

## I. INTRODUCTION AND SCOPE OF ANALYSIS

This housing market analysis has been prepared for *Non-Profit, Inc.*, a Northwestern Wisconsin based housing developer, that is contemplating the development of an approximately three-acre site in downtown Waterville, Wisconsin with the Waterville Community Development Authority. It is our understanding that the CDA must exercise their option to purchase the site soon in order to secure control and redirect the development of the site towards owner-occupied housing.

Because time is essential, this study is focused on determining whether or not a market exists for newly-constructed, owner-occupied housing at the site. The study is limited to an investigation of economical and demographic data to determine demand based on household income levels, housing tenure and sales activity in the local market. Whether or not such units are financially feasible is not part of the scope of this analysis.

Great Lakes Realty Advisory Group, Inc. conducted secondary market research and analysis during the second week of January 2000. We have relied on both primary and secondary data compiled by *Claritas Inc.*, local and regional planning information and primary interviews with city officials and others knowledgeable about the Waterville housing market.

## II. DEFINITION OF THE MARKET AREA

This study presents our analysis, conclusions and recommendations concerning market depth and demand for owner-occupied housing in the Waterville 54321 zip code area. Because of limitations in compatibility, data was compiled from various geographic boundaries: the City of Waterville, Westby County and the 54321 zip code area.

The City of Waterville contains about 13,500 persons and is situated at the intersections of U.S. Highway 12 and State Highway 59 in both Westby and Smalltown Counties, in southeastern Wisconsin. It is situated within the triangle created by the intersection of Interstates 90, 43 and 94. These transportation corridors link the southern Wisconsin cities of Janesville, Madison and Milwaukee. Thus, Waterville draws locally, as well as from its environs for its labor force. In turn, there is an out-migration of employees to surrounding employment centers in Westby, Smalltown and Stoneville Counties.

While it is reasonable to assume that most of the targeted resident base for an owner-occupied development for the site would come from Waterville, many of the targeted households could be attracted to the project from outside of the zip code. This could be especially true if these households are employed (or have a primary household member employed) in the Waterville area and are seeking to buy a home downtown. This is supported by the 1985 residency data from the 1990 census showing 68% of the population residing outside Waterville in 1985. While many of the targeted residents may come from outside the market area, some will also come from within the zip code area.

The neighborhood represents a nearly completely built-up, older and mixed single- and multi-family residential area situated just south of West Main Street and the UW-Waterville campus. Its proximity to the university and within six blocks of the CBD makes it ideal for a diverse resident base: from older students to university staff to retirees.

### **III. SITE AND NEIGHBORHOOD DESCRIPTION**

#### **SITE DESCRIPTION**

The site that is targeted for development is a predominantly square-shaped, vacant, downtown in-fill site that once was improved with the Garfield High School and later the middle school. The site measures approximately 339' x 394' and contains 133,867 square feet of land area, or about 3.07 acres.

The site fronts the northwest corner of Summit and Highland Streets. It extends north, one block to Conley Street and one block west to Welsley Street. Presently, the site is vacant and features mature oak trees which are located at the northeastern portion of the site, near the intersection of Conley and Summit Streets, as well as scattered pine trees in the eastern portion of the site.

The site is zoned PCD, Planned Community Development and could be improved with 53 multifamily units, yielding a density of 17.3 units per acre. It is the city's intention to maintain the present PCD zoning, but downgrade density to accommodate attached, owner-occupied, single-family dwelling units, such as rowhouses or townhomes.

#### **NEIGHBORHOOD DESCRIPTION**

We have defined the neighborhood as the area just west of the CBD, from about Fourth Street west to Prince Street, and south of Main Street (or the UW-Waterville campus) south to Westby Street.

As discussed previously, this area is comprised of 30-year to over 100-year-old single-family housing stock. It includes a number of older churches and a strip of student housing, including campus dormitories along the south side of West Main Street, immediately north of the site and directly across from campus. In addition, there are students living in converted single-family homes within the northern portion of the defined neighborhood.

### **IV. ECONOMIC ANALYSIS**

The City of Waterville is a regional center for employment with an estimated 5,500 full-time employees working at city businesses<sup>1</sup>. It is also a commercial center, drawing from a 15-mile area or more for shopping and services. In addition, it is home to the University of Wisconsin - Waterville campus and has a student population of approximately 10,000. The presence and proximity of the UW-Waterville is arguably the most predominant feature in the market, influencing the character of the labor force, housing demand and the composition of the population.

The west downtown is experiencing rehabilitation and increasing private investment spawned by over \$4 million in public investment to renovate city hall and develop a lakefront park. Most of the private investment has been targeted in the West Main Street commercial district, just west of the neighborhood.

This district, one of two redevelopment districts downtown, received a new 50,000-sq.-ft. grocery store anchored shopping center (Sentry Foods), a 63-room Amerihost motel, a four-plex theater and a 30,000-sq.-ft. strip shopping center.

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<sup>1</sup>Waterville Market Profile, compiled by the waterville community Development Authority, page 34.

Beyond employment growth and redevelopment, there has been steady home sales in downtown Waterville. Traditionally, most of the older, larger homes have been purchased by professors and others associated with the university. Downtown Waterville and the neighborhood offer a diversity of housing, from late 19<sup>th</sup>-century victorian brick homes to post WWII bungalows. They equally shelter a diverse resident population, from younger single to older, married students. Other residents include: young couples, one or both of whom, attend the UW-Waterville and may work full- or part-time; starter families; and retirees. Clearly, downtown residents are as diverse as the housing stock. This provides opportunities and challenges when developing new housing downtown.

**EMPLOYMENT AND LABOR MARKET DATA**

According to CDA data, the Waterville employment base extends approximately 20 miles around the city and includes portions of Smalltown, Stoneville and Westby Counties. Traditionally, the labor force is employed in the manufacturing (nondurable goods), trade and service sectors. But the largest employer is the UW-Waterville.

Industries are broadly divided into two areas: goods producing and services producing. The goods-producing industries include mining, construction, and manufacturing. The service-producing industries include transportation, communication, and public utilities; finance, insurance and real estate (FIRE); services and government.

<b>Table B</b>				
<b>Employment by Major Industry Category Westby County: 1992 and 1997</b>				
<b>Industry</b>	<b>1992 Annual Avg. Employment</b>	<b>1997 Annual Avg. Employment</b>	<b>Employment Change</b>	<b>Percent Change</b>
Construction & Mining	1,490	2,030	540	36.2%
Manufacturing	8,500	9,700	1,200	14.1%
Transp., Communic., Public Utilities	1,180	1,540	360	30.5%
Wholesale and Retail Trade	7,800	8,600	800	10.3%
Finance, Insur., R.E.	820	970	150	18.3%
Services	6,400	9,100	2,700	42.2%
Government	6,800	6,600	-200	-2.9%
Totals:	33,000	38,600	5,600	17.0%
<i>SOURCE: Wisconsin Department of Workforce Development - Employment Change by Industry 1992 - 1997, Workforce Profile, page 4 - July 1999. Compiled by Great Lakes Realty Advisory Group, Inc.</i>				

Westby County has a very balanced economy. No one particular industry sector dominates, thereby helping insulate the economy from regional, national or global downturns that may negatively impact one industry sector.

Since 1992, the goods producing sector outgrew the services producing sector by only one percent, but service related employment added more than twice the number of jobs. Growth in the service sector was strongest in health services, temporary employment agencies and hospitality industries. Health care jobs created through consolidation and Westby County's resort and golf courses helped contribute to this growth.

Table C provides a breakdown of the top ten private-sector employers in the county. By far the largest employer is the University of Wisconsin-Waterville. The university contributes to the diverse economy, but also provides demand for services and housing in downtown Waterville.

<b>Table C</b>	
<b>Top 10 Employers - Westby Co., WI</b>	<b>Size</b>
University of Wisconsin-Waterville (education)	1,000 +
Westby County (government)	1,000 +
Sta-Rite Industries (manufacturing)	500-999
Marcus Hotels & Resorts (hospitality)	500-999
Lakeland Medical Center (health services)	250-499
Minature Precision Components (manufacturing)	250-499
Trostel Ltd. (manufacturing)	250-499
The Abbey (resort - hospitality)	250-499
E C M Motor Company (manufacturing)	250-499
Waukesha Cherry-Burrell (manufacturing)	250-499

*SOURCE: Wisconsin DWD, Bureau of Workforce Information, ES-202 file tape, 1<sup>st</sup> Q. 1998. Compiled by Great Lakes Realty Advisory Group, Inc.*

Table D provides a breakdown of the unemployment rates for the county and the state over the past six years.

<b>Table D</b>			
<b>Year-end Unemployment 1994-99*</b>			
<b>Smalltown &amp; Westby Counties, State of Wisconsin</b>			
<b>Year</b>	<b>Smalltown Co.</b>	<b>Westby Co.</b>	<b>Wisconsin</b>
1999*+	2.5%	2.3%	3.1%
1998*	2.7%	2.6%	3.4%
1997	3.0%	3.1%	3.7%
1996	2.6%	2.6%	3.5%
1995	3.2%	2.6%	3.7%
1994	4.3%	2.9%	4.7%

*SOURCE: State of Wisconsin Department of Workforce Development/ BMK LAUS. \* = Non-seasonally adjusted. +1999 data through November.*

Unemployment rates have dropped by nearly two percent in Smalltown County over the past five years and are now closer to rates for Westby County. The City of Waterville lies in both Smalltown and Westby Counties, but is predominantly located in Westby County. Westby has posted some of the lowest

unemployment rates in the state with rates under three percent over the past five years, except in 1997 when unemployment peaked at 3.1%, well below state and national rates.

**THE RESIDENTIAL REAL ESTATE MARKET**

Along with strong employment growth came increased single family and multifamily residential construction in the Waterville area. Table E provides a breakdown of building permits issued by land use in the City of Waterville over an ten-year period between 1988 and 1997. While total residential building permit activity has fallen more than 25% since the late 1980s, the number of single-family building permits issued has increased significantly in 1996 and 1997.

<b>TABLE E</b>					
<b>City of Waterville Residential Building Permit Activity - 1988 thru 1997</b>					
	<b>1988-89</b>	<b>1990-91</b>	<b>1992-93</b>	<b>1994-95</b>	<b>1996-97</b>
Single Family:	27	14	23	22	32
Duplexes:	6	10	6	2	9
Multifamily:	63	56	46	54	29
Total Permits:	96	80	75	78	70
Annual Average:	48	40	37	39	35
Change	--	-16	-5	+3	-8
In Percent	--	-17%	-6%	0.04	-10%
* Changes for 2-year periods reflect differences in total permits issued.					
SOURCE: City of Waterville CDA/Compiled by Great Lakes Realty Advisory Group					

Most new single family residential construction activity is taking place in the far south and western portions of the city. New multi-family construction is also taking place on the city's east side, along the north shore of Tripp Lake. The former Milky Way Dairy site will be developed for approximately 42 new condominium units in a total of nine, 2-, 4-, and 8-unit buildings. At the time of this analysis, demolition and site clearing is underway. It is anticipated that base unit pricing will be between \$130,000 - \$150,000. However, individual unit prices may be higher depending on the quality of build-out desired by future buyers and because of the project's water frontage.

No other new residential construction, of comparable size, is taking place downtown. The former Garfield School site represents one of the largest, vacant, in-fill sites in the west downtown area. Discussions with Ruth Walton, a local realtor with Century 21's downtown Waterville office, indicated an active sales market in the neighborhood. She noted that there have been several sales of older, single-family homes to families looking for temporary student housing while their children attend the UW-Waterville. Often, several students will stay in these houses and when the son or daughter has finished his or her schooling, the house is then sold.

Sale prices in 1999 and current listing prices for existing homes in the neighborhood range from \$82,500 to \$125,000 for predominantly 3-bedroom homes. The average price was \$107,983 in 1999 with 12% (6 homes) sold in the neighborhood out of a total sales volume of 51 homes in Waterville last year. As stated previously, the housing stock ranges from beautiful, pre-1900, cream city brick, Victorian homes to pre- and post-WWII, two-bedroom bungalows to three- or four-bedroom homes built in the 1950s.

**V. DEMOGRAPHIC ANALYSIS**

According to 1990 census data, the population within the Waterville zip code (54321) was 17,723 persons. Estimates for 1999 are 18,715 people, or an increase of 992 persons, or 5.6%. See Table F.

We obtained demographic and socio-economic projections for the 54321 zip code (includes the City of Waterville and part of the surrounding area) from *Claritas, Inc.*, a private demographic forecasting company based in Arlington, Virginia. This is necessary because population, income, and household projections are not available through the U.S. Census, local planning, or regional planning bodies, especially broken out by housing tenure, age, etc.

TABLE F Waterville Zip Code (54321) Population 1990-1999-2004			
Year	Population	Change	CAGR
1990	17,723	--	
1999	18,715	992	0.61%
2004 proj.	19,141	426	0.45%
CAGR = Compounded Annual Growth Rate SOURCE: U.S. Bureau of the Census and Claritas, Inc.			

In Table H, we present household income by age of householder for the market area for 1990 (1989 income), estimated 1999 and projected 2004. Overall median household income is projected to increase on a compounded annual basis by 1.9% over the next five years, it is projected to increase the most for the 60 to 64-year-old age cohort, which will experience a 2.8% increase in median income from \$58,712 in 1999 to \$67,350 in 2004.

## TARGETED UNIT PRICING AND HOUSEHOLD INCOME

In order to estimate the number of eligible households, we have calculated monthly housing costs using current home mortgage rates, terms and standard underwriting criteria. Specifically, we have calculated payments at 8.5%, 30-year fixed rate amortization, with at least a 10% down payment (90% financing) and no more than 35% of gross household income for housing costs. We have also included typical property taxes and private mortgage insurance costs, using the most current tax rate (Westby County) of \$22.018/\$1,000 of assessed value applied against the three targeted unit prices and private mortgage insurance of \$45 per month. Thus, using a spectrum of average unit pricing based on 1. **Conservative Pricing** at \$85,000 per unit, 2. **Normative Pricing** at \$105,000 per unit and 3. **Aggressive Pricing** at \$125,000 per unit, the following monthly payments would apply (in 1999 dollars). See Table G.

<b>TABLE G - MONTHLY HOUSING COSTS AT PRICING PARAMETERS</b>					
<b>Pricing Parameter</b>	<b>Mortgage Pmt.</b>	<b>Taxes &amp; Insur.</b>	<b>Utilities</b>	<b>Total</b>	<b>Min. Income</b>
Cons. - \$85,000	\$588	\$200	\$85	\$873	\$29,930
Norm. - \$105,000	\$727	\$240	\$95	\$1,062	\$36,410
Aggr. - \$125,000	\$865	\$275	\$105	\$1,245	\$42,680

*Source: Great Lakes Realty Advisory Group, Inc.*

These monthly housing costs can be translated back to household income levels (in 1999 dollars) by dividing the total monthly housing costs by 35% and then multiplying this amount by twelve(12) to derive an annual household income figure. As indicated in Table G, targeted households would need to earn between \$29,930 and \$42,680 annually (in 1999 dollars), and \$33,050 and \$47,120 in 2004 dollars. In order to afford units priced from \$85,000 to \$125,000.

As illustrated in Table I, the largest expected population growth is expected to occur in the 35-39-year-old cohort over the next five years with projected growth of 37%. This cohort, commonly referred to as older "Generation X", will be entering prime home buyer age, as existing home-owning households upgrade while later-starting families and non-family households purchase their first home.

The other age cohorts with strong projected growth are the 50 to 64-years-old, or the heart of the baby boom generation. Some of these households may be looking for lower maintenance housing, such as condominium ownership or smaller dwellings like townhouses or clustered housing.

TABLE I Population by Age Cohort Waterville, Wisconsin (54321)									
Age Cohort	1990			1999 (est.)			2004 (proj.)		
	Persons	% Tot.	% Chg.	Persons	% Tot.	% Chg.	Persons	% Tot.	% Chg.
Under 5	773	4.4%	--	837	4.5%	8.3%	861	4.5%	2.9%
5 to 9 yrs.	898	5.1%	--	852	4.6%	-5.1%	860	4.5%	0.9%
10 to 14 yrs.	806	4.5%	--	875	4.7%	8.6%	855	4.5%	-2.3%
15 to 17 yrs.	446	2.5%	--	520	2.8%	16.6%	499	2.6%	-4.0%
18 to 20 yrs.	4,180	23.6%	--	3,980	21.3%	-4.8%	3,957	20.7%	-0.6%
21 to 24 yrs.	3,243	18.3%	--	2,780	14.9%	-14.3%	2,631	13.7%	-5.4%
25 to 29 yrs.	971	5.5%	--	1,083	5.8%	11.5%	1,158	6.0%	6.9%
30 to 34 yrs.	930	5.2%	--	1,381	7.4%	48.5%	1,184	6.2%	-14.3%
35 to 39 yrs.	935	5.3%	--	945	5.0%	1.1%	1,293	6.8%	36.8%
40 to 44 yrs.	797	4.5%	--	961	5.1%	20.6%	934	4.9%	-2.8%
45 to 49 yrs.	620	3.5%	--	915	4.9%	47.6%	952	5.0%	4.0%
50 to 54 yrs.	553	3.1%	--	731	3.9%	32.2%	905	4.7%	23.8%
55 to 59 yrs.	520	2.9%	--	612	3.3%	17.7%	716	3.7%	17.0%
60 to 64 yrs.	494	2.8%	--	507	2.7%	2.6%	571	3.0%	12.6%
65 to 69 yrs.	440	2.5%	--	442	2.4%	0.5%	450	2.4%	1.8%
70 to 74 yrs.	346	2.0%	--	415	2.2%	19.9%	398	2.1%	-4.1%
75 to 79 yrs.	301	1.7%	--	328	1.8%	9.0%	344	1.8%	4.9%
80 to 84 yrs.	217	1.2%	--	234	1.3%	7.8%	239	1.2%	2.1%
85 plus	253	1.4%	--	317	1.7%	25.3%	334	1.7%	5.4%
Total:	17,723	100.0%		18,715	100.0%	5.6%	19,141	100.0%	2.3%
Median:	22.5			24.0			24.8		

SOURCE: Claritas, Inc./compiled by Great Lakes Realty Advisory Group, Inc.

**RESIDENCE IN 1985 VERSUS 1990 CENSUS**

Table J provides an indication of residency in the market area in 1985, or five years prior to the 1990 census. While a number of factors can influence where one chooses to live, more often than not employment and education are the leading, if not the most important factors.

**TABLE J**

Residence in 1985 Westby County, Wisconsin	
Persons 5 years and older, living in the Same house in 1985:	3,123
Living in a different house in U.S. in 1985 Same county: Different county, same state:	1,191 4,789
Living outside of state in 1985 Different state: Out of U.S.:	601 132
Other:	0
<b>TOTAL</b>	<b>9,836</b>
<i>SOURCE: U.S. Census C90STF3A by county/compiled by GLRAG, Inc.</i>	

Unfortunately, these data are not arrayed by tenure, thus one cannot determine whether those living within or outside the County (Westby) in 1985 were renters or owners. Nevertheless, 5,980 persons, or nearly two-thirds of the residents queried in the 1990 census resided in a different "house" than five years before. This reflects the youth and mobility of the population in Westby County, and especially in Waterville. More than 50% of the county residents surveyed, lived in another county, outside Wisconsin, or abroad in 1985.

This resident mobility within a population typically indicates: a youthful population, higher tenant and owner turnover in housing, a more educated population with a diverse consumer spending, housing, leisure, and lifestyle demands. It can also indicate a competitive employment market.

### HOUSING OCCUPANCY BY TENURE

Because of the dominance of the UW-Waterville and its correspondingly mobile, educated and youthful population, it is not surprising to find nearly two-thirds of the housing units in 1990 (latest data available) in the county to be renter-occupied. See Table K.

TABLE K Housing Units by Occupancy and Tenure 1990 Census: Westby County, Wisconsin		
Housing Units	No. of Units	% of Total
Owner Occup.	1,221	36.6%
Renter Occup.	2,115	63.4%
<b>Total Occup:</b>	<b>3,336</b>	<b>100.0%</b>
Total Vacant	156	4.5%
<b>Total Housing Units</b>	<b>7,263</b>	<b>100.0%</b>
<i>SOURCE: 1990 U.S. Census (C90STF1A)/compiled by Great Lakes Realty</i>		

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Because such a large percentage of the population rents their housing, this reduces the number of eligible owner-occupied households from which to draw prospective residents.

**CALCULATION OF ELIGIBLE HOUSEHOLDS**

We have calculated the number of eligible households for a new, owner-occupancy development for the former Garfield School site using the three targeted unit pricing levels discussed earlier in the study.

Claritas' 1999 estimates indicate aggregate demand for 3,221 income-qualified households in four income categories (\$25,000 and up - see Table H). Because the bottom of the range at \$29,930 falls near the mid-point, we have used 50% of the eligible households in the \$25,000 to \$34,999 category. Adding up the income-qualifying households in these categories results in a total of 3,221 households.

Applying the same methodology to the 2004 projections, only the top 20% of the \$25,000 to \$34,999 category is eligible because of the impact of inflation on the bottom of the range (\$29,930 becomes \$33,050 in 2004 dollars at 2% compounded annual inflation). Adding up the income-qualifying households in these categories results in a total of 3,336 households.

Using the ownership tenure ratio of 37%, we can estimate the number of owner-occupied income-qualified households as follows:

<u>1999:</u>	3,221 x 37% <u>1,192</u>	= Total income-qualified households x Ownership tenure ratio = Owner-occupant, income-qualified households
<u>2004:</u>	3,336 x 37% <u>1,234</u>	= Total income-qualified households x Ownership tenure ratio = Owner-occupant, income-qualified households

The difference between these calculations indicates a total of 42 new income-qualified, owner-occupied households entering the Waterville market over the next five years, or about 8 new households per year.

Based on the demographic analysis, there are 1,192 income-qualified, owner-occupying households in the total Waterville market area. Applying the fair share capture rate of 12% to these households indicates potentially 143 total households that could be captured by a new owner-occupied housing development on the former Garfield School site.

Realizing that total annual sales volume in Waterville is approximately 50 homes or units, projected unit absorption can be calculated by applying a capture rate against this annual total. While 12% has been the historical capture rate for the existing housing stock in the Garfield School neighborhood, it is not unreasonable to assume a greater capture rate for a new, owner-occupied development. One of the greatest variables in this equation is the ability to measure unfulfilled demand. For example, there could be a number of untapped demand sectors such as a need for newer, lower maintenance (but not necessarily rental or student) housing in close proximity to the university campus to name just one.

For these reasons, one might wish to examine a range in capture rates, grounded by historical fair share with consideration of competing development, say between 10% and 20%. Assuming mortgage rates remain relatively stable over the next 2-3 years and no economic catastrophes that could negatively impact home buying decisions, one could expect absorption of 5-10 units annually in the neighborhood drawing from an income-qualifying population of about 1,200 households in the market area. Given the high in-migration rate in Waterville, this could include a mixture of existing, as well as new residents.

## VI. CONCLUSIONS AND RECOMMENDATIONS

1. Our investigation of the Waterville housing market indicates a strong local economy with a diverse employment base, dominated by the presence of the UW-Waterville. This creates a unique housing market in relation to similar cities of this size and location in Wisconsin because it has a more educated, and diverse population. At the same time, the market has a much younger overall population with greater in-migration rates, higher housing turnover and a greater percentage of its households occupying rental units.
2. The character of the Waterville housing market, with relatively affordable single-family housing stock that is older, but well-constructed and, for the most part, well-maintained, creates a number of housing niches that should be explored more carefully once a design concept has been prepared for the site. These niches include: potential home/unit buyers affiliated with the university and its teaching staff, older students (graduate students, teaching assistants, etc.) and working single students or couples that are less likely to live in traditional dormitory housing or larger student rental apartment complexes. These are but a few examples. The proposed project could also be targeted towards potential buyers such as retirees and older, more active, single adult households and two-person households without children. While population growth in these cohorts is not extraordinarily high, there could be untapped demand from the existing population in these age cohorts that would be attracted to newly-constructed, lower-maintenance housing in proximity to the CBD and UW-Waterville campus.
3. We recommend that any new single- or low-density, multi-family housing development be constructed of quality materials that compliment the neighborhood's diverse housing character. A combination of brick and stone with tasteful wood or vinyl siding accents would be attractive and also more cost effective.
4. Along with architectural design and construction materials, we recommend an overall project density of under ten (10) units per acre, thereby yielding no more than 25-30 total dwelling units for the site. In addition, on-site parking must be provided, and overall building height should be kept to two or three stories. These features insure a well-integrated urban design concept and should provide for an effective transition between more dense student housing north of Conley Street and older, single family housing surrounding the site on the east, west and south sides.
5. We would caution the developer to include deed restrictions regarding rental of the units. The high concentration of younger students in the neighborhood could attract speculative buyers that would, in turn, rent units to students. This could potentially create compatibility problems with existing unit owners. This factor can be addressed in a number of ways beyond just deed restrictions or condominium association by-laws. For example, unit pricing and overall project density can also narrow the targeted resident profile.
6. There are many variables that can increase or decrease a demand capture rate. While we have determined a reasonable capture rate of 5-10 units per month, this rate is not sensitive to unit or project amenity features that could increase this capture rate. Assuming overall design quality and construction, there is no reason to assume a lower capture rate than 5-10 units annually, but if targeted towards home buyers that could benefit from proximity to the UW-Waterville campus, such as university faculty and older, working students or couples, the capture rate could easily double.
7. We wish to caution the reader, that there is already a potentially competitive, 42-unit, condominium development under way on the north side of Tripp Lake, at the former Milky Way dairy. This project

may negatively impact the capture rate for the Garfield School site. While these units may be potentially competitive to those eventually developed at the Garfield School site, they will likely attract a somewhat different resident profile because of their water frontage/proximity, and their distance from the UW-Waterville campus. We would suggest that a more thorough market feasibility study be conducted once unit and project amenities have been determined. At this stage, a more accurate analysis can be conducted to determine the proposed project's competitive position in relation to existing, under-construction and proposed competitive housing in Waterville.

## **VII. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

This study is prepared for the purpose stated and should not be used for any other purpose. This study was limited to an investigation of the demographic and economic forces that contribute to market demand for owner-occupied housing within the Waterville area. We have not investigated market pricing or historic unit absorption at specific projects. We would recommend that these tasks be analyzed once unit and project amenities have been determined.

Our analysis and conclusions were completed during the week of January 10-14, 2000. Attempts were made to contact the UW-Waterville Office of Residence Life (Housing), but because of the winter break session, no one was available to comment on the housing needs of the university. This limited our ability to gauge the present supply and demand for student on and off-campus housing.

No architectural or engineering study, property survey, soil study, or environmental investigation has been made and no liability is assumed in connection with such matters. The described physical condition of the site or any site improvements is based on visual inspection only, and it is assumed that there are no hidden or unapparent physical conditions. No responsibility is assumed for the accuracy of any descriptions of physical materials and conditions pertaining to the property, or for any damages sustained in connection with actual or potential deficiencies or hazards such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements; air or water pollution; noise; flooding, storms or wind; traffic and other neighborhood hazards; radon gas, asbestos, natural or artificial radiation, or toxic substances, whether on or off the premises.

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This report was obtained from Great Lakes Realty Advisory Group, Inc. and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempt from disclosure under 5 U.S.C. (b) (4). The report should not be shown to any third party without the consent and approval of Great Lakes Realty Advisory Group, Inc. Should the report be shown to an unauthorized third party, the client agrees to hold harmless from any liability that might arise from such unauthorized use, including legal fees for defense of action, if necessary.

## **VIII. CERTIFICATION OF INDEPENDENCE**

We certify that, to the best of our knowledge and belief:

§ The statements of fact contained in this report are true and correct.

§ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

- § We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- § Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- § Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice related to consulting assignments.
- § Douglas G. Connor, of Great Lakes Realty Advisory Group, Inc. made a personal inspection of the site and market area that is the subject of this study on January 12, 2000.

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Douglas G. Connor  
Principal  
Wisconsin Certified General Appraiser #759-10 (exp. 12/31/01)