AN UPDATE

of

RESIDENTIAL MARKET POTENTIAL

for

The Downtown Albany Study Area

City of Albany
Albany County, New York

January, 2011

On Behalf of
THE DOWNTOWN ALBANY BUSINESS IMPROVEMENT DISTRICT

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Research & Strategic Analysis

STUDY CONTENTS

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RESIDENTIAL MARKET POTENTIAL

The Downtown Albany Study Area
City of Albany, Albany County, New York

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INTRODUCTION

The purpose of this study is to re-examine the market potential for newly-introduced market-rate housing units—created both through adaptive re-use of existing non-residential buildings as well as through new construction—that could be leased or sold in the Downtown Albany Study Area. The original Downtown study was published in 2002 and updated in November, 2006. An update is now critical, because, since 2006, the regional economy has been steadily shifting to higher-growth technology-related industries, particularly in the realm of nanotechnology. In addition, downtown residential development has gained considerable traction in the market, with a number of successful new projects that have been introduced since 2006.

The boundaries of the Downtown Study Area are the same as those defined for the November, 2006 Update, covering the area bounded by North Ferry Street to the north, the Hudson River to the east, Westerlo Street to the south, and Eagle Street to the west. This area includes the Downtown Business Improvement District, the Downtown Historic District, parts of the Pastures and Mansion Historic Districts, and the easternmost blocks of the Arbor Hill neighborhood.

The depth and breadth of the potential market have been updated using Zimmerman/Volk Associates' proprietary target market methodology. The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues.

For this update, Zimmerman/Volk Associates re-examined the following:

- Where the potential renters and buyers for new and existing housing units in the City of Albany and the Downtown Albany Study Area are likely to move from (the draw areas);
- How many have the potential to move to the Downtown Study Area if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- Who is the potential market for new housing in the Study Area (the target markets);
- What their alternatives are (new construction or adaptive re-use of existing buildings in the Albany market area);
- What they will pay to live in the Downtown Albany Study Area (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (market capture/absorption forecasts over the next five years).

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

OVERVIEW OF THE CITY OF ALBANY

The remarkable transformation of American households (particularly the emerging predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and rising gasoline prices, has resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density, auto-oriented suburbs to a diverse mix of detached houses, attached houses and higher-density apartments in downtowns and walkable, transit-served, mixed-use traditional neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade, representing an unprecedented demographic foundation on which cities can re-build their downtowns and in-town neighborhoods.

However, the current constrained market—characterized throughout most of the United States by weak or falling housing prices; higher than typical levels of unsold units, both builder inventory units as well as foreclosed and/or abandoned houses; and high levels of mortgage delinquencies by speculators and investors as well as homeowners—has resulted in very restrictive development financing and mortgage underwriting, taking a significant percentage of potential homebuyers out of the market and preventing numerous developments from going forward.

As of the third quarter of 2010—the most recent data available as of the date of this study—according to the Brookings Institution, the foreclosure rate—the percent of mortgageable properties that are lender-owned—in the Albany area is the lowest of the nation's 100 largest metro areas. Brookings also reports housing prices are only 7.6 percent off the 2007 peak, compared with the national metro-area average of 22.6 percent below the peak. Nevertheless, housing finance volume remains reduced in the Albany region.

These market constraints do not reduce the size of the potential market; however, full realization of the ownership market potential will be delayed until housing finance is readily available and sustained consumer confidence returns; until then, the initial percentage of the potential market able to overcome the persistent constraints of the deep recession and restrictive mortgage underwriting is likely to be reduced.

Based on past demographic trends, Nielsen Claritas, a respected demographic provider, projects that the City of Albany's 2010 estimated population of 95,615 persons will decline by approximately 0.9 percent to 94,795 by 2015. Over the same time frame, Nielsen Claritas projects the number of <u>households</u> in the City of Albany will fall from an estimated 40,605 households in 2010 to 40,095 households in 2015, a drop of 1.3 percent.

Currently, over 72 percent of all households that live in Albany contain just one or two persons (compared to 59 percent nationally); 13.9 percent contain three persons, and the remaining 13.6 percent contain four or more persons (compared to 25.2 percent nationally).

Less than nine percent of the city's households could be characterized as traditional families, *e.g.*—married couples with children under age 18 (compared to 21.6 percent of all U.S. households). Non-traditional family households, headed by single persons with children under age 18, represent 14.1 percent of the city's households. The remaining 77 percent of Albany households do not have children under 18 and include married couples (15.1 percent), other non-traditional family households (6.3 percent), and 55.7 percent non-family households (primarily single- and two-person households).

Median household income in the city is currently estimated at $37,700, compared to the national median of $52,800. Nearly 38 percent of the households in the city have annual incomes of $50,000 or more.

Almost 28 percent of Albany's 45,315 housing units are single-family detached houses; nearly five percent are single-family attached (rowhouses or townhouses); 27.7 percent are in two-unit buildings; nearly 29 percent are located in buildings of three to 19 units; and 10.4 percent are in buildings of 20 or more units. Approximately 60 percent of the city's households are renters; 40 percent own their units, comparable to most American cities.

Approximately 22 percent of Albany's households do not own an automobile, and 46.6 percent own only one vehicle. Just over 25 percent own two vehicles. As a result, more than 11 percent of employed residents over age 16 walk to work (compared to 2.8 percent nationally), 13.6 percent take public transportation (compared to 4.8 percent nationally), 9.8 percent car-pool (compared to 10.7 percent nationally), and just over 59 percent drive alone (75.8 percent nationally). The remaining 5.8 percent either work at home (four percent), ride bicycles (0.5 percent), or have other means of getting to work (1.3 percent).

More than 37 percent of all residents aged 25 or older have a college or advanced degree, approximately 10 percentage points above than the national share of 27.5 percent.

Nearly 69 percent of the city's residents over age 16 are employed in white-collar occupations, 10.7 percent blue-collar, and 20.8 percent service occupations. This is a significantly higher rate of white-collar employment than that of the nation, where just over 60 percent are white-collar workers.

Although there have been reductions in government employment in the Albany metro area, this has been more than offset by strong private-sector job growth. Despite net employment losses, the metro area's 6.6 percent jobless rate is the sixth lowest among the nation's largest metro areas and well below the national average of 9.2 percent.

Since 2006, Albany, along with the surrounding Capital Region—central to New York State's Tech Valley, 19 Hudson River Valley counties stretching from just north of New York City to the Canadian border—has become established as a significant technology center.

Scientific and technical jobs have been a significant factor in recent private sector employment gains, spurred by Albany's position as an international hub for nanosciences. Since its establishment in 2004, Albany NanoTech—a joint venture between the College of Nanoscale Science & Engineering (CNSE) at the State University of New York (SUNY) Albany and over 250 international corporate partners—has been a leader in research, product development, prototyping and pilot manufacturing in all nanotechnology fields. The New York State Center for Excellence in Nanoelectronics Albany, the Energy & Environmental Technology Application Center (ANT), the Center for Advanced Technology in Nanomaterials and Nanoelectronics, and the Nanoscale Metrology and Imaging Center are also located at CNSE. Over 2,500 engineers, researchers and scientists (including students and faculty) work at Albany NanoTech; an additional 1,000 private sector jobs are anticipated to be added in a planned expansion.

New Energy New York, a consortium of energy and technology organizations, both for-profit and not-for-profit, including Blasch Precision Ceramics, the Center for Economic Growth, GE Global Research, and MTI MicroFuel Cells, is also located at Albany NanoTech. The consortium's mission is to facilitate economic development through new, clean energy technologies. Albany NanoTech is also headquarters for Focus Center New York (FC-NY), a research consortium—led by SUNY Albany and Rensselaer Polytechnic Institute—which addresses the challenges of increasing computer chip performance and speed.

The most recent addition to the area's nanoscience industry sector is California-based GlobalFoundries' multi-billion dollar factory currently under construction in Malta which will ultimately employ approximately 1,400 with the potential for many more jobs as suppliers to GlobalFoundries co-locate in the region.

Within the City of Albany, the Albany Medical Center is undertaking a $360 million expansion over the next two and a half years. The expansion will add up to 1,000 new jobs at the Medical Center, which already has over 7,000 employees.

Data Sources: Nielsen Claritas, Inc.; U.S. Census Bureau;
Zimmerman/Volk Associates, Inc.

CITY-WIDE MARKET POTENTIAL

As noted above, the extent and characteristics of the potential market for new residential units within the Downtown Albany Study Area have been re-examined through detailed analysis of households living within the appropriate draw areas. These draw areas were confirmed through an update of the migration and mobility analyses, with additional supporting data drawn from the 2009 American Community Survey for the City of Albany.

Where are the potential renters and buyers of new and existing housing units in the City of Albany likely to move from?

Analysis of the most recent Albany County migration and mobility data available from the Internal Revenue Service—from 2003 through 2007—shows that the county continued to experience net migration losses throughout the study period, with net out-migration ranging from a loss of 160 households in 2003 to a loss of nearly 800 households in 2007. (*See* Appendix One, Table 1.) The 2006 update showed that Albany County's net household losses beginning in 2003 followed net household gains in 2001 and 2002. However, in the past year, Sematech, the consortium of semiconductor manufacturers, and M&W USA, the computer-chip plant construction firm, announced they are moving their operations from Texas to Albany. These, and other corporate moves to Albany since 2006, will likely have a significant impact on migration over the next several years, and Albany County will likely again experience net household growth.

Based on the updated migration and mobility data, the draw areas for the City of Albany have been revised as follows (*see also* METHODOLOGY):

- The local (internal) draw area, covering households in groups with median incomes of $50,000 or more currently living within the Albany city limits and the balance of Albany County.

- The regional draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Rensselaer, Schenectady, Saratoga, Greene, and Columbia Counties.

- The New York City draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Kings, New York, Queens, and Bronx Counties.

- The Syracuse draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Onondaga County.

- The suburban New York draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Suffolk, Nassau, Westchester, Ulster, and Dutchess Counties.

- The national draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from all other U.S. counties.

As derived from the updated migration, mobility and target market analyses, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Albany) would be as follows (*see also* Appendix One, Table 10):

Market Potential by Draw Area
City of Albany, Albany County, New York

City of Albany (Local Draw Area):	31.1%
Balance of Albany County (Local Draw Area):	24.9%
Rensselaer, Schenectady, Saratoga, Greene, and Columbia Counties (Regional Draw Area):	13.8%
Kings, New York, Queens, Bronx, and Onondaga Counties (NYC/Syracuse Draw Area):	5.1%
Suffolk, Nassau, Westchester, Ulster, and Dutchess Counties (Suburban NY Draw Area):	3.6%
Balance of US (National Draw Area):	21.5%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Albany City and County account for a slightly greater share of market potential for the Downtown Albany Study Area in 2011, at 43.6 percent, than in 2006, at 41.1 percent. This can be attributed in large part to the Great Recession and the concurrent collapse of housing prices. Historically households have moved less frequently and less often to distant locations during recessionary periods.

MARKET POTENTIAL FOR THE DOWNTOWN ALBANY STUDY AREA

Where are the potential renters and buyers of new housing units in the Downtown Albany Study Area likely to move from?

As in 2006, the target market methodology identifies those households with a preference for living in downtowns and other urban neighborhoods. After discounting for those segments of the city's potential market that typically choose suburban and/or rural locations, the distribution of draw area market potential for newly-created housing units within the Downtown Albany Study Area would be as follows (*see also* Appendix One, Table 11):

Market Potential by Draw Area
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

City of Albany (Local Draw Area):	27.0%
Balance of Albany County (Local Draw Area):	16.6%
Rensselaer, Schenectady, Saratoga, Greene, and Columbia Counties (Regional Draw Area):	17.0%
Kings, New York, Queens, Bronx, and Onondaga Counties (NYC/Syracuse Draw Area):	7.6%
Suffolk, Nassau, Westchester, Ulster, and Dutchess Counties (Suburban NY Draw Area):	4.9%
Balance of US (National Draw Area):	27.0%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

How many households have the potential to move to the Downtown Study Area if appropriate housing units were to be made available??

Based on the updated target market analysis, in the year 2011, nearly 4,900 younger singles and couples, empty nesters and retirees, and compact families represent the potential market for new housing units within the Downtown Albany Study Area, slightly higher (60 households) than in 2006.

What are their housing preferences in aggregate??

The housing preferences of these draw area households—according to tenure (rental or ownership) choices and broad financial capacity—are outlined as shown on the following page (*see also* Table 1):

Potential Market for New Housing Units
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	1,980	40.6%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	1,160	23.8%
Single-family attached for-sale (townhouses/rowhouses, fee-simple/ condominium ownership)	610	12.5%
Low-range single-family detached (houses, fee-simple ownership)	460	9.4%
Mid-range single-family detached (houses, fee-simple ownership)	410	8.4%
High-range single-family detached (houses, fee-simple ownership)	260	5.3%
Total	4,880	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

There is a considerably larger number of renter households comprising the annual market potential in 2011 (1,980 compared to 1,080 households in 2006), that also represent a considerably higher share of the market (40.6 percent compared to 22.4 percent). The number of households with preferences for multi-family for-sale is significantly higher in 2011 (1,160 households compared to 790 households in 2006), and their share has risen from 16.4 percent in 2006 to 23.8 percent in 2011. The number of households with preferences for single-family attached housing is slightly higher in 2011 than in 2006 (by 40 households). The preference for single-family detached units has dropped in both number and share, from a combined 2,380 households in 2006 (49.4 percent of all households) to a combined 1,130 households in 2011 (23.2 percent of all households).

These changes in tenure and housing preferences are a result of the continuing demographic changes in American households (*see* TARGET MARKET ANALYSIS *below*), the broad impact of the

Great Recession, and by the higher gasoline and energy prices in 2011 over 2006, spurring new interest in living closer to employment, in downtowns and in-town neighborhoods.

As in 2006, residential development in the Downtown Study Area should concentrate on redevelopment of existing buildings, supplemented by new construction of higher-density housing types including:

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

This analysis has determined that, in the year 2011, approximately 3,750 households currently living in the defined draw areas represent the pool of potential renters/buyers of new housing units (new construction and/or adaptive re-use of non-residential structures, excluding single-family detached units) within the Downtown Albany Study Area (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of rental and for-sale multi-family and for-sale single-family attached housing types would be as follows:

Potential Market for New Housing Units
Higher-Density Housing Units
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Rental Multi-Family (lofts/apartments, leaseholder)	1,980	52.8%
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	1,160	30.9%
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	610	16.3%
Total	3,750	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Since the first update was conducted in 2006, there has been a significant increase in the size of the annual potential downtown market—from approximately 2,440 households in 2006 to nearly 3,750 households in 2011—and considerable changes in the type of housing that best matches target household preferences. As a share of the market, multi-family for-rent has risen from 44.2 percent in 2006 to just nearly 53 percent in 2011; multi-family for-sale (condominium) units now represent just under 31 percent of the market (down from 32.4 percent in 2006); and single-family attached for-sale (townhouses) comprise 16.3 percent of the market, down from 23.4 percent in 2006.

In the current constrained housing market, however, the realization of the for-sale (ownership) market potential could be quite challenging, in particular given the restrictive development financing and mortgage underwriting by financial institutions, and the inability of many owner households to sell their existing single-family units even at reduced prices, or their reluctance to sell at a perceived loss of value.

Table 1

Potential Housing Market

Derived From The New Unit Rental And Purchase Propensities Of Draw Area Households
With The Potential To Move To The Downtown Study Area In 2011
Households In Groups With Annual Median Incomes Above $50,000

The Downtown Albany Study Area

City of Albany, Albany County, New York

City of Albany; Balance of Albany County; Regional Draw Area; New York City and Syracuse Draw Area; Suburban New York Draw Areas; Balance of U.S.
Draw Areas

Total Target Market Households With Potential To Rent/Purchase In City of Albany, Albany County, New York	9,930
Total Target Market Households With Potential To Rent/Purchase In The Downtown Albany Study Area	3,750

Potential Housing Market

	Multi-Family		*Single-Family*				
			Attached	*Detached*			
	For-Rent	*For-Sale*	*All Ranges*	*Low-Range*	*Mid-Range*	*High-Range*	Total
Total Households:	1,980	1,160	610	460	410	260	4,880
{Mix Distribution}:	40.6%	23.8%	12.5%	9.4%	8.4%	5.3%	100.0%

Downtown Residential Mix
(Excluding Single-Family Detached)

	Multi-Family		*Single-Family Attached*	
	For-Rent	*For-Sale*	*All Ranges*	Total
Total Households:	1,980	1,160	610	3,750
{Mix Distribution}:	52.8%	30.9%	16.3%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 13.

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

TARGET MARKET ANALYSIS

Who is the potential market for new housing in the Study Area?

The increasing interest in traditional American neighborhoods—walkable, with a mix of uses and a variety of housing types—is the result of dramatic changes in American households, the growing cost of commuting by private automobile, and the profound impact of the Great Recession—which began in 2007—on both households and home-builders, particularly in exurban locations. The changing composition of American households may have the most lasting influence, however, because of the changing housing preferences of the two largest generations in the history of America: the Baby Boomers (currently estimated at 77 million), born between 1946 and 1964, and the estimated 78 million Millennials, who were born from 1977 to 1996.

In addition to their shared preference for downtowns and walkable traditional neighborhoods, particularly those served by transit, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (a married couple with children) that comprised the typical post-war American household, Boomers and Millennials are predominantly singles and couples. As a result of the dominance of the Boomers and Millennials, the 21st Century home-buying market in the United States now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are as likely to be non-traditional families (single parents or unrelated couples of the same sex with one or more children, adults caring for younger siblings, to grandparents with custody of grandchildren) as traditional families.

As updated by the target market analysis, the potential market for new housing units in the Downtown Albany Study Area is now characterized by general household type as shown on the following page (*see also* Table 2):

Downtown Residential Mix By Household and Unit Types
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATTACHED
Empty-Nesters & Retirees	21%	11%	27%	41%
Traditional & Non-Traditional Families	5%	4%	3%	8%
Younger Singles & Couples	74%	85%	70%	51%
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

- **As noted in the 2006 update, younger singles and couples prefer to live in downtowns and in-town neighborhoods for their diversity, and for the availability of employment, entertainment, and cultural opportunities within walking distance of their residences.**

At 74 percent younger singles and couples make up by far the largest share of the market for all housing types. This is a significant increase since 2006, when this segment represented 52 percent of the market. This increase is due to the greater number and share of younger people now living in Albany, who have either stayed in the city or have moved to the city because of the employment opportunities available in the new technology sectors that have increased their presence in the region. Some of the same target household groups—from the *Twentysomethings, Upscale Suburban Couples* and *Urban Achievers* to *e-Types*, *The VIPs* and *Fast-Track Professionals*—and now including *The Entrepreneurs*, *No-Nest Suburbanites* and *Small-City Singles*—are represented in the potential market. Approximately 30 percent of these households would be moving to Downtown Albany from elsewhere in the city, down from nearly 36 percent in 2006.

The continuing challenge in capturing this potential market is to produce new units that are attractive to young people (lofts, not suburban-style apartments), at rents and prices the majority can afford. Since land and construction costs in downtowns are typically higher than in other neighborhoods, this remains difficult to achieve without some form of development incentives.

- **Older households (empty nesters and retirees) continue to be the second largest potential market, almost half of whom are currently living in Albany's older neighborhoods and suburbs.**

  Empty nesters and retirees—including *Urban Establishment, New Empty Nesters*, *Suburban Establishment, Mainstream Retirees, Cosmopolitan Elite* and *Middle-American Retirees,* among others—now represent approximately 21 percent of the potential market, down from 39 percent in 2006, in part because of their inability to sell—or reluctance to sell at a loss—their existing housing units. However, as the national, regional, and local housing markets continue to stabilize, and with the continuing introduction of a wide variety of units in a broad range of rents and prices, older households will again become a larger share of the potential market.

- **The third, and smallest, general market segment—family-oriented households (traditional and non-traditional families)—continues to decline as a percentage of the potential market for the Downtown Albany Study Area, from nine percent in 2006, to five percent in 2011.**

  Nearly all of the traditional and non-traditional family households moving to the Downtown Albany Study Area in 2011 will be moving from out of town, up from just under 30 percent in 2006.

  Depending on housing type, family-oriented households, many of whom are single parents with one or two children, will now comprise between three percent (for-sale multi-family) and eight percent (for-sale single-family attached) of the market for new housing units within the Downtown Study Area, compared to four percent and 16 percent, respectively, in 2006.

The primary target groups, their estimated median and range of incomes, and estimated median home values in 2010, are:

Primary Target Groups
(In Order of Median Income)
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
Old Money	$261,300	$100,000–$500,000	$504,300
Urban Establishment	$128,500	$75,000–$195,000	$476,800
Small-Town Establishment	$122,500	$70,000–$175,000	$299,400
Cosmopolitan Elite	$110,600	$50,000–$165,000	$296,200
Affluent Empty Nesters	$102,500	$55,000–$150,000	$301,500
Suburban Establishment	$102,300	$50,000–$145,000	$285,800
New Empty Nesters	$98,600	$60,000–$145,000	$237,100
Middle-Class Move-Downs	$73,100	$50,000–$100,000	$181,000
Traditional & Non-Traditional Families			
Unibox Transferees	$118,900	$75,000–$200,000	$295,600
Full-Nest Urbanites	$93,100	$55,000–$140,000	$457,300
Multi-Cultural Families	$60,600	$40,000–$85,000	$282,800
Younger Singles & Couples			
The Entrepreneurs	$146,100	$95,000–$210,000	$446,900
e-Types	$119,900	$75,000–$175,000	$328,600
Fast-Track Professionals	$105,600	$60,000–$150,000	$295,800
The VIPs	$102,500	$55,000–$140,000	$295,400
Upscale Suburban Couples	$96,600	$60,000–$135,000	$218,200
New Bohemians	$91,700	$50,000–$135,000	$308,600
No-Nest Suburbanites	$72,300	$50,000–$90,000	$148,000
Twentysomethings	$71,800	$45,000–$95,000	$173,100
Suburban Achievers	$70,100	$45,000–$90,000	$196,400
Urban Achievers	$65,300	$45,000–$85,000	$231,500
Small-City Singles	$56,800	$40,000–$70,000	$145,600

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain "anomalous" households, such as empty-nester households within a "full-nest" category.

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

A majority of the target groups have experienced increases in median and ranges of income since 2006 (due to promotions and raises), but declines in home values, due to the collapse of the housing market in 2008. Some of the groups, such as *Old Money* or *e-Types*, for example, have lower annual incomes (due to lower interest rates on investments and/or stock-market related losses), but higher home values (because their dwelling units are largely located in traditional neighborhoods). A few, such as *Suburban Establishment* or *Full-Nest Urbanites*, for example, have experienced declines in both income as well as home values.

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

Table 2

Target Residential Mix By Household Type

Derived From The New Unit Rental And Purchase Propensities Of Draw Area Households
With The Potential To Move To The Downtown Study Area In 2011

The Downtown Albany Study Area

City of Albany, Albany County, New York

	Total	*Multi- . . . . . . Family . . . . . .* *For-Rent*	*For-Sale*	*Single- . . Family . . . . Attached . .* *All Ranges*
Number of Households:	3,750	1,980	1,160	610
Empty Nesters & Retirees	21%	11%	27%	41%
Traditional & Non-Traditional Families	5%	4%	3%	8%
Younger Singles & Couples	74%	85%	70%	51%
	100%	100%	100%	100%

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

THE CURRENT CONTEXT

What are the alternatives?

-- Multi-Family For-Rent --

Since the 2006 Update, several small rental properties have been successfully developed within the Downtown Study Area. (*See* Table 3.) There are 20 studio, one- and two-bedroom apartments renting for approximately $500 to $900 per month at 109, 111, and 113 State Street. Five rental properties are clustered on North Pearl Street and Maiden Lane, and a sixth is located at 370 Broadway. These buildings contain from two to seven units, and rents start at $590 per month for a 500-square-foot studio ($1.18 per square foot) at 33 North Pearl and reach $1,900 per month for a 1,600-square-foot two-bedroom apartment ($1.19 per square foot) at 370 Broadway. All are fully occupied, indicating that the market for downtown rentals has only just begun to be tapped.

Outside Downtown Albany, a number of new, larger rental properties have opened since the 2006 Update. Located in the City of Albany, the Alexander at Patroon Creek is a very successful 300-unit rental property, leasing up very quickly and with occupancy at 99 percent as of December, 2010. Rents are among the highest in the market area, with one-bedroom units starting at $1,195 for 730 square feet of living space ($1.64 per square foot), and the largest unit, a 1,600-square-foot three-bedroom/two-bath apartment, renting for $2,275 per month ($1.42 per square foot). Property amenities include a Wi-Fi Cyber lounge, a sports club with fitness equipment, tanning and massage rooms, a business center, 24-hour fitness center, and a billiard and game room.

The Lofts at Harmony Mills and Harmony Mills Fallsview are two phases of the redevelopment of historic mills in Cohoes. The first phase of 96 units opened in late 2006; rents currently range between $1,100 per month for an 843-square-foot one-bedroom apartment ($1.30 per square foot) up to $2,100 for a 2,154-square-foot three-bedroom/two bath unit ($0.97 per square foot). The property is 97 percent occupied. The second phase of 135 units is still under construction, although the property has already achieved 24 pre-leases. Rents start at $1,190 per month for a 925-square-foot one-bedroom ($1.29 per square foot) to $2,650 for a three-bedroom/two-and-a-half bath unit containing over 2,900 square feet ($0.91 per square foot). The rent includes local and long distance phone service and high-speed wireless internet service. Property amenities include a business center and a 24-hour fitness center.

In North Greenbush, the 390-unit Mansions at Technology Park is leasing one-bedroom/one-and-a-half bath and two-bedroom/two bath flats and three-bedroom/two bath duplexes (townhouses or two-story units). Rents range between $950 per month for the smallest 864-square-foot one-bedroom ($1.10 per square foot) and $1,590 for an 1,832-square-foot, three-bedroom/two-bath townhouse (0.87 per square foot). This property also has numerous amenities, including a Wi-Fi Cyber Café with a children's play area and a computer room, a pool, playground, and a 24-hour fitness center.

The Mill of Glen Falls was originally intended as a condominium property, but the collapse of the housing market persuaded the developers to change the unit tenure to rentals. There are 52 two- and three-bedroom units, ranging in rent from $1,300 to $1,700 per month ($0.79 to $1.25 per square foot). As of December, 2010, five units were vacant, for a 91 percent occupancy rate. Property amenities include exercise facilities and two rooftop terraces.

Rents at most of the properties included in the 2006 survey and updated in 2010 have generally increased by two to 18 percent, depending on location and unit configuration. For the most part, the smallest units (studios and one-bedrooms) have experienced the greatest escalation, and the largest units (two- and three-bedrooms) have experienced the lowest, or even no escalation.

Rents for studios now generally start at $500 per month, with the highest studio rent at $860 per month for 545 square feet, up from $755 per month in 2006. The size range for studios included in the survey is from approximately 500 to 550 square feet ($1.01 to $1.58 per square foot, up from $0.90 to $1.37 per square foot in 2006).

One-bedroom units currently start at around $600, with unit sizes ranging between 600 and over 1,250 square feet (generally $0.85 to $1.50 per square foot in 2010, from $0.76 to $1.36 per square foot in 2006).

The rent range for two-bedroom apartments now runs between $725 and $1,900 per month, up from $650 to $1,350 per month in 2006. Unit sizes range between 850 and 1,600 square feet (approximately $0.78 to $1.23 per square foot in 2010, compared to $0.70 to $1.31 per square foot in 2006).

Rents for three-bedroom units currently generally start at around $865 per month, for approximately 750 square feet of living space, with the highest three-bedroom rent at $1,550 per month for 1,750 square feet, the same rent as in 2006. The rent-per-square-foot for three-bedrooms included in both surveys is from $0.82 to $1.06, up from $0.81 to $0.90 in 2006.

Occupancy rates continue to be very high, ranging between 97 and 100 percent (functional full occupancy).

• • •

Summary Of Selected Rental Properties

City of Albany, Albany County, New York

December, 2010

Property *Address/Owner*	*Number of Units*	*Unit Type*	*Reported Base Rent*	*Reported Unit Size*	*Rent psf Range*	*Additional Information*
			. . . . Downtown Albany			
109 State Street	**9**					**100% occupancy**
DeThomasis Building		Studio/1ba, 1br/1ba & 2br/1ba	\$500 to \$900			
111 State Street	**6**					**100% occupancy**
DeThomasis Building		Studio/1ba, 1br/1ba & 2br/1ba	\$500 to \$900			
113 State Street	**5**					**100% occupancy**
DeThomasis Building		Studio/1ba, 1br/1ba & 2br/1ba	\$500 to \$900			
Historic Pastures (1900)	**100**					
138 Green Street		Studio/1ba,	\$550			*Brownstones with*
		1br/1ba	\$600			*unique floorplans.*
		2br/1ba	\$725			*Playground; tennis.*
		3br/2ba	\$875			
33 North Pearl	**6**					**100% occupancy**
Urgo		1br/1ba	\$590 to \$1,275	500 to 1,040	\$1.18 to \$1.23	
71 North Pearl	**2**					**100% occupancy**
Paul Truman		Studio/1ba, 1br/1ba	\$600			
75 North Pearl	**2**					**100% occupancy**
Jack Yonally		Studio/1ba, 1br/1ba	\$600			
33 Maiden Lane	**2**					**100% occupancy**
Lenny Gaspary		Studio/1ba, 1br/1ba	\$800			

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

City of Albany, Albany County, New York

December, 2010

Property (Date Opened) / Address	Number of Units	Unit Type	Reported Base Rent	Reported Unit Size	Rent per Sq. Ft.	Additional Information
		. . . . Downtown Albany {continued}.				
23-25 North Pearl	**7**					**100% occupancy**
Moutopoulos		1br/1ba	$950 to $1,500	800 to 1,000	$1.19 to $1.50	
370 Broadway	**7**					**100% occupancy**
Mike Hannah		2br/2.5ba	$1,330 to $1,900	1,400 to 1,600	$0.95 to $1.19	
		. . . . Near Downtown Albany				
Knickerbocker Apts.	**91**					**99% occupancy**
175 Jay Street		Studio/1ba	$500			
		1br/1ba	$735			
Center Square Apts.						**100% occupancy**
249-251 State Street		Studio/1ba	$575			
		1br/1ba	$650			
Hinckel Brewery Apts.						**100% occupancy**
201 Park Avenue		1br/1ba	$675			*Adjacent to park.*
		2br/1ba	$725			
		. . . . Other Albany				
Village One (1973)	**320**					
587 Broadway		Studio/1ba	$558	551	$1.01	*Swimming pool.*
		1br/1ba	$605	710	$0.85	*Spa/hot tub.*
		2br/1ba	$730	931	$0.78	
Delaware Stanwyx Apts.	**47**					**100% occupancy**
400 Delaware Avenue		1br/1ba	$675 to $725	599 to 650	$1.12 to $1.13	
Elouise Apts. (2002)	**94**					**97% occupancy**
11 South Lake Avenue		Studio/1ba	$650	500	$1.30	
		1br/1ba	$800	650	$1.23	
		2br/1ba	$950	900	$1.06	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

City of Albany, Albany County, New York

December, 2010

Property *Address/Owner*	*Number of Units*	*Unit Type*	*Reported Base Rent*	*Reported Unit Size*	*Rent psf Range*	*Additional Information*
			. . . . Other Albany {continued}			
Tivoli Park Apts.	**200**					**98% occupancy**
469 Livingston Avenue		1br/1ba	$735	600	$1.23	
		2br/1ba	$795 to $820	700	$1.14 to $1.17	
		3br/1ba	$865 to $905	850	$1.02 to $1.06	
1700 Designer Residences	**96**					**97% occupancy**
1700 Western Avenue		1br/1ba	$775 to $1,000	625 to 1,260	$0.79 to $1.24	*Fitness center, clubhouse, pool.*
		2br/2 or 2.5ba	$950 to $1,350	1,031 to 1,550	$0.87 to $0.92	
		3br/2 or 2.5ba	$1,400 $1,550	1,700 to 1,750	$0.82 to $0.89	
		4br/3ba	$1,550 $1,620	2,000 to 2,010	$0.81 to $0.78	
Park Hill and Park Lane Apts.	**569**					**99% occupancy**
7 Park Lane East		1br/1ba	$780 to $800	630 to 948	$0.84 to $1.24	*Fitness center, 2 swimming pools, tennis courts.*
		2br/1 or 2ba	$870 to $930	874 to 1,050	$0.89 to $1.00	
		3br/1ba	$1,150	1,320 to 1,462	$0.87	
Loudon Arms	**320**					**99% occupancy**
16B Old Hickory Drive		1br/1ba	$824 to $834	745	$1.11 to $1.12	*Fitness center, swimming pool.*
		2br/1ba	$914 to $924	860	$1.06 to $1.07	
Stonehenge Gardens	**213**					**99% occupancy**
9 Circle Lane		Studio/1ba	$860	545	$1.58	*Near Berkshire Gardens and SUNY campus.*
		1br/1ba	$935 to $950	745 to 830	$1.14 to $1.26	
		2br/1ba	$1,000 to $1,015	860 to 1,000	$1.02 to $1.16	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

City of Albany, Albany County, New York

December, 2010

Property / *Address/Owner*	*Number of Units*	*Unit Type*	*Reported Base Rent*	*Reported Unit Size*	*Rent psf Range*	*Additional Information*
			. . . . Other Albany {continued}			
Alexander at Patroon Creek (2009)	**300**					**99% occupancy**
255 Patroon Creek Boulevard		1br/1ba	$1,195 to $1,345	730 to 925	$1.45 to $1.64	*Business center, clubhouse, Wi-Fi Lounge, fitness center, pool.*
Originally proposed for condominiums.		2br/2ba	$1,600 to $1,950	1,100 to 1,375	$1.42 to $1.45	
		3br/2ba	$2,275	1,600	$1.42	
			. . . . Cohoes			
Riverwalk on the Hudson						**100% occupancy**
200 Riverwalk Way		1br/1ba	$870 to $990	660 to 744	$1.32 to $1.33	*Clubhouse, fitness center, pool.*
		2br/1ba	$890 to $1,090	834 to 918	$1.07 to $1.19	
		2br/2ba	$1,045 to $1,195	912 to 996	$1.15 to $1.20	
		3br/2ba	$1,195 to $1,495	1,056 to 1,140	$1.13 $1.31	
The Lofts at Harmony Mills (2006)	**96**					**97% occupancy**
100 North Mohawk Street		1br/1ba	$1,100 to $1,400	843 to 1,095	$1.28 to $1.30	*Business center, fitness center.*
		2br/2ba	$1,300 to $1,600	1,067 to 1,380	$1.16 to $1.22	
		3br/2ba	$2,000 to $2,100	2,154	$0.93 to $0.97	
The Lofts at Harmony Mills Fallsview (2011)	**135**					**24 pre-leases**
100 North Mohawk Street		1br/1ba	$1,190 to $1,400	925 to 1,067	$1.29 to $1.31	*Business center, fitness center. Free Direct TV*
		2br/2ba	$1,495 to	1,067 to	$1.12 to	
		2br/2.5ba TH	$2,100	1,877	$1.40	
		3br/2.5ba	$2,500 to $2,650	2,907	$0.86 to $0.91	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

City of Albany, Albany County, New York

December, 2010

Property *Address/Owner*	*Number of Units*	*Unit Type*	*Reported Base Rent*	*Reported Unit Size*	*Rent psf Range*	*Additional Information*
			. . . . North Greenbush			
Mansions at Technology Park	**390**					**98% occupancy**
2 River Chase Drive		1br/1.5ba	$950 to $975	864 to 900	$1.08 to $1.10	*Business center, clubhouse, pool, fitness center.*
		2br/2ba	$1,147 to $1,490	1,200 to 1,330	$0.96 to $1.12	
		3br/2ba TH	$1,315 to $1,590	1,363 to 1,832	$0.87 to $0.96	
			. . . . Glens Falls			
The Mill of Glens Falls	**52**					**91% occupancy**
20 Elm Street		2br/2ba	$1,300 to	1,075 to 1,639	$0.79 to $1.21	*Exercise facilities.*
Originally proposed for condominiums.		3br/2ba	$1,700 to	1,363 to 1,832	$0.93 to $1.25	

SOURCE: Zimmerman/Volk Associates, Inc.

-- Multi-Family and Single-Family Attached For-Sale --

As has occurred in most cities over the past two years, financing constraints have forced previously-announced condominium projects to be converted, at least temporarily, to rentals (for example, the Mill of Glens Falls, discussed above) or to be put on hold (for example, the 122-unit Capital Grand condominium building which had pre-sold 40 percent of the units prior to the collapse of the financial markets; this project now may also be introduced as rentals).

However, in contrast to 2006, when there were no new condominiums available in Albany, the 24-unit 17 Chapel is successfully marketing units in Downtown Albany. (*Reference* Table 4.) Base prices started at $299,000 for a 1,190-square-foot one-bedroom/one-and-a-half bath apartment on the fifth floor; however, this unit has been reserved. Base prices of the remaining units range between $333,200 and $779,750 for one- and two-bedroom apartments containing between 1,190 and 2,165 square feet; the price-per-square foot range falls between $236 to $360. Although the building is still under construction, eight of the 24 units have sold, with an additional four reservations.

Outside of Downtown, there are several resales available at 355 State Street, a 17-unit building in the Center Square neighborhood north of Capitol Hill that was renovated several years ago. The six units on the market in December 2010 ranged in price from $178,500 to $289,900 and in size from 974 to 2,376 square feet ($120 to $188 per square foot). Five of the six were one-bedroom units, and the sixth contained three bedrooms and two baths.

The Townhouses at Center Square, proposed by Crisafuli Associates for an infill site on Jay Street in the Center Square neighborhood, consist of five two-bedroom/two-and-a-half-bath townhouses. The units, which are proposed to contain approximately 2,000 square feet, carry a preconstruction price of $349,900, or $175 per square foot. The same developer is also proposing the five-unit Lofts at Bryn Mawr, Phase Two of a 14-unit project located on Shaker Road. Phase One is sold out. The three-story townhouses in Phase Two will contain approximately 2,300 square feet and are priced at $385,000 ($167 per square foot).

Elsewhere in Albany, a total of 49 three-bedroom/two-and-a-half bath townhouses are proposed by Amedore Homes for Greyledge Estates, located off Van Rensselaer Boulevard, of which 22 are to be constructed in the first phase. Base prices start at $299,900 for 1,800 square feet of living space ($167 per square foot), with the most expensive unit, containing 2,306 square feet, priced at $345,900 ($150 per square foot). Reportedly, 10 units have been sold since the property opened for sales.

The second phase of 25 townhouses is currently being marketed by Keystone Homes at Buckingham Mews, on Friebel Road. Base prices range between $319,900 and $349,900 for 2,100 and 2,200-square-foot units ($152 to $159 per square foot). Phase One was being marketed in 2006, and base prices at that time ranged between $363,000 and $393,800 for 2,100 square feet ($173 to $178 per square foot).

Adirondack Development Company is marketing both flats and townhouses at the 110-unit Admiral's Walk condominium property located in Cohoes. The four townhouse models range in size from 1,350 to 1,650 square feet, and in price from $219,400 to $255,400 ($155 to $163 per square foot); each floorplan is configured with two bedrooms and two-and-a-half baths. The one single-story model contains 1,300 square feet, is priced at $229,400 ($176 per square foot), and is configured with two bedrooms and two baths. As of December 2010, 25 of the 110 units had been sold. The same developer is also marketing Jordan Point, a development of 26 duplexes, or twin homes, in North Greenbush. Base prices for the 1,350- to 2,200-square-foot, two- and three-bedroom units range between $269,900 and $316,900 ($144 to $200 per square foot).

Thirty of the 44 condominiums and townhouses proposed for Bordaile Estates in Troy had been sold as of December 2010. Base prices range between $223,900 and $257,500 for the 1,525-square-foot, two-bedroom flat ($147 to $169); the townhouses range in size from 1,817 to 1,978 square feet, and in price from $242,900 to $288,500, $134 to $146 per square foot.

Two properties currently being marketed in the area are age-restricted, in which one member of the household must be age 55 or older. In North Greenbush, Pigliavento Builders is marketing the 32-unit Crowne Pointe, where two-bedroom/two-bath condominiums ranging in size from

1,210 to 1,641 square feet are priced between $189,900 and $235,000 ($137 to $194 per square foot). In Clifton Park, Clifton Park Senior Living, LLC is marketing the 48-unit first phase of the 168-unit Bentley Condominiums. Base prices at this property range from $147,500 for a 699-square-foot one-bedroom apartment ($211 per square foot) to $281,600 for a 1,522-square-foot, two-bedroom/two-bath model with a study ($185 per square foot).

Summary Of Selected For-Sale Multi-Family And Single-Family Attached Developments

City of Albany and Surrounding Area, Albany County, New York

December, 2010

Development Developer/Builder *Address*	*Unit Type*	*Beds/ Baths*	*Unit Price Range*		*Unit Size Range*	*Price Per Sq. Ft.*		*Total Units*	*Total Sales*
			. . . . Downtown Albany						
17 Chapel	CO		*Pre-Sale Pricing: Unsold Units*					**24**	**8**
Rosenblum Development Corp.		1br/1.5ba	$299,000	to	1,190	$251	to		*{plus 4*
17 Chapel Street			$333,200			$280			*reservations}*
		2br/2ba	$359,000		1,455	$247			
		2br/2ba	$381,600	to	1,590	$240	to		
			$537,900			$338			
		2br/2ba	$399,000	to	1,690	$236	to		
			$429,000			$254			
		2br/2ba/library	$432,000		1,675	$258			
		2br/2ba/library	$418,000	to	1,650	$253	to		
			$442,000			$268			
		2br/2ba	$619,000		1,850	$335			
		2br/2.5ba	$628,800	to	2,165	$290	to		
			$779,750			$360			
			. . . . Center Square						
355 State Street	CO		***Resales***					**17**	
State Street Partners, LLC		2br/1ba	$178,500		974	$183			
355 State Street		2br/1ba	$179,900		1,498	$120			
		2br/1ba	$189,000		1,006	$188			
		2br/1ba	$199,900		1,498	$133			
		2br/1.5ba	$215,000		1,298	$166			
		3br/2ba	$289,900		2,376	$122			
The Townhouses at Center Square	TH							**5**	**1**
Crisafuli Associates, LLC		2br/2.5ba	$349,900		2,000	$175			
183 Jay Street									

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected For-Sale Multi-Family And Single-Family Attached Developments

City of Albany and Surrounding Area, Albany County, New York

December, 2010

Development Developer/Builder *Address*	*Unit Type*	*Beds/ Baths*	*Unit Price Range*	*Unit Size Range*	*Price Per Sq. Ft.*	*Total Units*	*Total Sales*
			. . . . Other Albany				
Greyledge Estates	TH					**49**	**10**
Amedore Homes		3br/2.5ba	$299,900 to	1,800	$167 to	*22 in 1st phase*	
100 Andriana Lane			$341,230		$190		
		3br/2.5ba	$319,900	1,776	$180		
		3br/2.5ba	$345,900	2,306	$150		
Buckingham Mews	TH					**25**	
Keystone Homes		3br/2.5ba	$319,900 to	2,100	$152 to	*Phase II*	
Friebel Court			$329,900		$157		
		2br/2.5ba	$339,000 to	2,200	$154 to		
			$349,900		$159		
Lofts at Bryn Mawr	TH					**14**	**5**
Crisafuli Associates, LLC		3br/2.5ba	$385,000	2,287	$168	*5 in 2nd phase*	
Bryn Mawr Court		3br/2.5ba	$385,000	2,305	$167		
			. . . . Cohoes				
Admiral's Walk	CO/TH					**110**	**25**
Adirondack Development Group		2br/2.5ba TH	$219,400	1,350	$163		
5201 Admiral's Walk Drive		2br/2ba FL	$229,400	1,300	$176		
		2br/2.5ba TH	$243,400	1,425	$171		
		2br/2.5ba TH	$254,400	1,550	$164		
		2br/2.5ba TH	$255,400	1,650	$155		
			. . . . Troy				
Bordaile Estates	CO/TH					**44**	**30**
Charlew Gurley		2br/2ba FL	$223,900 to	1,525	$147 to		
5201 Admiral's Walk Drive			$257,500		$169		
		2br/2.5ba TH	$267,900	1,817	$147		
		3br/2.5ba TH	$242,900 to	1,817	$134 to		
			$288,500	1,978	$146		

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected For-Sale Multi-Family And Single-Family Attached Developments

City of Albany and Surrounding Area, Albany County, New York

December, 2010

Development Developer/Builder *Address*	*Unit Type*	*Beds/ Baths*	*Unit Price Range*	*Unit Size Range*	*Price Per Sq. Ft.*	*Total Units*	*Total Sales*
			. . . . North Greenbush				
Crowne Pointe	CO					**32**	
Pigliavento Builders		2br/2ba	$189,900 to	1,242	$153 to		
Winter Street Extension			$210,000		$169		
		2br/2ba	$225,000 to	1,641	$137 to		
Age-restricted property		2br/2ba	$235,000 to	1,210	$194 to		
Jordan Point	Duplex					**26**	
Adirondack Development Group		2br/2ba	$269,900	1,350	$200		
4 Jordan Point		3br/25ba	$284,900 to	1,700	$155 to		
			$294,900	1,900	$168		
		3br/3ba	$316,900	2,200	$144		
			. . . . Clifton Park				
The Bentley Condominiums	CO					**168**	
Clifton Park Senior Living, LLC		1br/1ba	$147,500 to	699 to	$185 to	*48 in Phase One*	
8 Wall Street			$161,500	874	$211		
		1br/1ba/study	$161,500	922	$175		
		2br/2ba	$166,500 to	906 to	$184 to		
Age-restricted property		2br/2ba	$279,700	1,512	$185		
		2br/2ba/study	$281,600	1,522	$185		

SOURCE: Zimmerman/Volk Associates, Inc.

MARKET-RATE RENT AND PRICE RANGES: THE DOWNTOWN ALBANY STUDY AREA

From the perspective of the housing consumer, the three major challenges to new residential development in the Downtown Albany Study area include:

- Neglected or vacant properties: Vacant properties and empty lots are a deterrent to potential urban residents, as they contribute to the perception that downtown and the surrounding areas are neglected, and/or dangerous neighborhoods.
- Financing challenges: Restrictive mortgage underwriting and development finance continues to be a challenge to developers and mortgages are still difficult to obtain for many potential buyers.
- High costs: The high costs of materials and labor, in addition to the typically high cost of adaptive re-use, are, without incentives or subsidies, likely to drive rents and prices beyond the reach of many potential residents.

From the perspective of the housing consumer, the existing assets of the Downtown Albany Study Area that make it an attractive place to live include:

- Historic buildings: There are numerous civic, commercial, and residential buildings that are architecturally and/or historically significant, that would be impossible to recreate with new construction, and that provide a distinctive identity for the city.
- Employment: Downtown and the adjacent Empire State Plaza comprise a significant regional employment center. In addition, the growth in nanotechnology businesses in the region enhances the Downtown as a residential neighborhood.
- Culture and Entertainment: Many of the cultural institutions, as well as the Times Union Center, a premium entertainment and sports venue, are located in or near the Downtown Study Area.
- Walkability: The Downtown is compact enough to walk from one end to the other, although, due to the number of open parking lots, the quality of the pedestrian experience could be improved significantly.

- The Hudson River: The Hudson River is adjacent to the Downtown Study Area, providing significant opportunities for public access.
- Tourism: Venues such as the museums, theaters, and the Times Union Center not only bring thousands of tourists to Downtown Albany but are also great assets to Downtown residents.

What will they pay to live in the Downtown Albany Study Area?

Based on the housing preferences and the socio-economic and lifestyle characteristics of the target households in 2011, and the relevant residential context in the Albany market area, the general range of rents and prices for newly-developed market-rate residential units in the Study Area that could currently be sustained by the market is as follows (*see also* Table 5):

Rent, Price and Size Range
Newly-Created Housing (Adaptive Re-Use and New Construction)
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
RENTAL—			
Hard Lofts *	$650–$1,450/month	550–1,250 sf	$1.16–$1.18 psf
Soft Lofts †	$950–$1,850/month	750–1,500 sf	$1.23–$1.27 psf
Luxury Apartments	$1,250–$2,750/month	850–2,000 sf	$1.38–$1.47 psf
FOR-SALE—			
Hard Lofts *	$150,000–$235,000	750–1,250 sf	$188–$200 psf
Soft Lofts †	$175,000–$285,000	800–1,350 sf	$211–$219 psf
Luxury Condominiums	$300,000–$600,000	1,100–2,250 sf	$267–$273 psf
Townhouses/Rowhouses	$275,000–$325,000	1,300–1,650 sf	$197–$212 psf

* Unit interiors of "hard lofts" typically have high ceilings and commercial windows and are either minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms.

† Unit interiors of "soft lofts" may or may not have high ceilings and are fully finished, with the interiors partitioned into separate rooms.

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 5

Optimum Market Position--Market-Rate Dwelling Units

The Downtown Albany Study Area

City of Albany, Albany County, New York

January, 2011

Housing Type	*Base Rent/Price Range**	*Base Unit Size Range*	*Base Rent/Price Per Sq. Ft.**
Multi-Family For-Rent			
Hard Lofts	$650 to	550 to	$1.16 to
Open Floorplans/1ba	$1,450	1,250	$1.18
Soft Lofts	$950 to	750 to	$1.23 to
Studios to Two-Bedrooms	$1,850	1,500	$1.27
Upscale Apartments	$1,250 to	850 to	$1.38 to
One- to Three-Bedrooms	$2,750	2,000	$1.47
Multi-Family For-Sale			
Hard Lofts	$150,000 to	750 to	$188 to
Open Floorplans/1ba	$235,000	1,250	$200
Soft Lofts	$175,000 to	800 to	$211 to
One- and Two-Bedrooms	$285,000	1,350	$219
Upscale Condominiums	$300,000 to	1,100 to	$267 to
One- to Three-Bedrooms	$600,000	2,250	$273
Single-Family Attached For-Sale			
Townhouses/Rowhouses	$275,000 to	1,300 to	$197 to
Two- and Three-Bedrooms	$325,000	1,650	$212

NOTE: Base rents/prices in year 2011 dollars and exclude floor and/or view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

The above rents and prices are in year 2011 dollars, are exclusive of consumer options and upgrades, floor or location premiums, and cover the broad range of rents and prices that could, in normal economic conditions, be sustained by the market in the Downtown Albany Study Area. Although annual incomes and residential values have risen for many households in the city over the past five years, the higher down payments currently required by lenders will preclude many younger households from becoming first-time buyers. Because of these affordability issues, it would seem that older households should therefore comprise a greater percentage of the market over the next two or three years. However, continued weakness in the resale market is currently constraining a significant number of these buyers as well.

Buyers with low down payments remain at a disadvantage when seeking mortgages; however, FHA is still insuring loans for credit-worthy buyers (580 minimum credit score, although most lenders require credit scores of at least 620) at 3.5 percent down payment. Buyers with low down payments will face surcharges whether financing with an FHA loan or a conventional mortgage conforming to Fannie Mae and Freddie Mac guidelines. High loan-to-value mortgages are available again to buyers with good credit ratings.

For the most part (and depending on location), the rents and prices outlined above cannot be achieved by the development of one or two infill units, but require that projects be of sufficient size (at least 20 units) to achieve development efficiency and to support a high-impact marketing campaign. Location will also have a significant impact on rents and prices; projects situated within a short walking distance of high-value amenities, such as restaurants, theaters, shops, or employment, or with views of the Hudson River, will likely command rents and prices at the upper end of values. Those projects in less desirable locations are likely to command rents and prices at the lower end of values.

In addition to adaptive re-use of existing vacant buildings, the residential conversion of Class B office buildings, particularly if the office market for Class B space is very soft, can have a salutary effect on the Downtown Study Area. These buildings are likely to yield a greater number of dwelling units than two- and three-story conversions, increasing the downtown population at a more rapid pace. In addition, the conversion of high-vacancy Class B buildings to residential takes them out of the commercial market, resulting in a decline in office vacancy rates, sometimes to the extent that demand for new office construction is induced.

These conversions, as well as conversions of other non-residential buildings in the Downtown Study Area, would be incentivized through the Capitalize Albany Real Estate Loan program, which provides financing to qualifying real estate development projects, and through the Real Property Tax Abatement program, enacted by the City of Albany and City School District, that provides a 12-year partial exemption for non-residential buildings converted to a mix of residential and commercial uses. In the case of conversion to condominiums, the tax abatement can be passed through to the condominium buyer.

Funding for mixed-use projects in Downtown Albany is also available under the New York State Main Street Program, a comprehensive grant program that provides resources to stimulate reinvestment in mixed-use commercial districts. Grants ranges from a minimum of $50,000 to a maximum of $500,000 and eligible applicants include units or local government or a non-profit, such as the Downtown Albany Business Improvement District.

How fast will the units lease or sell?

As noted previously in this study, the current constrained market is characterized in many locations by reduced housing prices, high levels of unsold units, and restrictive mortgage underwriting and development finance. As also noted previously, these market constraints do not reduce the size of the potential market; however, depending on the timing of market entry, they reduce the initial percentage of the potential market able to overcome those constraints.

After more than two decades' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, <u>over the near term</u>, those households that prefer new construction, rather than previously lived-in units, currently represent between five and 10 percent of the potential rental market, and between two and five percent of the potential for-sale market, given the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation.) However, short-term absorption projections (market capture) could be lower than the annual number of units described below due to the uncertain timing of a mortgage and housing market recovery.

Based on a five to 10 percent capture of the potential market for new rental housing, and a two to five percent capture of the potential market for new for-sale housing units, the Downtown Albany Study area should be able to support up to 134 new market-rate housing units per year over the short term (next three years) and up to 287 units per year in the longer term (four to seven years), as follows:

Annual Capture of Market Potential
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Rental Multi-Family (lofts/apartments, leaseholder)	1,980	5% to 10%	99 to 198
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	1,160	2% to 5%	23 to 58
For-Sale Single-Family Attached (townhouses/rowhouses, fee-simple ownership)	610	2% to 5%	12 to 31
Total	3,750		134 to 287

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

—Rental Distribution—

The market-rate rent range covers leases by households with annual incomes ranging between $40,000 and $100,000 or more. A single-person household with an income of $40,000 per year, paying no more than 30 percent of gross income for rent and utilities (the national standard for affordability) would qualify for a rent of $800 per month for a one-bedroom apartment. A two- or three-person household, with an income of $100,000 or more per year, paying no more than 30 percent of gross income for rent and utilities, would qualify for a rent of $2,750 per month.

Based on the updated target household mix (*listed on* Table 6) and the incomes of the target households, the distribution by rent range of the 99 to 198 new rental lofts and apartments that could be absorbed per year over the next five years in the Downtown Albany Study Area would be as follows:

Loft/Apartment Distribution by Rent Range
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

MONTHLY RENT RANGE	UNITS PER YEAR	PERCENTAGE
$500–$750	22 to 44	22.2%
$750–$1,000	24 to 48	24.2%
$1,000–$1,250	24 to 48	24.2%
$1,250–$1,500	16 to 32	16.2%
$1,500–$1,750	6 to 12	6.2%
$1,750–$2,000	4 to 8	4.0%
$2,000 and up	3 to 6	3.0%
Total:	99 to 198	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 6

Target Groups For New Multi-Family For-Rent
The Downtown Albany Study Area
City of Albany, Albany County, New York

Empty Nesters & Retirees	*Number of Households*	*Share of Households*
Urban Establishment	20	1.0%
Small-Town Establishment	20	1.0%
Cosmopolitan Elite	10	0.5%
New Empty Nesters	40	2.0%
Affluent Empty Nesters	10	0.5%
Suburban Establishment	20	1.0%
Middle-Class Move-Downs	90	4.5%
Subtotal:	210	10.6%
Traditional & Non-Traditional Families		
Unibox Transferees	10	0.5%
Full-Nest Urbanites	40	2.0%
Multi-Cultural Families	30	1.5%
Subtotal:	80	4.0%
Younger Singles & Couples		
The Entrepreneurs	20	1.0%
e-Types	60	3.0%
The VIPs	70	3.5%
Fast-Track Professionals	30	1.5%
Upscale Suburban Couples	80	4.0%
New Bohemians	180	9.1%
No-Nest Suburbanites	80	4.0%
Twentysomethings	350	17.7%
Suburban Achievers	180	9.1%
Urban Achievers	180	9.1%
Small-City Singles	460	23.2%
Subtotal:	1,690	85.4%
Total Households:	**1,980**	**100.0%**

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

—For-Sale Distribution—

The market-rate price range covers purchases by households with annual incomes ranging between $60,000 and $175,000 or more. As in 2006, this analysis did not assess affordability based on the use of non-standard mortgage instruments, but rather typical 30-year mortgages, with either a 10 or 20 percent down payment, at prevailing interest rates.

Based on the target household mix (*listed on* Table 7) and incomes of the target households, the distribution by price range of the 23 to 58 market-rate for-sale lofts and apartments that could be absorbed per year over the next five years in the Downtown Albany Study Area is as follows:

Loft/Apartment Distribution by Price Range
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

PRICE RANGE	UNITS PER YEAR	PERCENTAGE
$150,000–$200,000	5 to 12	20.7%
$200,000–$250,000	5 to 12	20.7%
$250,000–$300,000	4 to 10	17.2%
$300,000–$350,000	4 to 10	17.2%
$350,000–$400,000	3 to 8	13.9%
$400,000 and up	2 to 6	10.3%
Total:	23 to 58	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 20118.

Table 7

Target Groups For New Multi-Family For-Sale
The Downtown Albany Study Area
City of Albany, Albany County, New York

Empty Nesters & Retirees	*Number of Households*	*Share of Households*
Old Money	40	3.4%
Urban Establishment	40	3.4%
Small-Town Establishment	30	2.6%
Cosmopolitan Elite	40	3.4%
New Empty Nesters	40	3.4%
Affluent Empty Nesters	20	1.7%
Suburban Establishment	30	2.6%
Middle-Class Move-Downs	70	6.0%
Subtotal:	310	26.7%
Traditional & Non-Traditional Families		
Unibox Transferees	10	0.9%
Full-Nest Urbanites	20	1.7%
Multi-Cultural Families	10	0.9%
Subtotal:	40	3.4%
Younger Singles & Couples		
The Entrepreneurs	30	2.6%
e-Types	40	3.4%
The VIPs	60	5.2%
Fast-Track Professionals	30	2.6%
Upscale Suburban Couples	40	3.4%
New Bohemians	40	3.4%
No-Nest Suburbanites	10	0.9%
Twentysomethings	130	11.2%
Suburban Achievers	260	22.4%
Urban Achievers	30	2.6%
Small-City Singles	140	12.1%
Subtotal:	810	69.8%
Total Households:	**1,160**	**100.0%**

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

Based on the target household mix (*listed on* Table 8) and incomes of the target groups, the distribution by price range of the 12 to 31 market-rate townhouses/rowhouses that could be absorbed per year over the next five years in the Downtown Albany Study Area is as follows:

Townhouse/Rowhouse Distribution by Price Range
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

PRICE RANGE	UNITS PER YEAR	PERCENTAGE
$200,000–$250,000	3 to 8	25.8%
$250,000–$300,000	5 to 12	38.7%
$300,000–$350,000	2 to 6	19.4%
$350,000–$400,000	1 to 3	9.7%
$400,000 and up	1 to 2	6.4%
Total:	12 to 31	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Table 8

Target Groups For New Single-Family Attached For-Sale
The Downtown Albany Study Area
City of Albany, Albany County, New York

Empty Nesters & Retirees	*Number of Households*	*Share of Households*
Old Money	10	1.6%
Urban Establishment	30	4.9%
Small-Town Establishment	30	4.9%
Cosmpolitan Elite	30	4.9%
New Empty Nesters	40	6.6%
Affluent Empty Nesters	20	3.3%
Suburban Establishmen t	40	6.6%
Middle-Class Move-Downs	50	8.2%
Subtotal:	250	41.0%
Traditional & Non-Traditional Families		
Unibox Transferees	20	3.3%
Full-Nest Urbanites	20	3.3%
Multi-Cultural Families	10	1.6%
Subtotal:	50	8.2%
Younger Singles & Couples		
The Entrepreneurs	30	4.9%
e-Types	10	1.6%
The VIPs	30	4.9%
Fast-Track Professionals	20	3.3%
Upscale Suburban Couples	20	3.3%
New Bohemians	20	3.3%
No-Nest Suburbanites	10	1.6%
Twentysomethings	70	11.5%
Suburban Achievers	40	6.6%
Urban Achievers	10	1.6%
Small-City Singles	50	8.2%
Subtotal:	310	50.8%
Total Households:	**610**	**100.0%**

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

METHODOLOGY

The update of the technical analysis of market potential for the Downtown Study Area included confirmation of the draw areas—based on the most recent migration data for Albany County, and incorporating additional data from the 2009 American Community Survey for the City of Albany—as well as compilation of current residential rental and for-sale activity in the Albany market area.

The evaluation of the city's market potential was derived from the updated target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

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

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to the City of Albany. These data are maintained at the county and "county equivalent" level by the Internal Revenue Service and provide a clear representation of mobility patterns. The migration data for the city has been supplemented by mobility data from the 2009 American Community Survey.

Appendix One, Table 1.
Migration Trends

Analysis of the most recent Albany County migration and mobility data available from the Internal Revenue Service—from 2003 through 2007—shows that the county continued to experience net migration losses throughout the study period, with net out-migration ranging from a loss of 160 households in 2003 to a loss of nearly 800 households in 2007. (*See* Appendix One,

Table 1.). The 2006 update showed that Albany County's net household losses beginning in 2003 followed net household gains in 2001 and 2002.

Annual in-migration into Albany County ranged from 7,980 households in 2006, (the lowest in-migrating total over the study period) to 8,430 households in 2005 (the highest in-migrating total). Approximately 19 percent of the county's in-migration is from Rensselaer County, the adjacent county to the east, with another 10 to 11 percent each from Schenectady and Saratoga Counties to the north. Greene County, to the south, accounts for two to three percent of Albany County's in-migration, and Columbia County, to the southeast, represents another one to two percent. Households from New York City (Kings, New York, Queens, and Bronx Counties) and from the Syracuse area (Onondaga County) are also significant sources of Albany County's in-migrating households.

Annual out-migration from Albany County ranged between the low of 8,380 households in 2003 generally increasing to the high of nearly 9,100 households in 2007. Approximately 18 to 19 percent of the out-migration is also to Rensselaer County; collectively, the majority of out-migration is to other New York State counties.

As noted in the previous study, although net migration provides insights into a city or county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential. In particular, it should be noted that, in the past year, Sematech, the consortium of semiconductor manufacturers, and M&W USA, the computer-chip plant construction firm, announced they are moving their operations from Texas to Albany. These, and other corporate moves to Albany since 2006, will likely have a significant impact on migration over the next several years, and Albany County will likely again experience net household growth.

Based on the updated migration data, then, the draw areas for the City of Albany have been confirmed as follows:

- The local (internal) draw area, covering households currently living within the Albany city limits and the balance of Albany County and in groups with median incomes of $50,000 or more. Although there has been a constrained housing market both locally and nationally in 2008 and 2009, internal mobility has risen somewhat since the 2006 update, when just under 12 percent of city households moved within the city and approximately three percent of households living in the balance of Albany County moved to the city. In 2009, the mobility rate for households moving within the city has risen to 14.5 percent, and for households moving from the balance of the county to the city, the mobility rate has risen to 3.6 percent.

- The regional draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Rensselaer, Schenectady, Saratoga, Greene, and Columbia Counties.

- The New York City draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Kings, New York, Queens, and Bronx Counties.

- The Syracuse draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Onondaga County.

- The suburban New York draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from Suffolk, Nassau, Westchester, Ulster, and Dutchess Counties.

- The national draw area, covering households in groups with median incomes of $50,000 or more and with the potential to move to the City of Albany from all other U.S. counties (primarily counties in New York State, although approximately 30 percent are households currently living outside the state). In addition to the local, regional, Syracuse, New York City, and suburban New York draw areas, between 3,500 and 3,800 households move into Albany County from elsewhere in the United States each year. Up to 60 percent of those households in groups with median incomes of $50,000 or more are likely to move into the City of Albany.

Migration Methodology:

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

TARGET MARKET CLASSIFICATION OF CITY AND COUNTY HOUSEHOLDS—

Geo-demographic data obtained from Nielsen Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. For purposes of this study, only those households in groups with median incomes above $50,000 are included in the tables. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Tables 2 and 3.
Target Market Classifications

Of the estimated 40,605 households living in the City of Albany in 2010 (Nielsen Claritas' estimates), 52.5 percent, or 21,325 households, are in groups with median incomes of $50,000 or more. (*Reference* Appendix One, Table 2.) Nearly 62 percent of these households can be classified as younger singles and couples (up from 59 percent in 2006), another 35.8 percent are empty nesters and retirees (up from 30.3 percent), and 2.5 percent are traditional and non-traditional families (down from 10.6 percent).

Nearly 73 percent, or 89,660 households, of the estimated 122,985 households estimated to be living in Albany County in 2010 (again, Nielsen Claritas' estimates) are in groups with median incomes of $50,000 or more. (*Reference* Appendix One, Table 3.) Just under 44 percent of these households are classified as younger singles and couples (up from 38 percent in 2006), another

41.8 percent are empty nesters and retirees (up from 38 percent), and the remaining 14.4 percent are traditional and non-traditional families (down from 25 percent).

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant "predictor variables," ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as "behaviors," such as mobility rates and lifestyle choices. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

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

DETERMINATION OF THE POTENTIAL MARKET FOR THE CITY OF ALBANY (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Albany in the year 2011. The total number from each /county is derived from historical migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.
Internal Mobility (Households Moving Within the City of Albany)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that approximately 3,100 households living in the City of Albany, and in groups with median incomes of $50,000 or more, have the potential to move from one residence to another within the city in 2011. This is an increase of 400 households since 2006. Over 88 percent of these households are likely to be younger singles and couples (as characterized within seven Zimmerman/Volk Associates' target market groups and a considerably higher percentage than in 2006); another 10 percent are likely to be empty nesters and retirees (in six market groups); and the remaining 1.6 percent are likely to be traditional and non-traditional families (in three market groups).

Appendix One, Table 5.
Internal Mobility (Households Moving To the City of Albany from the Balance of Albany County)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same county. Using these data, nearly 2,500 households, currently living in the balance of Albany County, and in groups with median incomes of $50,000 or more, have the potential to move from a residence in the county to a residence in the City of Albany in 2011. This is an increase of 550 households since 2006. Two-thirds of these households are likely to be younger singles and couples (in nine market groups); 17.4 percent are likely to be empty nesters and retirees (in eight groups); and the remaining 15.4 percent are likely to be traditional and non-traditional families (in eight groups).

Appendix One, Tables 6 through 9; Appendix Two, Tables 1 through 15.
External Mobility (Households Moving To the City of Albany from Outside Albany County)—

These tables determine the number of households in each target market group living in each draw area county that are likely to move to the City of Albany in 2011 (through a correlation of Nielsen Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 10.
Market Potential for the City of Albany—

Appendix One, Table 10 summarizes Appendix One, Tables 4 through 9. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing dwelling units in the City of Albany in the year 2011 originating from households currently living in the draw areas. Over 9,900 households in groups with median incomes of $50,000 or more have the potential to move within or to the City of Albany in 2011. This is an overall decrease of approximately 500 households since 2006. Younger singles and couples are likely to account for 72.4 percent of these households (in 12 market groups); another 15 percent are likely to be empty nesters and retirees (in 11 groups); and 12.6 percent are likely to be traditional and non-traditional families (also in 11 groups)..

The distribution of the draw areas as a percentage of the potential market for the City of Albany is as follows:

Market Potential by Draw Area
City of Albany, Albany County, New York

City of Albany (Local Draw Area):	31.1%
Balance of Albany County (Local Draw Area):	24.9%
Rensselaer, Schenectady, Saratoga, Greene, and Columbia Counties (Regional Draw Area):	13.8%
Kings, New York, Queens, Bronx, and Onondaga Counties (NYC/Syracuse Draw Area):	5.1%
Suffolk, Nassau, Westchester, Ulster, and Dutchess Counties (Suburban NY Draw Area):	3.6%
Balance of US (National Draw Area):	21.5%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Albany City and County account for a greater share of market potential in 2011, at 56 percent, than in 2006, at 44.8 percent. This can be attributed in large part to the Great Recession and the concurrent collapse of housing prices. Historically, households have moved less frequently and less often to distant locations during recessionary periods.

DETERMINATION OF THE POTENTIAL MARKET FOR THE DOWNTOWN ALBANY STUDY AREA—

The total potential market for the new housing units developed within existing buildings or new construction within the Downtown Albany Study Area includes the same draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to the Downtown Albany Study Area in a given year.

Appendix One, Tables 11 through 13.
Market Potential for the Downtown Albany Study Area—

As derived by the target market methodology, approximately 4,900 households have the potential to move to the Downtown Albany Study Area in 2011, only slightly below the 2006 number of 5,030 households. (*Reference* Appendix One, Table 11.) Nearly 69 percent of these households are likely to be younger singles and couples (in 11 market groups, and up from 44 percent in

2006); another 26 percent are likely to be empty nesters and retirees (in eight groups, down from 44 percent in 2006); and 5.1 percent are likely to be traditional and non-traditional family households (in three groups, down from 11.3 percent in 2006).

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

Market Potential by Draw Area
THE DOWNTOWN ALBANY STUDY AREA
City of Albany, Albany County, New York

City of Albany (Local Draw Area):	27.0%
Balance of Albany County (Local Draw Area):	16.6%
Rensselaer, Schenectady, Saratoga, Greene, and Columbia Counties (Regional Draw Area):	17.0%
Kings, New York, Queens, Bronx, and Onondaga Counties (NYC/Syracuse Draw Area):	7.6%
Suffolk, Nassau, Westchester, Ulster, and Dutchess Counties (Suburban NY Draw Area):	4.9%
Balance of US (National Draw Area):	27.0%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2011.

Albany City and County account for a slightly greater share of market potential for the Downtown Albany Study Area in 2011, at 43.6 percent, than in 2006, at 41.1 percent. As noted above, this can in large part be attributed to the Great Recession and the concurrent collapse of housing prices. Historically households have moved less frequently and less often to distant locations during recessionary periods.

The 4,890 draw area households that have the potential to move within or to the Downtown Albany Study Area in 2011 have been categorized by tenure propensities to determine renter/owner ratios. Just over 40 percent of these households (or 1,980 households, up from 1,080 households in 2006) comprise the potential market for new market-rate rentals. The remaining 60 percent (or 2,910 households, down from 3,740 households in 2006) comprise the market for new market-rate for-sale (ownership) housing units. (*Reference* Appendix One, Table 12.)

Of these 2,910 households, 39.9 percent (or 1,160 households) comprise the market for multi-family for-sale units (condominium apartments and lofts); this is a considerably larger percentage of the ownership market than in 2006, at 21.1 percent. Another 21.3 percent (620 households, up from 15.2 percent of the ownership market in 2006) comprise the market for attached single-family (townhouse or duplex) units. The remaining 38.8 percent (or 1,130 households, down from 64 percent and 2,380 households) comprise the market for all ranges and densities of single-family detached houses. (*Reference* Appendix One, Table 13.)

—Target Market Data—

Target market data are based on the Nielsen Claritas PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 "behaviors."

Over the past 22 years, Zimmerman/Volk Associates has augmented the PRIZM cluster systems for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those households in groups with median incomes of $50,000 or more are included in the tables.

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ASSUMPTIONS AND LIMITATIONS—

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

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

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

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RIGHTS AND STUDY OWNERSHIP—

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

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