



Market Analysis

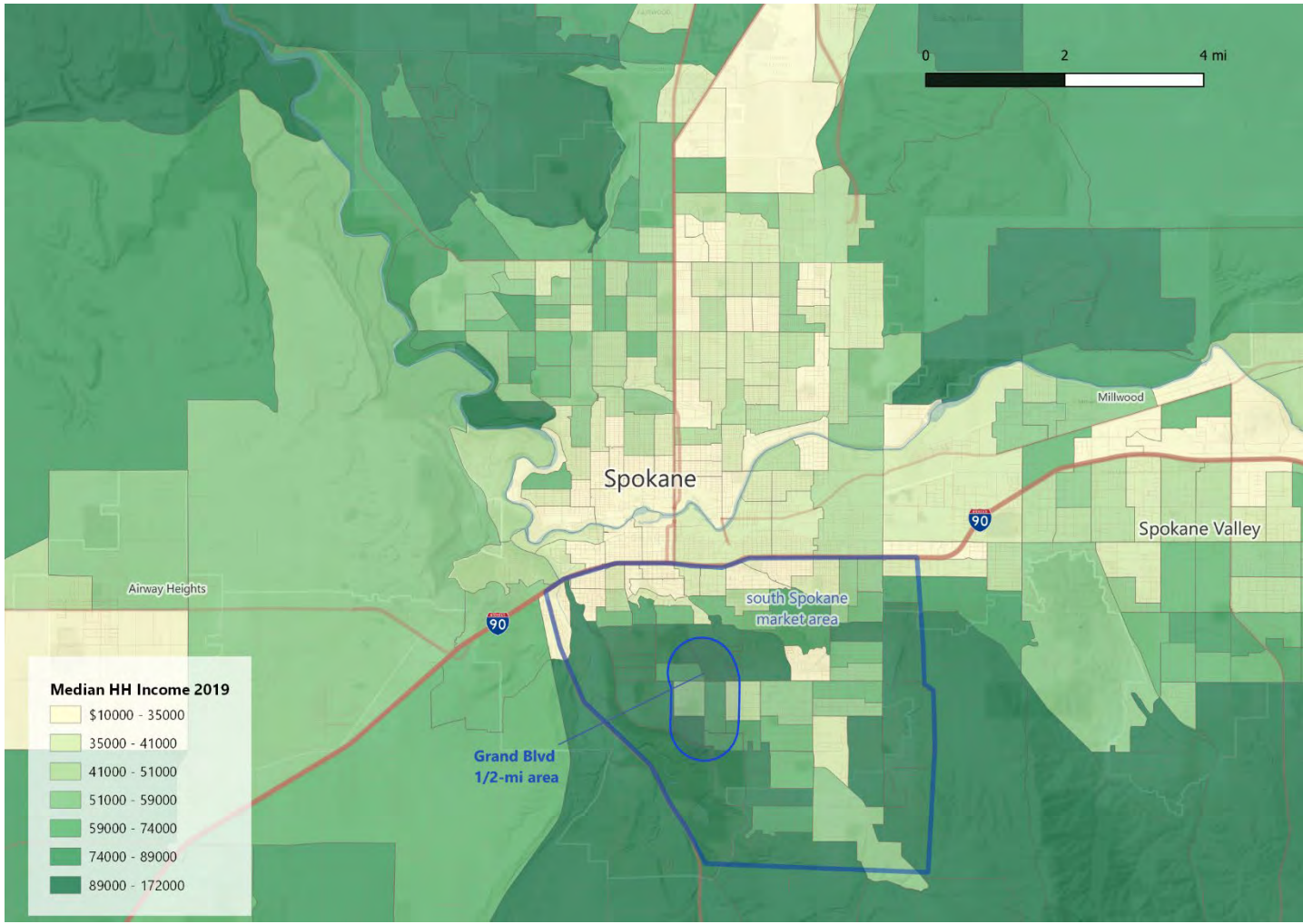
Spokane Grand Boulevard

sample findings

Household Incomes

Incomes in the Market Area are substantially higher than county-wide figures, which in turn are higher than those within City of Spokane overall.

Study Area incomes are higher still, with half earning over \$78K and average (mean) income topping \$100K, by current estimates.



Households by Income	Study Area 1/2-mi Area	South Spokane Market Area	City of Spokane	Spokane County	USA
Median Household Income	\$78,136	\$61,175	\$47,943	\$56,227	\$60,548
Average Household Income	\$101,270	\$86,925	\$68,559	\$77,749	\$87,398
Per Capita Income	\$44,078	\$38,104	\$28,749	\$30,841	\$33,028

Source: US Census-based estimates from ESRI

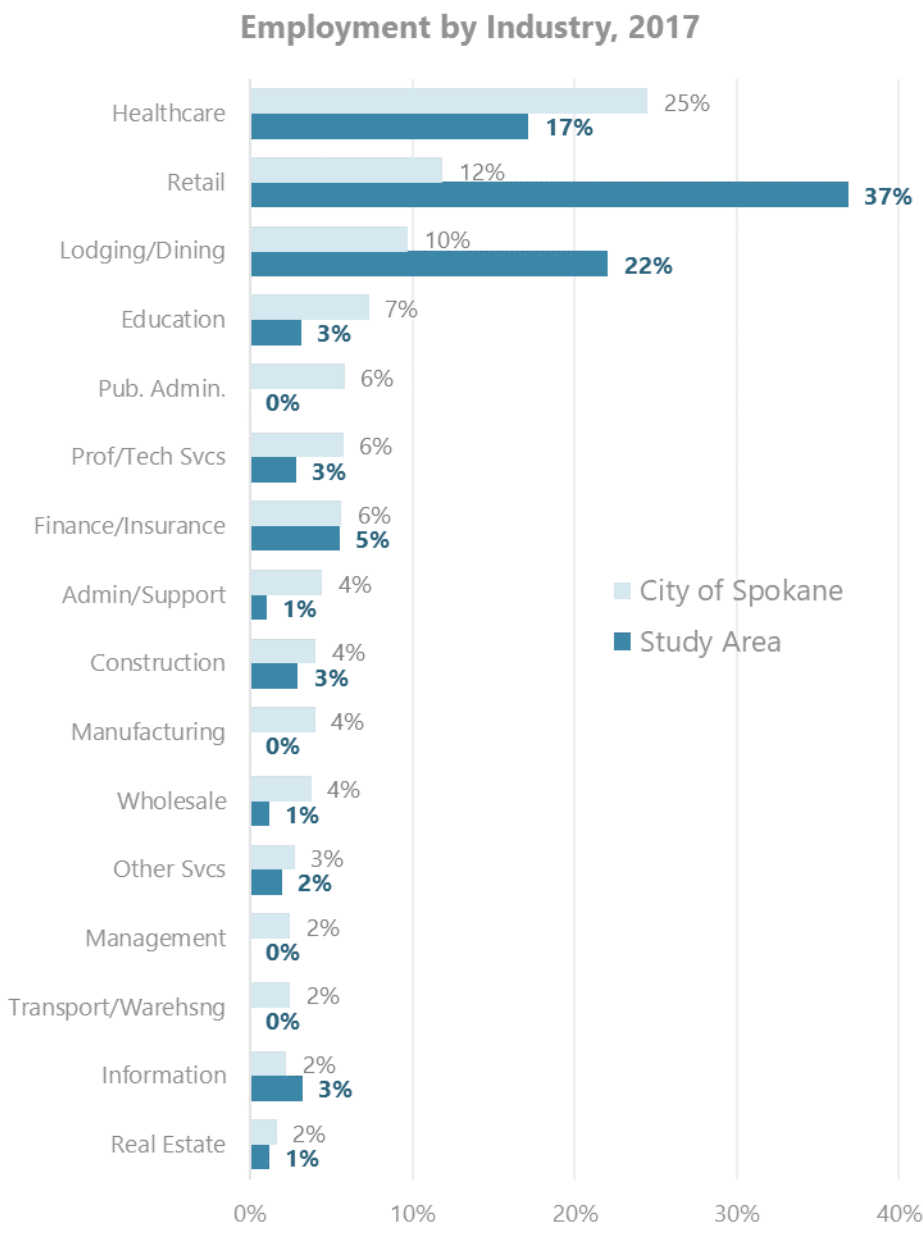
Study Area Employment Profile

Establishments within the Study Area employed just over 1,000 workers as of 2017.

Study Area jobs are almost exclusively within service industries, with 37% working in retail and 22% in food service and accommodations (mostly restaurants). Another 17% work in the healthcare industry.

There is currently a mismatch between the Study Area jobs and residents, in that its daytime workforce population tends to work in lower-wage industries, while area residents tend to have higher-paying jobs.

This presents a challenge to creating at least the possibility of a *live-work* environment. That is, without some housing that is more affordable to Grand Boulevard employees, they will always have to commute in from outside – worsening traffic and wasting time. Conversely, without some higher-paying jobs in the Study Area, local residents will always have to commute outside for work.



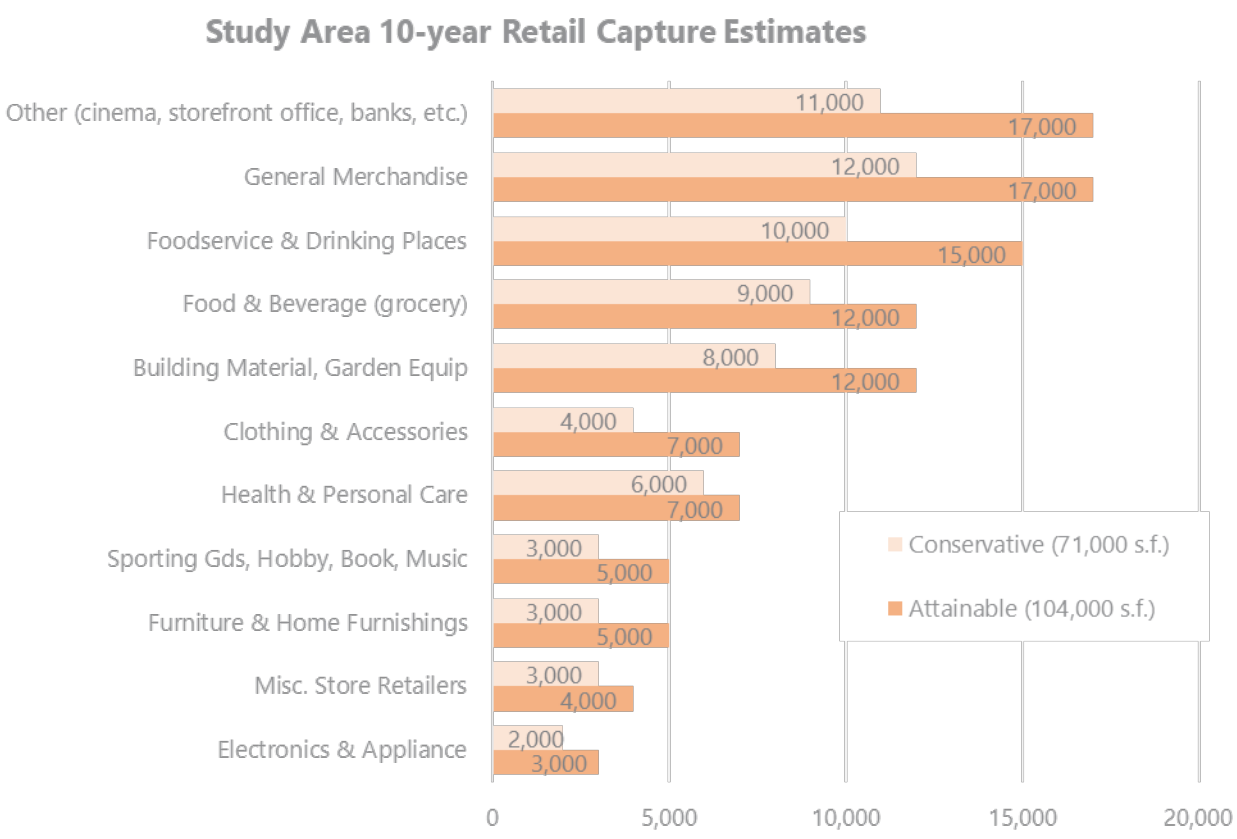
Source: US Census LEHD 2017 data (latest available)

Estimated Attainable Retail Capture for Grand Boulevard

At an estimated capture rate of between 10% and 15% (15-20% for grocery and drugstore categories), the Study Area could absorb approximately 71,000 to 104,000 s.f. of new Market Area retail demand over the coming decade.

At a typical retail floor area ratio (FAR) of 0.25*, this level of development would require 6.5 to 9.6 acres of land – about the size of the existing Manito Shopping Center site.

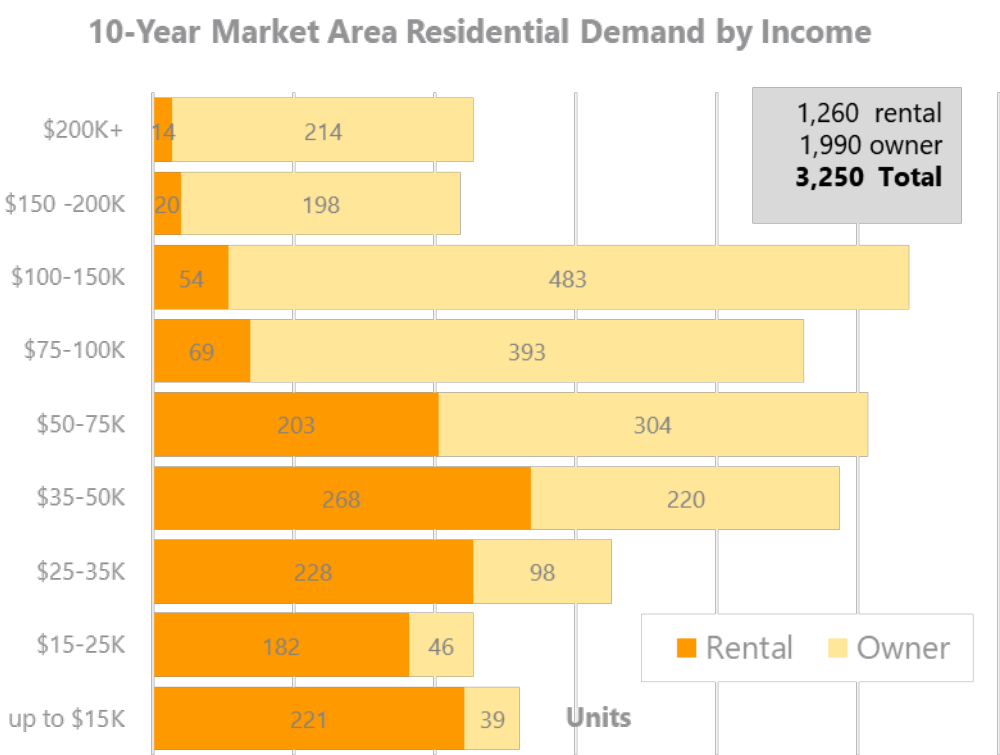
Because the largest vacant commercial parcel in the Study Area (the vacant Albertson's site at 37th) is 3.1 acres, the full capture shown here would likely be spread across multiple sites, and would require redevelopment of one or more currently occupied sites.



*Floor Area Ratio for a given parcel is the building area divided by land area. So, at an FAR of 0.25, a one-story retail building would take up one-quarter of the lot, with the rest taken up by parking and landscaping.

An FAR of up to 3.0 is permitted under existing Study Area zoning – and, in fact desirable, from the standpoint of minimizing surface parking – but anything higher is very uncommon in the U.S. outside of much more urban neighborhood environments.

South Spokane Market Area Residential Demand



Based on projected household growth alone (i.e. irrespective of any arguable pent-up demand in the multifamily rental market), the south Spokane market area should generate demand for approximately 3,250 new units per decade – apportioned across rental and ownership units as shown in the figure above.

Demand for net new housing units is based on applying a 0.93% annual growth rate to the existing Market Area household count. This rate is an average of 2010-19 actual historical growth and ESRI's 2019-24 projected growth rates.

The projected 10-year growth in households is then increased by an additional 5% overall (to account for preserving a healthy market vacancy rate while allowing for a modest amount of potential demolitions and growth due to second homes) to arrive a 10-year new unit requirement.

This total unit count is then allocated across household income categories and tenure (rent vs. own). For this analysis, we assume that the percent renting in each income group will remain constant (39%) into the forecast period. Although home ownership rates have been dropping nationally for years, most analysts are reluctant to assume additional declines as Millennials move further into prime home-ownership years.

Population by income range is assumed to remain generally constant, with moderate reductions to shares in the lowest income brackets as declining housing affordability gradually displaces some households.

Source: Leland Consulting Group, using historical growth rate, tenure and income distribution data from ESRI

Residential Demand & Study Area Capture Potential

Summary of Market Area Demand and Attainable 10-year Study Area Capture by Product Type	Market Area Unit Demand*	Conservative Capture Rate	Attainable Capture Rate	10-year Study Area Absorption (low)	10-year Study Area Absorption (high)	Approx. Units Per Acre (low)	Approx. Units Per Acre (high)	Acreage Required (low)	Acreage Required (high)
Rental Apartments	1,040	10%	20%	100	210	18	30	5.6	7.0
Attached Ownership (Townhome, Condo, Plex, etc.)	290	10%	20%	30	60	15	18	2.0	3.3
Single Family Smaller Lot	567	0%	0%	0	0	10	12	0.0	0.0
Single Family Larger Lot	1,288	0%	0%	0	0	4	8	0.0	0.0
Totals*	3,185*	4%	8%	130	270			8	10

*Totals above exclude demand from households earning below \$15K total unit demand for lowest income segment (<\$15K)

Source: Leland Consulting Group, using historical growth rate, tenure and income distribution data from ESRI

The Market Area's moderate but steady growth should support development of nearly 3,500 housing units over the coming decade.

Of this, the Study Area should theoretically be able to attract approximately 130 to 270 units, as a mix of rental and attached ownership products.

However, as with retail demand and capture estimates, this absorption level – requiring some 8-10 acres – would require redevelopment of one or more larger sites currently occupied. Parcels in Manito Center are unlikely to redevelop in the coming decade, at least, due to profitable ongoing operations and stringent lease restrictions.

Note: Single family detached demand for the Market Area is shown in the table above but this analysis assumes that only multifamily development is under consideration for the Study Area.

It is possible that some modest level of housing demand could be absorbed within the Study Area single family neighborhoods in the form of accessory dwelling units (ADUs).

The City has recently updated its code related to infill development, making it easier to construct attached units, cottages, and other small format homes. Although not a use-by-right in Low Density Residential zones, ADUs that meet development standards do not require a conditional use permit. For details, see:

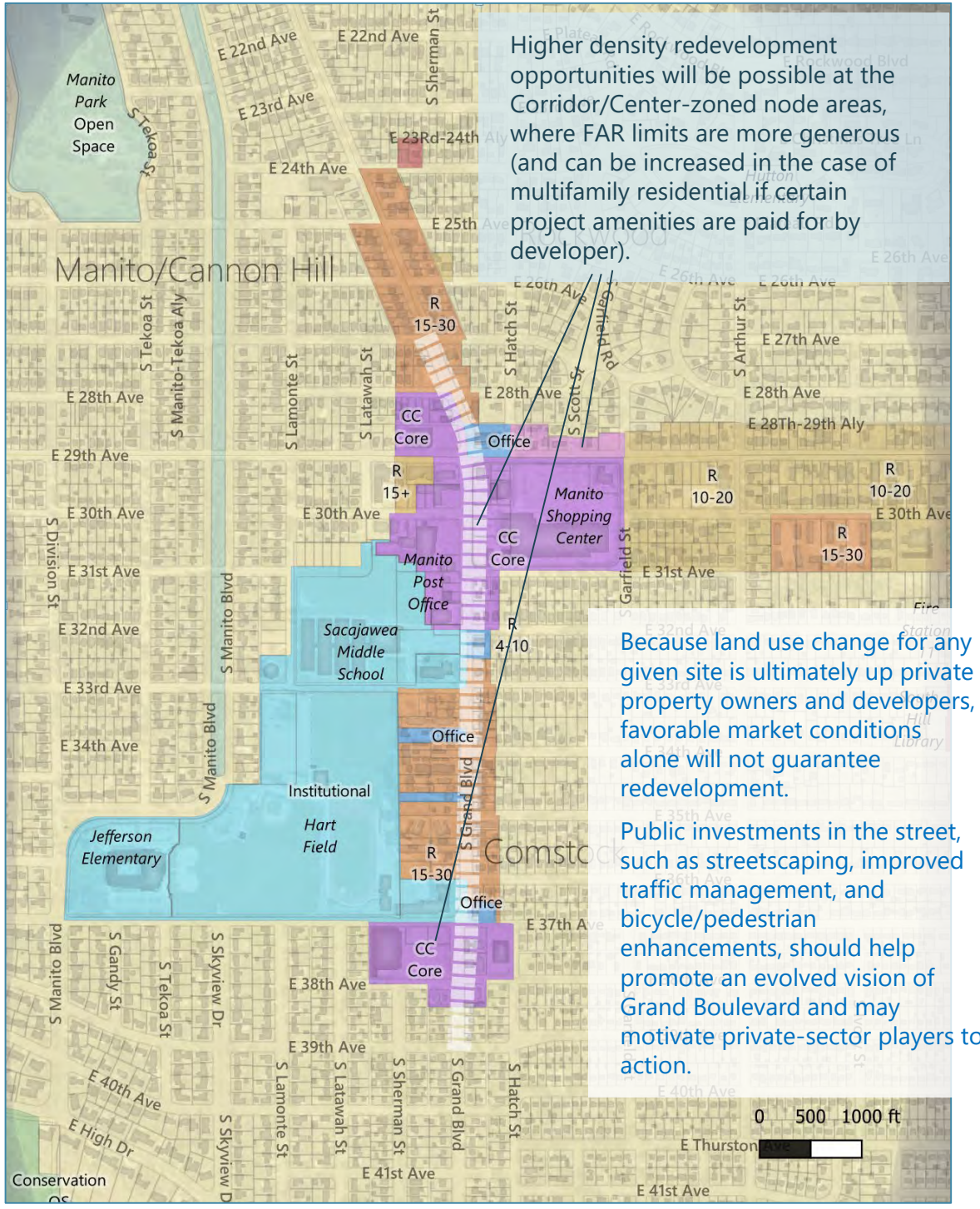
<https://my.spokanecity.org/business/residential/development-options/>

Study Area Land Use Designations

A zoom in to the half-mile Study Area shows a relatively narrow corridor of commercial and institutional (primarily school-related) uses surrounded by low density residential neighborhoods.

Some medium-high density residential uses are also found interspersed, limited to areas fronting or within a block of either Grand or 30th Avenue. These are limited to older (typically 70s-construction) apartments and the occasional multi-unit building amid lots simply being used for single-family residences – the predominant pattern along the upzoned portions of 29th and 30th Avenues. These areas represent capacity for increased residential density in theory, but redevelopment is likely to be fragmented and opportunistic, depending on prevailing market conditions and land purchase prices.

Source: Spokane County Assessor, City of Spokane, and Leland Consulting Group



Infill Redevelopment Prospects

Using proforma worksheets created by CAI for that 2019 analysis, Leland Consulting Group examined preliminary feasibility for infill redevelopment three major vacant sites (3.1-acre vacant Albertson's, plus the 0.8-acre and 0.5-acre corner lots at 31st and 32nd) identified in the previous slide.

For the three-story walk-up property type, multifamily development at those sites appear feasible when using Assessor-appraised values as the assumed land purchase price, even without MFTE incentives.

- For the 0.5-acre parcel at the northeast corner of 32nd Ave and Grand, the CAI model yields a 21% IRR (assuming a 25-unit project achieving rents of \$1,250)
- For the 0.8-acre parcel one block to the north, the model shows an attainable IRR of 18% for a 42-unit project.
- If converted to residential, the former Albertsons parcel(s) shows acceptable returns (15.1% IRR) under the CAI model assumptions for 162 three-story walk-up units, even after assuming a \$3.1M site purchase price and tear-down of the existing 39,000 square foot structure.

Feasibility for the above sites appeared much more questionable for mixed-use or ownership townhome scenarios, with IRRs dipping below 5% for all three sites in the CAI models.

- The Albertson's site would be simpler and likely more profitable to redevelop as another grocery store, keeping and rehabbing the existing building, but the CAI model was not set up to examine retail-only proforma scenarios.



Examples of smaller-lot attached housing on Grand Blvd.