	\$1.04		
3BR	2	1,000	- 1,000	\$1,200	- \$1,200	\$1.20		
Total/Average:	36	723		\$864		\$1.20		
Common Area Amenities								
<i>Business Center</i>	No	<i>Picnic/Patio</i>		<i>Unit Features</i>		<i>Included in Rent</i>		
<i>Community Room</i>	No	<i>Play Area</i>		<i>Washer/Dryer</i>	Yes	<i>Water</i>	Yes	
<i>Secure Entrance</i>	Yes	<i>Laundry</i>		<i>Fireplace</i>	No	<i>Electric</i>	No	
<i>Elevator</i>	Yes			<i>Patio/Balcony</i>	Some	<i>Heat</i>	Yes	
<i>Pool</i>	No			<i>AC</i>	Yes	<i>Trash</i>	Yes	
<i>Hot Tub</i>	No			Parking				
<i>Fitness Room</i>	No			<i>Garage</i>	Detached			
							<i>Fee</i>	\$75/mo.
Note: 20% of the units are income-restricted at 50% AMI								
Source: Viewpoint Consulting Group, Inc.								

Name:	Arabella Manor				
Address:	1810 Darling Ave.				
Property Type:	Congregate Independent				
Number of Units:	74				
Year Built:	2005/'14				
Occupancy Level:	n.a.				
Unit Type	Units	Sq. Ft.	Monthly Rent	Avg. Rent/SF	
1BR	32	745 - 1,061	n.a.	--	
2BR	42	932 - 1,504		--	
Total/Average	74	--	--	--	
Common Area Amenities		Unit Features		Included in Rent	
<i>Secure Entrance</i>	Yes	<i>Fitness Room</i>	Yes	<i>Water</i>	Yes
<i>Elevator</i>	Yes	<i>Lounge</i>	Yes	<i>Electric</i>	Yes
<i>Community Room</i>	Yes	<i>Laundry</i>	Yes	<i>Patio/Balcony</i>	No
<i>Dining Room</i>	Yes	<i>Library</i>	Yes	<i>Washer/Dryer</i>	Yes
<i>Activity Room</i>	Yes	<i>Beauty Salon</i>	Yes	<i>AC</i>	Yes
<i>Terrace/Porch</i>	Yes	<i>Guest Suite</i>	Yes	<i>Emergency Call</i>	Yes
				Parking	
				<i>Garage</i>	Attached
				<i>Fee</i>	n.a.
<p>Note: Management unwilling to participate in survey. Housekeeping and other services (such as catered meals, Meals on Wheels, laundry, home mealth, medication management, safety pendant, bathing assistance) are available for a fee.</p>					
<p>Source: Viewpoint Consulting Group, Inc.</p>					

Name: Lakes Senior Apts. at Grand Arbor							
Address: 4403 Pioneer Rd SE Alexandria, MN							
Property Type: Congregate Independent							
Number of Units: 162							
Year Built: 2011/'17							
Occupancy Level: 100%							
Unit Type	Units	Sq. Ft.		Monthly Rent		Avg. Rent/SF	
1BR	n.a.	708	- 858	\$1,432	- \$1,759	\$2.04	
1BR+Den		968	- 1170	\$1,958	- \$2,367	\$2.02	
2BR		1,149	- 1,534	\$2,323	- \$3,046	\$2.00	
2BR+Den		1,619	- 1,622	\$3,275	- \$3,280	\$2.02	
Total/Average:		162	1,204	\$2,430		\$2.02	
Common Area Amenities				Unit Features		Included in Rent	
Secure Entrance	Yes	Fitness Room	Yes	Full Kitchen	Yes	Water	Yes
Elevator	Yes	Lounge	Yes	Pvt. Bathroom	Yes	Electric	Yes
Community Room	Yes	Laundry	No	Patio/Balcony	Yes	Heat	Yes
Dining Room	Yes	Library	Yes	Washer/Dryer	Yes	Trash	Yes
Activity Room	Yes	Beauty Salon	Yes	AC	Yes	Parking	
Terrace/Porch	Yes	Guest Suite	Yes	Emergency Call	Yes	Garage	Underground
						Fee	Included
<p>Notes: On campus with assisted living and memory care housing. Rent includes continental breakfast, basic cable TV, emergency call system, social programs and events, wellness center membership, and priority access to other Knute Nelson living communities. Building amenities include general store, bistro, grill, chapel, wellness center with pool, theatre, and outpatient therapy center.</p>							
<p>Source: Viewpoint Consulting Group, Inc.</p>							

Name: Affinity at Eagan								
Address: 4000 Eagan Outlets Pkwy Eagan, MN								
Property Type: 55+								
Number of Units: 173								
Year Built: July 2018								
Occupancy Level: 35%								
Unit Type	Units	Sq. Ft.		Monthly Rent		Avg. Rent/SF		
Stu	8	522	- 522	\$1,490	- \$1,590	\$2.95		
1BR	59	608	- 733	\$1,595	- \$1,755	\$2.50		
1BR+D	41	863	- 863	\$1,910	- \$1,975	\$2.25		
2BR	65	916	- 1,235	\$1,890	- \$2,505	\$2.04		
Total/Average:		173	861	\$1,928		\$2.24		
Common Area Amenities			Unit Features		Included in Rent			
Secure Entrance	Yes	Fitness Room	Yes	Full Kitchen	Yes	Water	Yes	
Elevator	Yes	Lounge	Yes	Pvt. Bathroom	Yes	Electric	Yes	
Community Room	Yes	Laundry	No	Patio/Balcony	Yes	Heat	Yes	
Dining Room	Yes	Library	No	Washer/Dryer	Yes	Trash	Yes	
Activity Room	Yes	Beauty Salon	No	AC	Yes	Parking		
Terrace/Porch	Yes	Guest Suite	Yes	Emergency Call	No	Garage	UG	
							Fee	Included
Amenities include saltwater pool, golf simulator, movie theatre, pub, spa/hot tub, internet café, workshop, arts & crafts studio, cards & billiards room, and family dining room. Affinity at Eagan has on-site management and planned activities.								
Source: Viewpoint Consulting Group, Inc.								

Name: Chateau Waters Address: Pine Cone Rd Sartell Property Type: 55+ Number of Units: 72 Year Built: 2016 Occupancy Level: n.a.					
Unit Type	Units	Sq. Ft.	Monthly Rent	Avg. Rent/SF	
1BR	29	800 - 850	\$2,600 - \$2,800	\$3.27	
1BR+D	21	950 - 1050	\$3,200 - \$3,400	\$3.30	
2BR	6	1,000 - 1,045	\$3,400 - \$3,400	\$3.33	
2BR+D	16	1,150 - 1,400	\$3,600 - \$4,000	\$2.98	
Total/Average:	72	993	\$3,178	\$3.20	
Common Area Amenities		Unit Features		Included in Rent	
<i>Secure Entrance</i>	Yes	<i>Fitness Room</i>	Yes	<i>Full Kitchen</i>	Yes
<i>Elevator</i>	Yes	<i>Lounge</i>	Yes	<i>Pvt. Bathroom</i>	Yes
<i>Community Room</i>	Yes	<i>Laundry</i>	No	<i>Patio/Balcony</i>	Yes
<i>Dining Room</i>	Yes	<i>Library</i>	No	<i>Washer/Dryer</i>	Yes
<i>Activity Room</i>	Yes	<i>Beauty Salon</i>	Yes	<i>AC</i>	Yes
<i>Terrace/Porch</i>	Yes	<i>Guest Suite</i>	Yes	<i>Emergency Call</i>	No
				Parking	
				<i>Garage Fee</i>	Underground
Notes: Monthly fee includes \$150 meal credit to on-site restaurants, wellness membership, and concierge. Common areas include a restaurant, mini-store, media center, art studio, theatre, chapel, gift shop, outdoor dining, fire pit, grilling area, walking paths, putting green, shuffleboard, pickleball court, heater pool, and a spa and wellness center.					
Source: Viewpoint Consulting Group, Inc.					

Name: Granite Landing Address: 103 Main Street Cold Spring, MN Property Type: 55+ Number of Units: 50 Year Built: Jan. 2019 Occupancy Level: 38%					
Unit Type	Units	Sq. Ft.	Monthly Rent	Avg. Rent/SF	
1BR	19	630 - 775	\$965 - \$965	\$1.37	
1BR+Den		893 - 893	\$1,295 - \$1,295	\$1.45	
2BR		1,000 - 1,076	\$1,395 - \$1,415	\$1.35	
2BR+Den	31	n.a.	\$1,470 - \$1,470	--	
Total/Average:	50	--	--	--	
Common Area Amenities		Unit Features		Included in Rent	
<i>Secure Entrance</i>	Yes	<i>Fitness Room</i>	Yes	<i>Full Kitchen</i>	Yes
<i>Elevator</i>	Yes	<i>Lounge</i>	No	<i>Pvt. Bathroom</i>	Yes
<i>Community Room</i>	Yes	<i>Laundry</i>	Yes	<i>Patio/Balcony</i>	Yes
<i>Dining Room</i>	No	<i>Library</i>	Yes	<i>Washer/Dryer</i>	Yes
<i>Activity Room</i>	Yes	<i>Beauty Salon</i>	No	<i>AC</i>	Yes
<i>Terrace/Porch</i>	Yes	<i>Guest Suite</i>	No	<i>Emergency Call</i>	No
				Parking	
				<i>Garage Fee</i>	Underground Included
Granite Landing opened in January 2019 and is 38% occupied. Amenities include a business center, coffee bar, on-site wellness clinic, game room, and garden and picnic area. Granite Landing also has on-site management with planned activities.					
Source: Viewpoint Consulting Group, Inc.					

Name:	River Oaks Landing	
Address:	1480 Westside Dr. Fergus Falls, MN	
Property Type:	55+	
Number of Units:	24	
Year Built:	2016	
Occupancy Level:	100%	

Unit Type	Units	Sq. Ft.	Monthly Rent	Avg. Rent/SF
1BR	1	964 - 964	\$1,000 - \$1,000	\$1.04
2BR	21	1130 - 1340	\$1,225 - \$1,450	\$1.08
3BR	2	1,664 - 1,664	\$1,800 - \$1,800	\$1.08
Total/Average:	24	1,259	\$1,362	\$1.08

Common Area Amenities		Unit Features		Included in Rent	
Secure Entrance	Yes	Fitness Room	Yes	Water	Yes
Elevator	Yes	Lounge	No	Electric	No
Community Room	Yes	Laundry	No	Heat	Yes
Dining Room	Yes	Library	Yes	Trash	Yes
Activity Room	No	Beauty Salon	No	Parking	
Terrace/Porch	Yes	Guest Suite	No	Garage	Underground
				Fee	Included

Source: Viewpoint Consulting Group, Inc.

Planned and Proposed Senior Housing Developments

Interviews were conducted with staff at the City of Alexandria to identify planned and proposed senior housing developments. Other than the subject development, there are no other planned or proposed 55+ senior rental housing developments. Thus, the competitive supply in the PMA is not anticipated to increase from the current level and no additional units are subtracted from 2023 demand calculations presented later in this assessment.

Demand Analysis and Conclusions

This section of the report utilizes data collected in the previous sections to calculate unmet demand for senior rental housing in the PMA and to estimate the proportion of demand that can be captured by the subject development on Broadway Street. A review of the development concept is provided and the development's appeal to the target market is discussed. This section concludes with a recommendation on rents achievable and a projection of the absorption period for the proposed development.

Market Rate Senior Rental Demand Calculations

Table 11 provides an initial demand calculation of the number of market rate senior rental units that can be supported in Alexandria in 2018 and 2023. The following points summarize the demand methodology in Table 11.

The target market for market rate senior rental housing is senior households age 55+ with incomes above \$50,000, plus homeowners with incomes between \$35,000 and \$50,000. By allocating 40% of their gross monthly income for rent, senior households with incomes of \$50,000 could afford units with gross monthly rents of about \$1,600.

A capture rate – or “penetration rate” – is applied to the income-qualified base of older adults and younger and older seniors. The penetration rates are based on the capture rates being achieved in other markets in Minnesota. The estimated penetration rates of market rate senior rental housing that can be achieved in the PMA are 0.5% for 55-to-64-year-olds, 3.5% for 65-to-74-year-olds, and 12.0% for seniors ages 75 and over.

Applying the income-qualifying and capture rate percentages to the households in each age group equates to total potential demand for 184 units from seniors living in the PMA in 2018. It is estimated that seniors currently residing outside the PMA will generate 20% of the total demand. This demand from outside the PMA increases total demand to 230 units in 2018, increasing to 257 units in 2023.

The number of existing market rate units (minus a 5% vacancy factor) is subtracted from the total demand. As shown in Table 9, there are no competitive 55+ rental units in the PMA. Thus, unmet demand remains for 230 units in the PMA in 2018. There are no planned or proposed senior rental developments that would add to the competitive supply by 2023. Excess demand potential is calculated for 257 units in 2023.

Table 11
Senior Rental Housing Demand Calculation
2018 and 2023

	2018	2023
A Age 55 to 64 Households in the PMA	3,187	3,080
B Percent income-qualified*	68%	68%
C Potential capture rate of senior rental housing	0.5%	0.5%
D Potential demand from 55-64 households in the PMA (A x B x C)	11	11
E Age 65 to 74 Households in the PMA	2,778	3,133
F Percent income-qualified*	63%	62%
G Potential capture rate of senior rental housing	3.5%	3.5%
H Potential demand from 65-74 households in the PMA (E x F x G)	61	68
I Age 75+ Households in the PMA	2,703	3,144
J Percent income-qualified*	35%	34%
K Potential capture rate of senior rental housing	12.0%	12.0%
L Potential demand from 75+ households in the PMA (I x J x K)	112	127
M Total potential market in the PMA (D + H + L)	184	206
N Estimated percent of demand from outside the PMA	20%	20%
O Total demand for senior rental units in the PMA (M / (1 - N))	230	257
P Competitive adult rental housing supply**	0	0
Q Unmet senior rental housing demand (O - P)	230	257
R Number of units at the proposed Alexandria Senior Living	73	73
S Capture rate of unmet PMA needed to reach stabilized occupancy (R*95% / Q)	30.2%	27.0%
* Income-qualified households are those with incomes above \$50,000 plus homeowners with incomes between \$35,000 and \$50,000.		
** Competitive units minus a 5% vacancy factor		
Source: Viewpoint Consulting Group, Inc.		

No single site or development can capture all the demand in a PMA. As proposed, Alexandria Senior Living will have 73 units. In order to reach stabilized occupancy (95%), it would need to capture 30.2% of the unmet PMA demand in 2018. This capture rate to reach stabilized occupancy decreases over time as total demand in the PMA increases (the capture would be 27.0% by 2023).

Proposed Development Concept

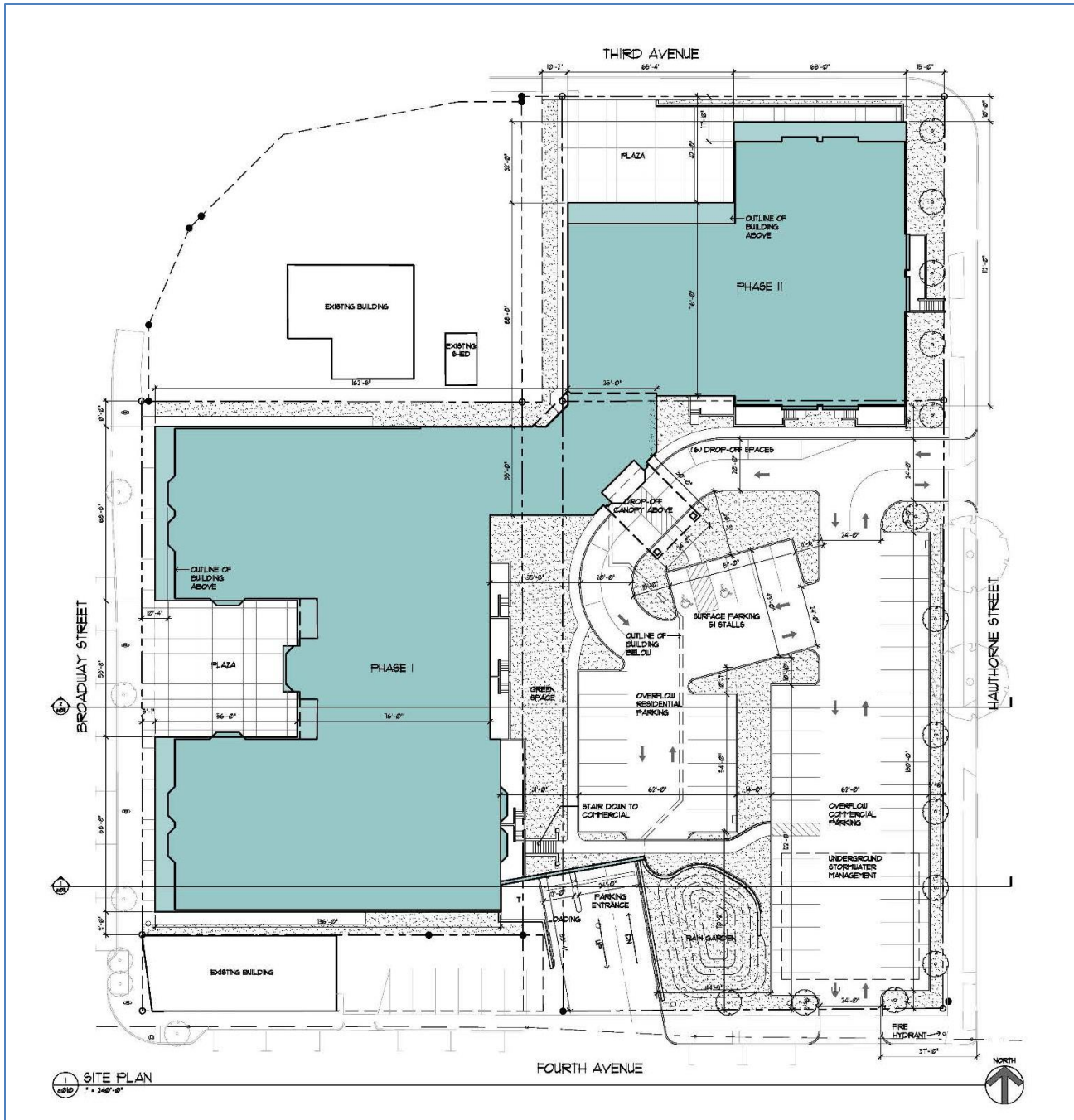
The proposed Alexandria Senior Apartments would be a four-story building above two levels of underground parking (one level for residents and one for retail customers). The first floor – or street level along Broadway Street – would contain about 24,000 square feet of commercial space. The top three floors would be residential, containing 73 apartment units. The units would be restricted to households ages 55+, with the provision that 30% of the units can be occupied by residents of any age. Primary access to the apartment units would be from Hawthorne Street and Fourth Avenue, with an at-grade entrance on the second floor of the building – or first residential floor. The entrance would contain a lobby, mail room, and leasing office. Overall, the development would be positioned as upscale, with concrete and steel construction.



Rendering of proposed development as viewed from Broadway Street & Fourth Avenue



Rendering of proposed development as viewed from Hawthorne Street & Fourth Avenue



Site Plan – Proposed Alexandria Senior Apartments

The proposed unit-mix and sizes for the proposed Alexandria Senior Apartments is shown below. As proposed, it would contain a mix of five studio units, 17 one-bedroom units, 12 one-bedroom plus den units, and 39 two-bedroom units. Unit sizes would range from 625 square feet for the smallest studio unit to 1,200 square feet for the largest two-bedroom unit.

**Proposed Unit Mix and Size
Alexandria Senior Apartments
January 2019**

Unit Type	Number of Units	Size (Sq. Ft.)
Studio	5	625 - 675
1BR	17	825 - 850
1BR/D	12	900 - 1,000
2BR	39	1,075 - 1,200
Total	73	

Building Amenities

A key feature of Alexandria Senior Apartments is its location in the downtown, which gives it walkability to shopping, services, restaurants, and Lake Agnes. This is something currently not available at other newer general-occupancy and congregate independent properties in Alexandria. The proposed development would have high-end finishes and include the following common area amenities available to residents:

- Fitness room
- Ground-floor retail/commercial space
- Leasing office
- Lobby
- Resident storage
- Second-level, 5,000-square-foot patio with grills and gas fire pit
- Three-story indoor courtyard
- Underground parking

The units would include the following unit features:

- 9-foot ceilings
- Balconies in most units
- Full size kitchen with high-end appliances
- Full bathroom
- Oversized windows
- Walk-in closets
- Washer/dryers
- Individually controlled heating and air conditioning

Conclusions and Recommendations

Table 11 reveals that unmet demand for senior rental housing in the PMA is sufficient to support Alexandria Senior Apartments. To reach stabilized occupancy (95%) in 2023, Alexandria Senior Apartments’ 73 units would need a capture rate of approximately 27% of the total unmet demand as calculated in Table 11 (69 units / 257 units). Penetration rates of total 65+ households and of income-qualified 65+ households needed for the development to reach stabilized occupancy are 1.1% (69 units / 6,277 65+ households) and 2.3% (69 / 3,011 age-/income-qualified households), respectively. As the building is designed, these penetration rates should be achievable given the lack of other senior rental options in the PMA and because of the development’s contemporary design and high-end finishes, great access and visibility, and convenient location in downtown Alexandria. It also helps that 30% of the building can be occupied by households under age 55, which opens 21 units to a broader market. We do not recommend any modifications to the project concept, as the concept should be appealing to higher-income, active seniors seeking rental housing without services in Alexandria. The unit mix, with about 70% being larger one-bedroom plus den and two-bedroom units, will appeal to couples and singles preferring extra space.

Table 12 shows our recommended monthly rents that would enable Alexandria Senior Apartments to adequately capture senior renters. The rents are quoted in 2019 dollars and include underground parking and all utilities except electricity. We recommend rents that equate to about \$1.95 per square foot. The rents range from \$1,325 to \$1,450 for studio units to \$2,050 to \$2,325 for two-bedroom units. Some selected corner units with the best views could achieve premiums above these base rents. Overall, these rents are well above existing rents at newer general-occupancy rental properties in Alexandria. Alexandria Senior Apartments would separate itself from these other properties with its location, age-restriction, and high-end construction and finishes. It would be a upscale property that draws residents who otherwise would not likely consider existing rental housing options available in Alexandria.

Table 12
Recommended Rents
Proposed Alexandria Senior Apartments, February 2019

Unit Type	Unit Mix	Sq. Ft.	Base Monthly Rent*	Avg. Rent/SF
Studio	5	625 - 675	\$1,325 - \$1,450	\$2.13
1BR	17	825 - 850	\$1,625 - \$1,700	\$1.99
1BR/D	12	900 - 1,000	\$1,750 - \$1,975	\$1.96
2BR	39	1,075 - 1,200	\$2,050 - \$2,325	\$1.92
	<u>73</u>	<u>1,003</u>	<u>\$1,957</u>	<u>\$1.95</u>
* Base monthly rents are quoted in 2019 dollars and include heat, water/sewer, trash, and underground parking. Residents would be responsible for electric.				
Source: Viewpoint Consulting Group, Inc.				

Projected Absorption

As proposed, Alexandria Senior Apartments would have 73 units. The absorption period – or length of time for the proposed development’s units to reach stabilized occupancy (95%) – is projected in the paragraph below. The projected absorption period is based on the level of unmet demand in the PMA (as calculated in Table 11), the lack of senior rental options in Alexandria, the performance of newer general-occupancy apartments in Alexandria, the quality of site location in the downtown, the construction quality/high-end finishes, and the recommended rents (as shown in Table 12).

For 73 units, we forecast that full occupancy would be reached in 11 to 14 months of initial occupancy. This is based on an estimate that 25% to 30% of the units would be preleased and that the remaining 47 to 51 units would be leased at an average rate of 3.5 to 4.5 units per month. This absorption rate assumes that no other competitive property begins construction in Alexandria and thereby shares its initial lease-up period with the proposed development. Absorption projections also assume a comprehensive marketing campaign.