A Market Feasibility Study for a General Occupancy Housing Cooperative in Wahpeton, North Dakota

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December 17, 2015

Ms. Jane Priebe
Economic Development Director
City of Wahpeton
1900 4th Street North
Wahpeton, ND 58075

Dear Ms. Priebe:

Attached is the analysis titled, "A Market Feasibility Study for a General Occupancy Housing Co-operative in Wahpeton, North Dakota." This Study includes an evaluation of the subject property, an analysis of the demographic and economic characteristics of the Market Area, and a review of current for-sale housing market conditions in Wahpeton.

Based on the analysis, we quantify demand for additional single-family ownership housing units in the Market Area between 2015 and 2020. The Study concludes with an estimate of the rate of absorption for the development along with marketing considerations for the proposed project. Based on demand trends and the proposed pricing structure at River Pointe Cooperative, we anticipate that there will be sufficient market demand to support the project.

Please contact us if you have questions or require additional information.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Joe Hollman
Senior Analyst

Attachment

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EXECUTIVE SUMMARY

Maxfield Research and Consulting, LLC was engaged by the City of Wahpeton, North Dakota (the "Client") to study the market feasibility for a general occupancy manufactured home housing cooperative on a Site located in Wahpeton, North Dakota. The subject property, referred to as the River Pointe Cooperative Site, is situated just northwest of the intersection between Highway 210 and 4th Street North in Wahpeton, North Dakota. The roughly four-acre Site is currently undeveloped.

The project will be comprised of 17 lots, each containing a manufactured home on a permanent foundation with a seven-foot deep front porch and a 24-foot by 24-foot garage which will be served by a concrete driveway with ingress/egress to a public street. The development will also include a community building with a storm shelter and playground. While specific unit types have not yet been determined, the project is expected to include a mix of two-bedroom and three-bedroom units.

While the exact pricing structure has not yet been determined, share prices are expected to potentially range from $100,000 to $140,000 per unit. Monthly fees are expected to range between $461 and $1,000 per unit, depending on the amount of equity that buyers put into their shares upfront. The development will be structured as a cooperative, meaning that buyers would own a proprietary lease of a specific unit and occupy the property under that lease, but they will not own the real estate. A corporation will own the title to the real estate, and the cooperative owners will be shareholders in that corporation.

Based on our analysis of the Site, we identified several key characteristics that favor the development of general occupancy housing on the property. Adjacent and surrounding land uses are somewhat compatible with the proposed development. The Site is located in fairly close proximity to a variety of retail and dining options, public schools, and medical services. Residents will also have convenient access to the local highway network. Many recreational and entertainment venues are located near the Site, and it is situated near several of the largest employers in the Wahpeton/Breckenridge market area.

We also identified certain factors that may negatively impact the viability of the Site for a housing development. While the existing mobile home park to the east is compatible with the proposed development, the noise, dust, and activity associated with the trucking company adjacent to the west side of the Site limit the attractiveness of the property as a residential location. Odor from the City's water treatment facility, which is located about one-quarter mile north of the Site, could detract from the marketability of the Site for housing. Noise from traffic along Highway 210 may diminish the livability of housing units on the Site. If possible, a landscape buffer along the southern and western sides of the property should be incorporated into the development plan to minimize some of these issues.

Based on feedback provided by area real estate professionals, factors such as the location of the Site in Wahpeton will likely make units at the proposed development challenging to sell.

Demographic factors influencing the area, notably population and household growth among the first-time homebuyer age group (mid-20s through 30s), suggest that there will be growing demand from the target market for a general occupancy housing cooperative in Wahpeton. The empty-nester and independent senior populations (age 55 to 74) could also be drawn to the proposed development.

Roughly 64% of the jobs in Wahpeton are filled by workers commuting into the City. With nearly 2,500 workers commuting into the City daily, there appears to be an opportunity to provide workforce housing in the City, particularly for those with a commute distance in excess of 50 miles (over 700 workers).

From 2000 through 2014, building permits were issued for a total of 157 single-family homes and 49 multifamily units in Wahpeton. Multifamily units comprised roughly 24% of all the new housing units in the City since 2000, while the remaining 76% were single-family. Between 2010 and 2014, an average of 18 new housing units has been permitted per year in Wahpeton, including 13 single-family units and five multifamily units annually.

Residential sales activity in Wahpeton has been relatively steady since 2010, averaging 80 to 90 sale transactions per year. On average, Wahpeton experiences roughly 7.6 residential sales per month, including 6.9 detached single-family sales and 0.7 multifamily sales. Since 2010, new construction single-family homes have sold at a median price of $213,222, essentially double the median sale price of previously owned homes ($106,425). The median sale price for new construction multifamily units ($164,450) is 125% higher than previously owned multifamily units ($72,860).

Demand for housing has been highest for units priced in the $50,000 to $99,999 and the $100,000 to $149,999 ranges. Share prices at the proposed River Pointe Cooperative development are expected to range from $100,000 to $140,000 per unit which would be appropriate given market demand.

We anticipate that there will be demand for approximately 119 new general occupancy single-family units in the PMA between 2015 and 2020. The River Pointe Cooperative development will include 17 new units, and would capture roughly 14.3% of the PMA demand potential.

On average, Wahpeton experiences roughly 2.1 single-family sales per month (25 sales per year) in the $100,000 to $149,999 price range. For the 17 new units at River Pointe Cooperative, we estimate that full occupancy would be reached within three years of initial occupancy. This assumes that roughly 10% of the units (two units) would be presold, and the remaining units would sell at an average rate of 5.0 units per year.

Study Purpose

Maxfield Research and Consulting, LLC was engaged by the City of Wahpeton, North Dakota (the "Client") to study the market feasibility for a general occupancy manufactured home housing cooperative on a Site located in Wahpeton, North Dakota. The subject property, referred to as the River Pointe Cooperative Site, is situated just northwest of the intersection between Highway 210 and 4th Street North in Wahpeton, North Dakota. The roughly four-acre Site is currently undeveloped.

Scope of Services

The scope of this study includes: a site evaluation; an analysis of the demographic and economic characteristics of the Market Area; and, a review of current for-sale housing market conditions. Based on the analysis, we quantify demand for additional ownership housing in the PMA between 2015 and 2020. The Study concludes with an estimate of the rate of absorption for the development along with marketing considerations for the proposed project.

This report includes both primary and secondary research. Primary research includes interviews with local officials and housing professionals. Secondary research is credited to the source when used, and is usually data from the U.S. Census, ESRI (a nationally recognized provider of demographic data), or regional planning agencies. Secondary research is typically used as a basis for analysis, and is carefully reviewed in light of other factors that may impact projections. All of the information on active residential listings and pending housing developments was collected by Maxfield Research and Consulting, LLC and is accurate to the best of our knowledge.

Introduction

This section of the report presents an analysis of the location and characteristics of the subject property in the City of Wahpeton, North Dakota discussing the Site's regional location and the property's general characteristics. Adjacent land uses, accessibility to and visibility of the subject property, and the Site's proximity to employment, shopping, recreation, and services are also presented.

Finally, this section discusses the appropriateness of the Site for a manufactured home cooperative housing development. As proposed, the River Pointe Cooperative project will be comprised of 17 detached manufactured homes on permanent foundations.

Site Location and Characteristics

Maxfield Research and Consulting, LLC completed a Site visit on December 7, 2015. The subject property, referred to as the River Pointe Cooperative Site throughout this report, is situated just northwest of the intersection between Highway 210 and 4th Street North in Wahpeton, North Dakota. The roughly four-acre Site is currently undeveloped.

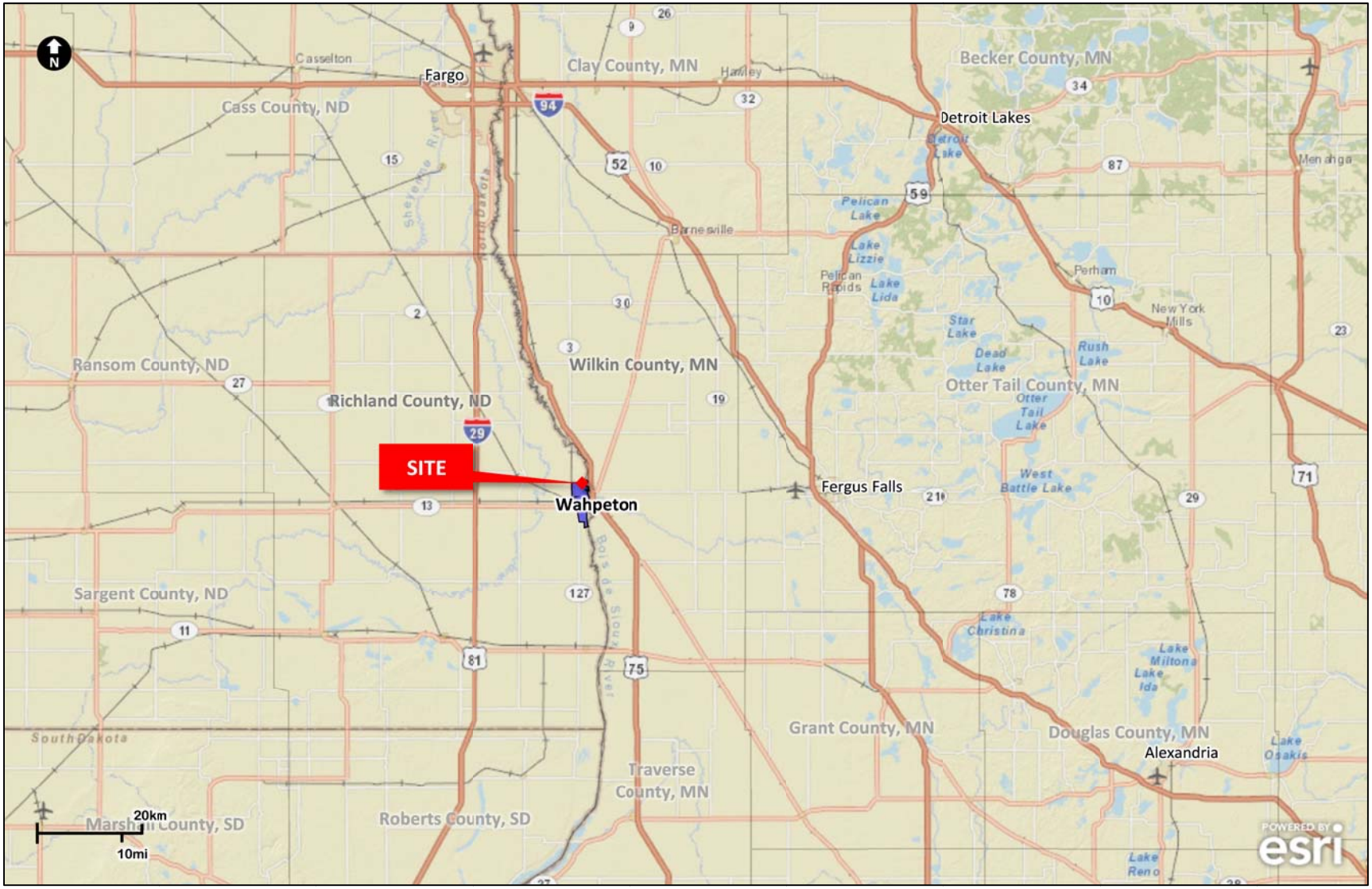
Most of the Site is relatively flat, with an elevation that ranges between 963 and 964 feet across much of the property. However, the Site's elevation rises to over 970 feet in the northwest corner of the property.

As of 2010, the City of Wahpeton (population of 7,766) was the tenth largest city in North Dakota (2010 population of 672,591). Wahpeton is located in the southeast corner of the State in in Richland County (2010 population of 16,321), which, along with Wilkin County, Minnesota comprises the Wahpeton Micropolitan Statistical Area (2010 population of 22,897). Wilkin County had a population of 6,576 in 2010. Wahpeton is located about 50 miles south of Fargo, North Dakota (2010 population of 105,549) and roughly 30 miles west of Fergus Falls, Minnesota (2010 population of 13,138).

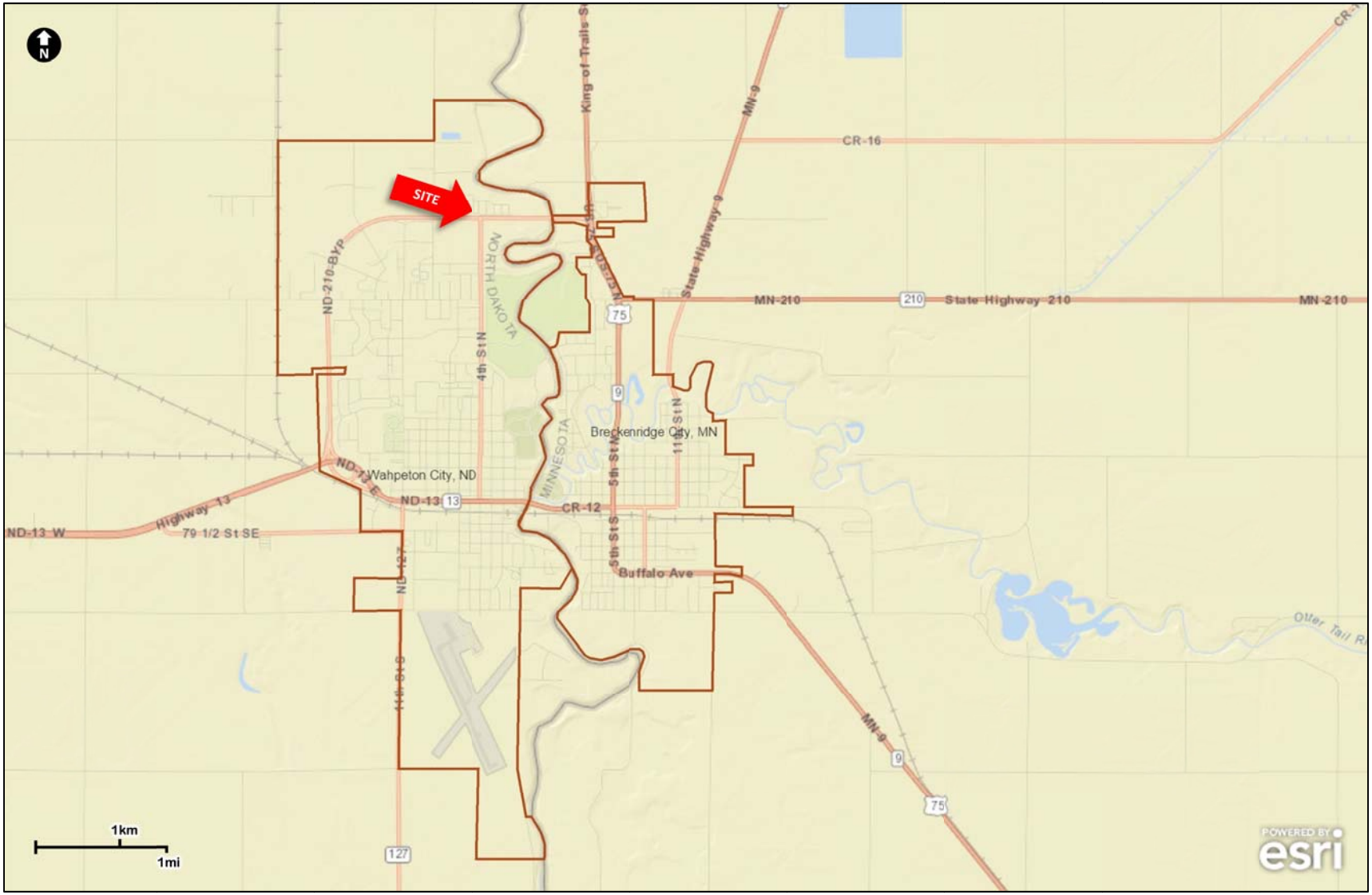
Wahpeton is located just west of the City of Breckenridge, Minnesota (2010 population of 3,386), and is bordered by Dwight Township, North Dakota (2010 population of 313) and Center Township, North Dakota (2010 population of 465) on the north, south, and west. Connelly Township, Minnesota (2010 population of 116), is located east of the Red River from Wahpeton, while Breckenridge Township, Minnesota (2010 population of 255) is east of the Bois de Sioux River.

The maps and photos on the following pages display images of the Site and its location in relation to the surrounding road network.

Regional Location



Site Location in Wahpeton



Aerial View of Site and Surrounding Area

Aerial View of Site

Photos of Site
December 2015

Subject property, as seen from Highway 210

Looking west across Site from 4th Street

Looking northwest across Site from the intersection of 21st Avenue and 4th Street

On Site, looking east toward Briarwood Court Mobile Home Park

On Site, looking south toward Highway 210

View of Site from the northeast

Photos of Surrounding Area
December 2015

Briarwood Court Mobile Home Park, east of subject property

National Guard Armory, south of Site across Highway 210

Trucking company, adjacent to west side of property

Commercial property, west of Site

Commercial property, southwest of Site

Kidder Recreation Area, southeast of Site

Surrounding Land Uses

The subject property is located along North Dakota Highway 210, a bypass road through the northern portion of Wahpeton connecting to Highway 13 on the south and United States Highway 75 in Minnesota on the east. Land uses along the Highway 210 corridor in the surrounding area are primarily commercial and industrial. There is also a multifamily development situated along Highway 210, east of the subject property. The land uses directly adjacent to the Site are as follows:

- **North**: Undeveloped City-owned land (zoned Industrial);
- **South**: Institutional (National Guard Armory);
- **East**: Multifamily residential (Briarwood Court mobile home park);
- **West**: Industrial (Three Rivers Transportation).

Access and Visibility

The Site facilitates convenient access to the local highway network utilizing Highway 210 to connect to Highway 13, roughly two miles to the south and to United States Highway 75 about one mile to the east in Minnesota. Additionally, 4th Street is a major north-south corridor through Wahpeton, essentially connecting the Site to the municipal airport in the southern portion of the City via Downtown Wahpeton.

Access to the Site will be obtained off Highway 210 via 21st Avenue North and 4th Street North. According to information provided by the North Dakota Department of Transportation, Highway 210 received approximately 4,945 vehicle trips per day near the Site in 2013 while 4th Street, south of Highway 210, received about 2,010 trips per day. Due to the orientation and location of the subject property, the project will be highly visible to traffic along Highway 210 as well as 4th Street North.

Proximity to Retail, Entertainment, and Services

Housing demand is partly influenced by proximity to other housing, employment, and retail nodes. The subject property is surrounded by a mix of residential and commercial uses and is near major employment concentrations. The area surrounding the Site contains several shopping and service destinations. The following list highlights some of the more notable destinations in the area.

- Major shopping destinations include a Walmart Supercenter, Maurices, Econofoods grocery store, Family Dollar Store, Ace Hardware, JC Penney, and Sears.

- Some of the dining options in the area include Hills 210 Café & Subs, Prante's Fine Dining, The Grille Room, and Dairy Queen Grill & Chill.

- Schools located in close proximity to the Site include Wahpeton High School, Wahpeton Middle School, Zimmerman Elementary, Central Elementary, Circle of Nations School, and North Dakota State College of Science.

- There are also many recreational and entertainment amenities in the area, notably; Bois de Sioux Golf Course, Chahinkapa Zoo, Kidder Recreation Area, Prairie Rose Carousel, and fishing on the Red River.

- Downtown Wahpeton, which is home to many shopping and dining establishments, is located roughly two miles south of the subject property. Some notable businesses operating in Downtown Wahpeton include; Family Dollar Store, Corner Drug, Bon Jos Clothing, JC Penney, Sears, Nielson Electric TV & Appliance, Olson Jewelers, Burger King, Fryn' Pan, The Closet, El Toro Mexican Restaurant, Wahpeton Deli, Firehouse Pub, Block500 Pizza Company, Subway, Sportsman's Lounge, Hinsverk's TV & Appliance Center, Wahpeton Floral & Gifts, Snap Fitness, Beyonds China Buffet, and Hairetage Hallmark.

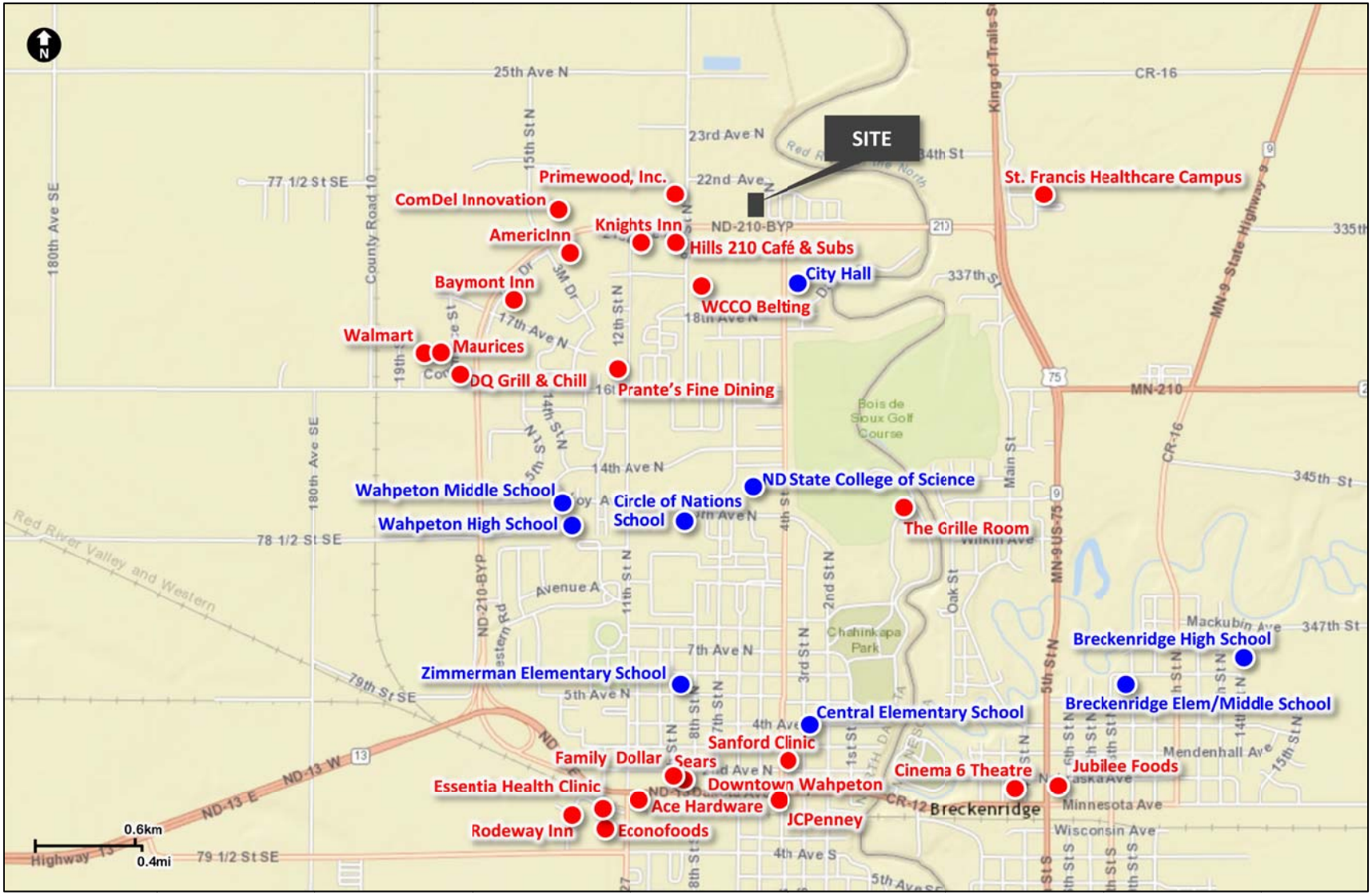
- Major medical service providers include Sanford Health Clinic, Essentia Health Clinic, and the St. Francis Healthcare Hospital Campus in Breckenridge.

- The Site is located in fairly close proximity to the largest employers in the area, some of which are highlighted below:

  - North Dakota State College of Science
  - Minn-Dak Farmers Cooperative
  - Wahpeton Public Schools
  - Primewood, Inc.
  - Walmart
  - ComDel Innovation
  - Red River Human Services Foundation
  - St. Catherine's Living Center
  - WCCO Belting
  - Cargill, Inc.
  - Richland County
  - Circle of Nations School
  - Wil-Rich
  - Econofoods
  - St. Francis Healthcare
  - Breckenridge Schools

While not fully inclusive, the map on the following page illustrates the Site location in relation to some of the major employers, medical services, community services, and entertainment and retail destinations in the surrounding area.

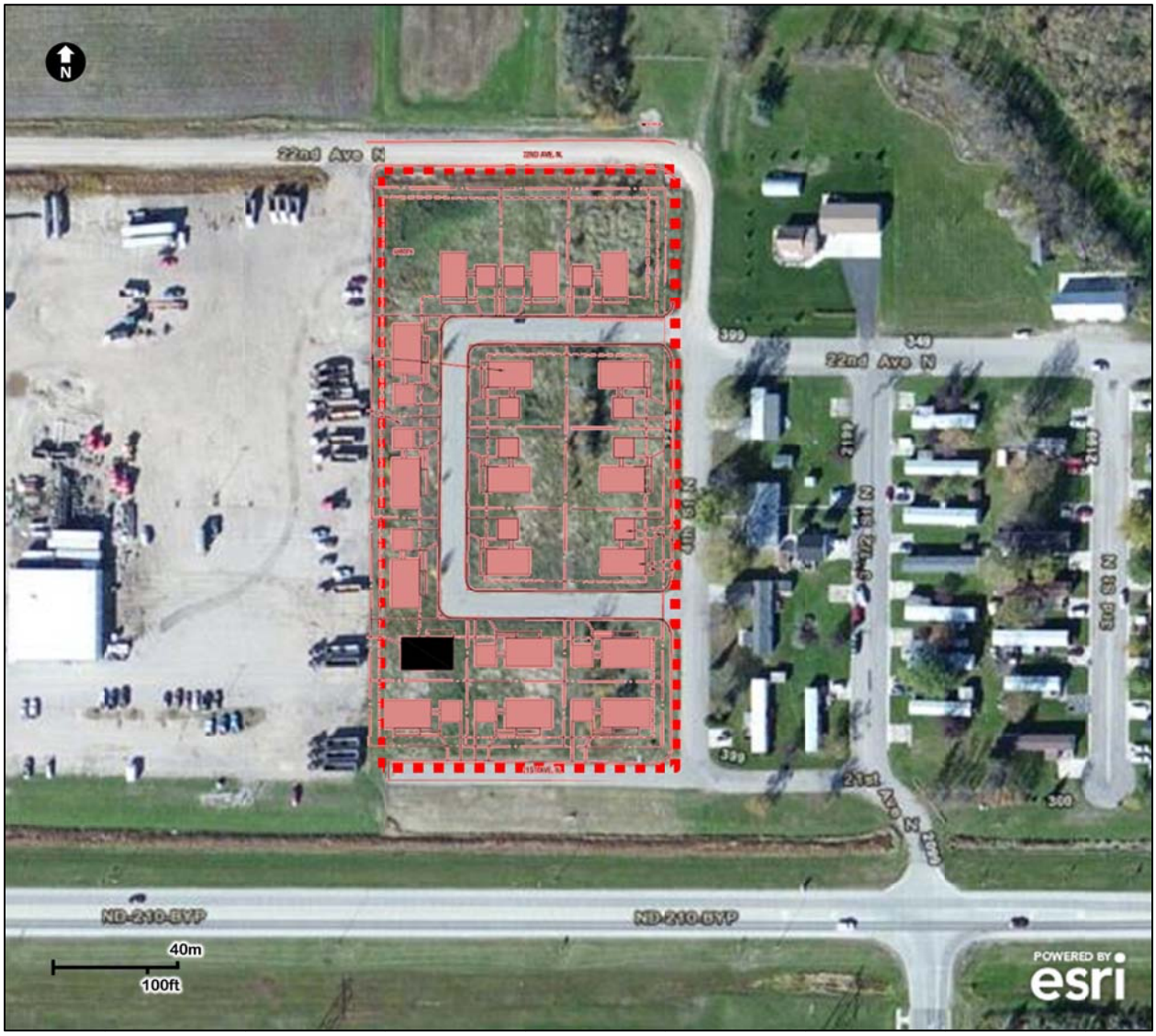
Major Services, Retail, and Employers



Review of Development Concept

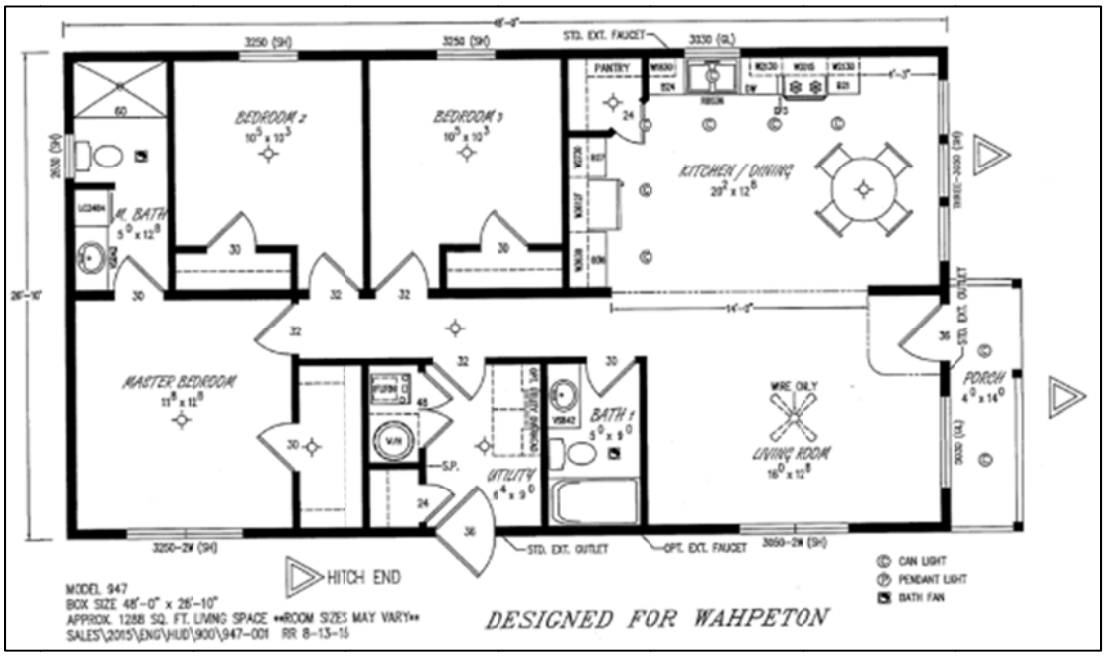
As depicted in the following site plan, the subject project will be comprised of 17 lots, each containing a manufactured home on a permanent foundation with a seven-foot deep front porch and a 24-foot by 24-foot garage which will be served by a concrete driveway with ingress/egress to a public street. The development will also include a community building with a storm shelter and playground.

Site Plan

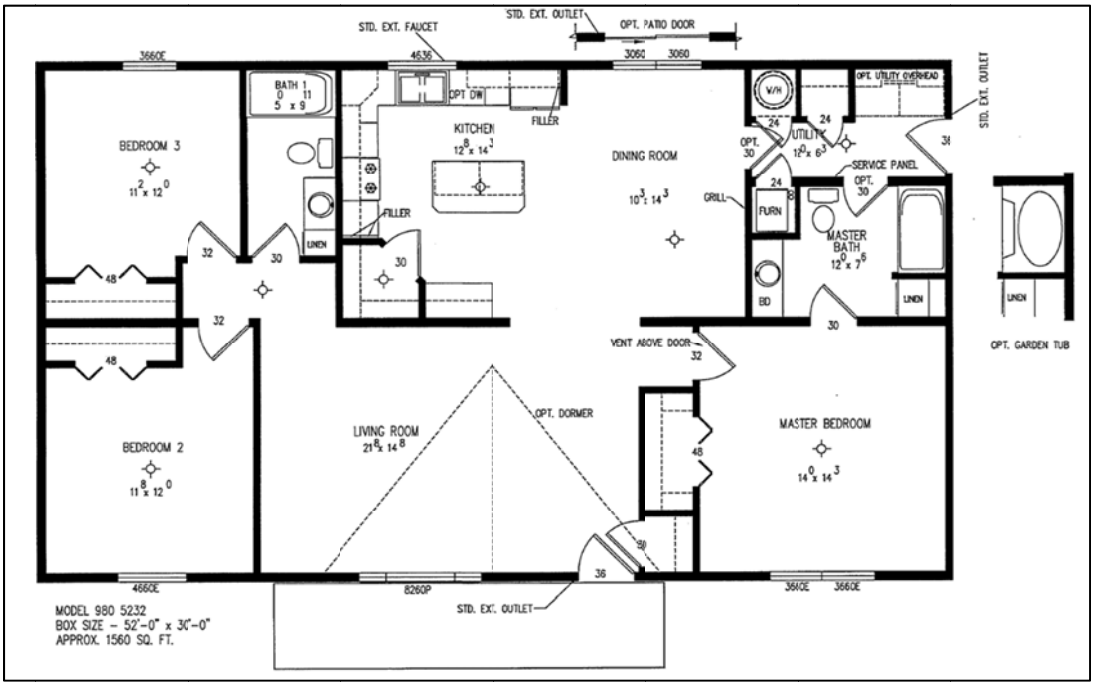


While specific unit types have not yet been determined, the project is expected to include a mix of two-bedroom and three-bedroom units. The following floor plans illustrate two units that could potentially be offered. Plan 1 is 1,288 square-foot three-bedroom, two-bathroom unit. Plan 2 is a 1,560 square-foot, three-bedroom, two-bathroom home with a kitchen island.

Sample Floor Plan 1



Sample Floor Plan 2



The development will be structured as a cooperative, meaning that buyers would own a proprietary lease of a specific unit and occupy the property under that lease, but they do not own the real estate. A corporation will own the title to the real estate, and the cooperative owners will be shareholders in that corporation. Buyers may finance their purchase with a share loan and will not need to seek a chattel home loan (a personal property loan made for the purchase of a manufactured home).

While the exact pricing structure has not yet been determined, share prices are expected to potentially range from $100,000 to $140,000 per unit. Each unit buyer must make a minimum down payment and pay their pro rata share of the corporation's expenses (i.e. mortgage charges, taxes, maintenance fees, etc.) Common charges are determined by taking the total operating costs of the development, dividing them by the total number of shares in the property, and then multiplying that by the number of shares allocated to any one unit. Various buy-in (equity down payment) options will be available for buyers. The following depicts a breakdown of four different buy-in options which are being considered. Information on potential monthly fees at each buy-in option is presented in the Conclusions and Recommendations section of this report.

Option A: $5,000
Option B: $30,000
Option C: $55,000
Option D: $80,000

Appropriateness of the Subject Site for Housing

Overall, it is our opinion that several factors support the Site as a location for general occupancy cooperative housing development. Based on our analysis of the community orientation and layout of the Site, we identified several key characteristics that favor the development of general occupancy housing on the Site.

- Adjacent and surrounding land uses are somewhat compatible with the proposed development, and residents will have convenient access to the local highway network.

- The Site is located in fairly close proximity to a variety of retail and dining options, public schools, and medical services.

- Many recreational and entertainment venues are located near the Site, including Bois de Sioux Golf Course, Chahinkapa Zoo, Kidder Recreation Area, Prairie Rose Carousel, the Red River, and Downtown Wahpeton.

- The Site is situated near several of the largest employers in the Wahpeton/Breckenridge market area.

We also identified certain factors that may negatively impact the viability of the Site for a housing development.

- While the existing mobile home park to the east is compatible with the proposed development, the noise, dust, and activity associated with the trucking company adjacent to the west side of the Site limit the attractiveness of the property as a residential location.

- Odor from the City's water treatment facility, which is located about one-quarter mile north of the Site, could detract from the marketability of the Site for housing.

- Noise from traffic along Highway 210 may diminish the livability of housing units on the Site. If possible, a landscape buffer along the southern and western sides of the property should be incorporated into the development plan to minimize some of these issues.

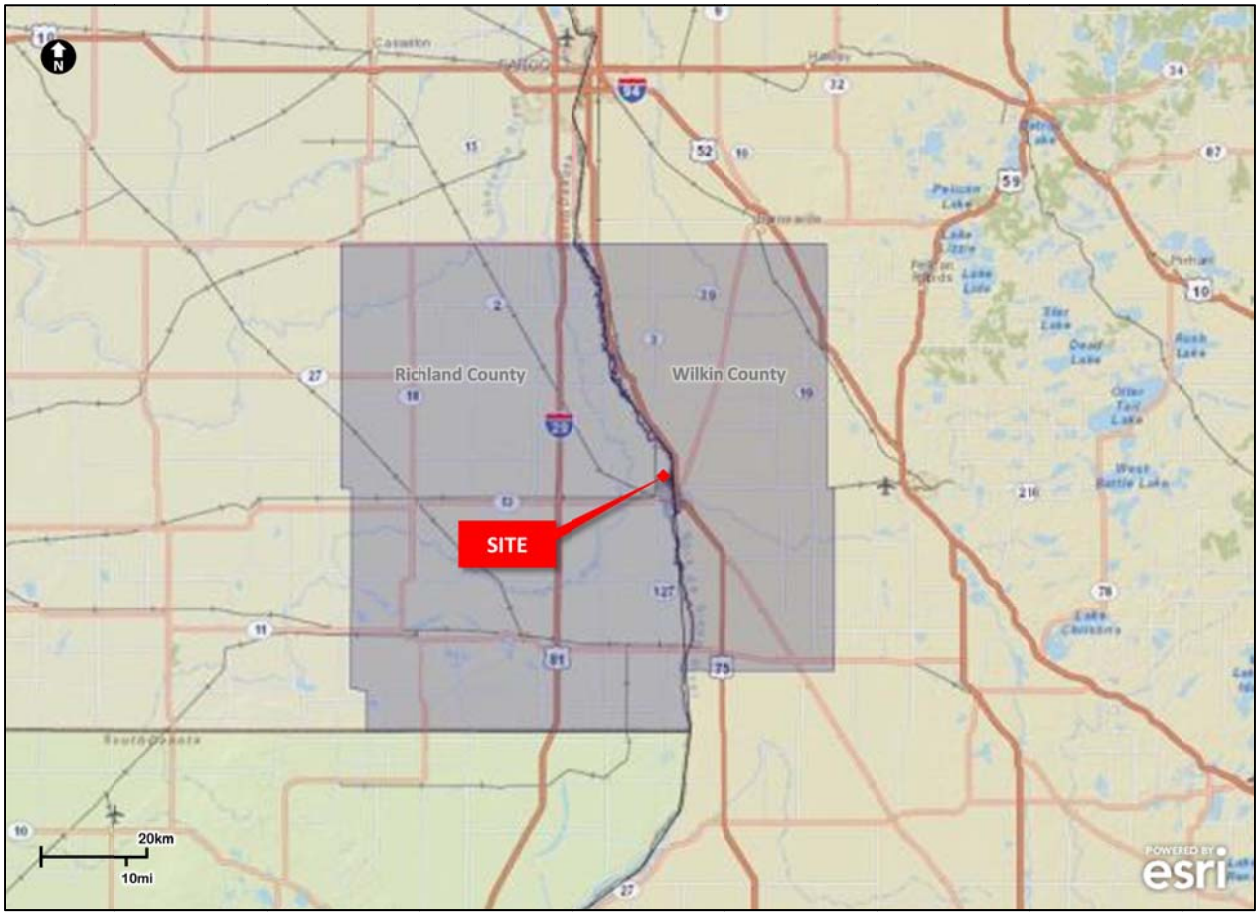
Introduction

Demographic characteristics and trends are an important component in assessing the real estate needs of any given market area. This section of the report begins by delineating the draw area for housing on the subject property and examines the demographic and economic characteristics of the draw area.

Market Area Definition

Maxfield Research determined the primary draw area for the proposed housing development on the subject property in Wahpeton, North Dakota based on growth trends and demographic characteristics, traffic and community orientation patterns, commuting patterns, geographic and man-made barriers, and our experience in housing feasibility. As illustrated in the following map, the PMA consists of the Wahpeton Micropolitan Statistical Area, which is comprised of Richland County, North Dakota and Wilkin County, Minnesota.

Primary Market Area



Population and Household Growth Trends

Table 1 presents population and household growth trends in the Market Area from 2000 to 2020. The 2000 and 2010 figures were obtained from the U.S. Census. The 2015 estimate was based on information provided by ESRI (a nationally recognized demographics firm) with adjustments made by Maxfield Research and Consulting, LLC to reflect current year data. Maxfield Research and Consulting, LLC arrived at the 2020 forecast by applying ESRI's five-year annual growth rate projection to the 2015 estimate. The following are key points from Table 1.

- As of 2010, the Primary Market Area contained 22,897 people and 9,341 households. Between 2000 and 2010, the population declined by -2,239 people (-8.9%) while the number of households declined -3.1% (-296).

TABLE 1
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
WAHPETON MARKET AREA
2000 - 2020

	Census		Estimate	Forecast	Change			
					2000-2010		2010-2020	
	2000	2010	2015	2020	No.	Pct.	No.	Pct.
Population								
Primary Market Area	**25,136**	**22,897**	**22,935**	**23,000**	**-2,239**	**-8.9%**	**103**	**0.4%**
City of Wahpeton, ND	*8,586*	*7,766*	*7,937*	*7,959*	*-820*	*-9.6%*	*193*	*2.5%*
City of Breckenridge, MN	*3,661*	*3,386*	*3,347*	*3,356*	*-275*	*-7.5%*	*-30*	*-0.9%*
Remainder of PMA	*12,889*	*11,745*	*11,651*	*11,684*	*-1,144*	*-8.9%*	*-61*	*-0.5%*
North Dakota	642,200	672,591	750,438	845,284	30,391	4.7%	172,693	25.7%
Minnesota	4,919,479	5,303,925	5,442,213	5,625,619	384,446	7.8%	321,694	6.1%
Households								
Primary Market Area	**9,637**	**9,341**	**9,473**	**9,566**	**-296**	**-3.1%**	**225**	**2.4%**
City of Wahpeton, ND	*3,254*	*3,151*	*3,255*	*3,284*	*-103*	*-3.2%*	*133*	*4.2%*
City of Breckenridge, MN	*1,435*	*1,445*	*1,442*	*1,457*	*10*	*0.7%*	*12*	*0.8%*
Remainder of PMA	*4,948*	*4,745*	*4,777*	*4,825*	*-203*	*-4.1%*	*80*	*1.7%*
North Dakota	257,152	281,192	317,426	360,098	*24,040*	*9.3%*	78,906	28.1%
Minnesota	1,895,127	2,087,227	2,157,239	2,236,878	*192,100*	*10.1%*	149,651	7.2%

Sources: US Census Bureau; ESRI; Maxfield Research & Consulting, LLC

- The PMA lost people at a faster pace than it lost households suggesting a trend toward decreasing household sizes. In 2000, the average household size in the PMA was 2.61 persons per household. This number declined to 2.45 in 2010, a drop of -6.1%. By comparison, the average household size in North Dakota declined roughly -4.4% from 2.50 in 2000 to 2.39 in 2010.

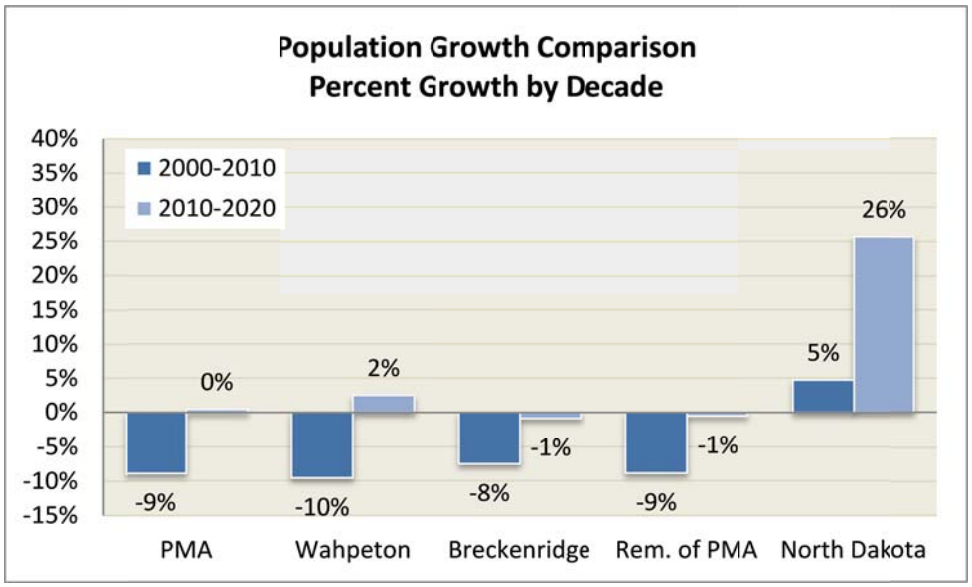
- This trend indicates an aging household base and also reflects a general shift in demographic factors that favor smaller households, such as a declining proportion of married couple households with children.

- Wahpeton's population declined -9.6% from 2000 to 2010 (-820 people) against a -3.2% household decline (-103). As of 2010, the average household size in the City of Wahpeton was 2.47, which is down -6.6% from 2000.

- Based on recent estimates, it appears that the Market Area has stabilized, and modest growth is occurring. By 2020, the PMA is expected to add 103 people (+0.4%) and 225 households (+2.4%). The City of Wahpeton is projected to add 193 people (+2.5%) and 133 households (+4.2%).

- By comparison, North Dakota's population, which expanded 4.7% from 2000 to 2010, is expected to jump 25.7% between 2010 and 2020. Most of the State's growth will occur in the northwestern portion of the State due to the oil field development in that area, although a recent decline in the price of oil has caused the expansion to slow.

- The Bakken oil boom is playing a significant role in North Dakota's population and household growth. It is estimated by the North Dakota Division of Oil and Gas that drilling and infrastructure development will continue for the next 15 to 20 years. Once this phase is complete, the number of employees required in the area will drop, which likely will result in declining population as workers leave the area to find employment elsewhere.



- The Bakken oil boom will have little direct impact on population and household growth in Wahpeton. It is important to recognize that projected household growth in Wahpeton is highly dependent on increased or decreased hiring by the major employers in the area, as well as the availability of suitable housing options in the City.

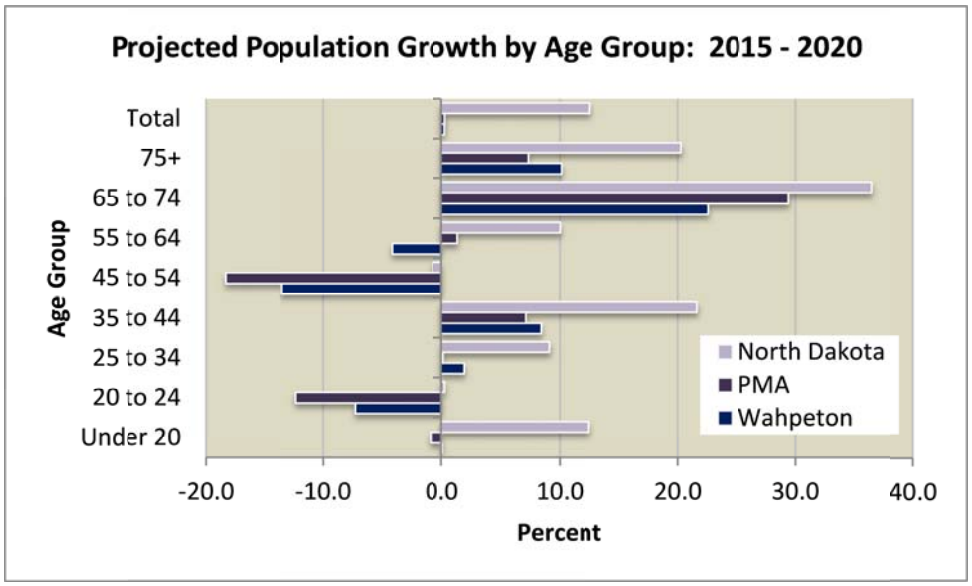
Age Distribution

The age distribution of a community's population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher-density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes. Table 2 presents the age distribution of the Market Area population from 2000 to 2020. Information from 2000 and 2010 is sourced from the U.S. Census. The 2015 estimates and projections for 2020 were calculated by Maxfield Research and Consulting, LLC based on information from ESRI.

- In 2010, the largest adult cohort in the Primary Market Area was 45 to 54, totaling 3,775 people (16.5% of the total population). The 55 to 64 age group was the second largest cohort in the PMA with 2,922 people (12.8%). By comparison, the 20 to 24 age group was the largest cohort in the City of Wahpeton with 1,113 people (14.3% of the total), followed by the 45 to 54 cohort with 1,022 people (13.2%).

- The greatest growth is expected to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 330 people (+60.9%) in the 55 to 64 population between 2000 and 2010 in the City of Wahpeton (+45.4% growth in the PMA). As this group ages, all cohorts age 55 or greater are expected to see increases over the next several years, particularly the 65 to 74 age group which is projected to grow 22.5% (+115 people) in Wahpeton and 29.4% in the PMA (+567) between 2015 and 2020.

- Growth among the older age groups can generate demand for a cooperative housing development as empty nesters and seniors that are able to live independently often move out of single-family homes and into housing developments maintained by an association for convenience reasons.



- In the PMA, there was a -37.8% decline in the 35 to 44 age group between 2000 and 2010 resulting in a loss of -1,501 people. This age group is expected to experience modest growth between 2015 and 2020, while the 45 to 54 age group experiences a -18.3% decline (-582 people). The loss projected for the 45 to 54 age group is a result of the comparatively small number of people who will move into this age group between 2015 and 2020, a phenomenon known as the "baby bust." The "baby bust" is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.

TABLE 2
AGE DISTRIBUTION
WAHPETON MARKET AREA
2000 - 2020

	Census		Estimate	Projection	Change			
					2000-2010		2015-2020	
Age	2000	2010	2015	2020	No.	Pct.	No.	Pct.
City of Wahpeton								
Under-20	2,667	2,184	2,139	2,140	-483	-18.1	2	0.1
20 to 24	1,226	1,113	983	911	-113	-9.2	-72	-7.3
25 to 34	980	872	1,135	1,157	-108	-11.0	22	1.9
35 to 44	1,101	723	683	740	-378	-34.3	58	8.4
45 to 54	958	1,022	892	771	64	6.7	-120	-13.5
55 to 64	542	872	1,005	963	330	60.9	-42	-4.2
65 to 74	463	403	509	624	-60	-13.0	115	22.5
75+	649	577	593	653	-72	-11.1	60	10.1
Total	**8,586**	**7,766**	**7,937**	**7,959**	**-820**	**-9.6**	**22**	**0.3**
Primary Market Area								
Under-20	7,655	6,149	5,779	5,722	-1,506	-19.7	-57	-1.0
20 to 24	1,871	1,676	1,751	1,536	-195	-10.4	-215	-12.3
25 to 34	2,618	2,313	2,560	2,564	-305	-11.7	4	0.2
35 to 44	3,970	2,469	2,256	2,417	-1,501	-37.8	161	7.1
45 to 54	3,120	3,775	3,173	2,591	655	21.0	-582	-18.3
55 to 64	2,010	2,922	3,587	3,635	912	45.4	48	1.3
65 to 74	1,815	1,658	1,928	2,495	-157	-8.7	567	29.4
75+	2,077	1,935	1,901	2,040	-142	-6.8	140	7.3
Total	**25,136**	**22,897**	**22,935**	**23,000**	**-2,239**	**-8.9**	**65**	**0.3**
North Dakota								
Under-20	183,464	171,935	185,184	208,422	-11,529	-6.3	23,238	12.5
20 to 24	50,503	58,956	61,136	61,319	8,453	16.7	183	0.3
25 to 34	76,887	90,485	107,803	117,639	13,598	17.7	9,836	9.1
35 to 44	98,004	75,262	83,569	101,621	-22,742	-23.2	18,052	21.6
45 to 54	85,431	96,657	93,370	92,623	11,226	13.1	-747	-0.8
55 to 64	53,433	81,819	101,154	111,309	28,386	53.1	10,155	10.0
65 to 74	45,901	46,873	63,064	86,017	972	2.1	22,953	36.4
75+	48,577	50,604	55,158	66,334	2,027	4.2	11,176	20.3
Total	**642,200**	**672,591**	**750,438**	**845,284**	**30,391**	**4.7**	**94,846**	**12.6**

Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC

- In addition to the older age groups, a general occupancy cooperative housing development would likely draw entry-level or first-time home buyers. While the younger age groups are most likely to be drawn to rental housing, the 25 to 34 and 35 to 44 cohorts comprise the market for entry-level ownership housing.

- With an estimated 2,560 people in 2015, the 25 to 34 cohort represents 11% of the PMA population. Over the next five years, we expect this cohort will experience little change in the PMA and modest growth in Wahpeton (+22 people for a 1.9% increase). The age 35 to 44 cohort is expected to experience solid growth throughout the Market Area, expanding 8.4% in Wahpeton (+58 people) and 7.1% throughout the PMA (+161 people).

Household Income

Household income data helps ascertain the demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development (HUD). Table 3 presents data on household income by age of householder for the Primary Market Area in 2015 and 2020. The data is estimated by ESRI and adjusted by Maxfield Research and Consulting, LLC to reflect the most current household estimates and projections.

The following are key points from Table 3:

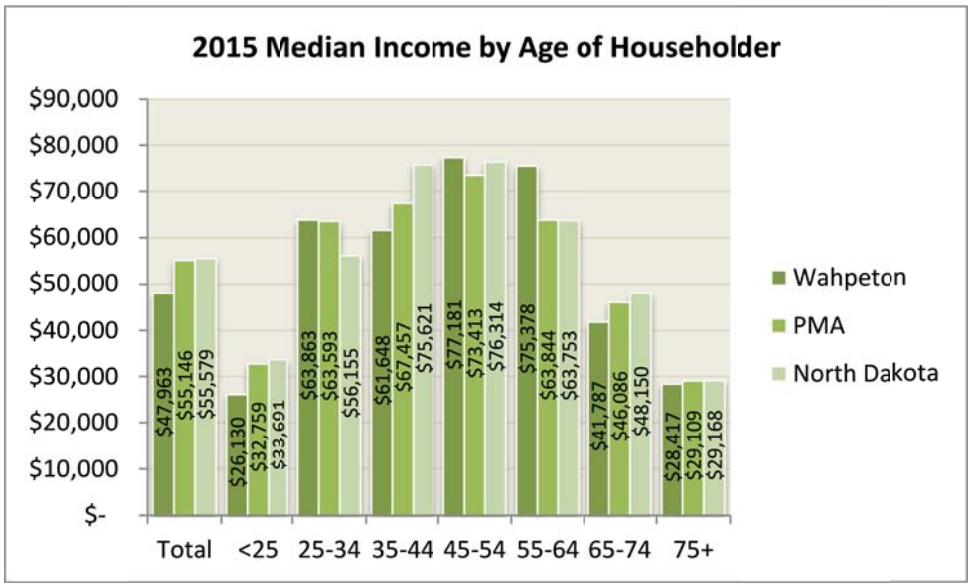
- In 2015, the median household income is estimated to be approximately $47,963 in the City of Wahpeton and $55,146 in the PMA, compared to $55,579 in North Dakota. This data suggests that Wahpeton residents are not as affluent as residents in surrounding areas and have fewer resources to devote toward housing than residents elsewhere in the PMA and the State.

- Household incomes are lower in Wahpeton than the Remainder of the PMA, as elderly and disabled households need to live closer to services. Additionally, there is a higher proportion of lower income households in Wahpeton than the Remainder of the PMA, particularly in the younger age cohorts, because there are more lower cost housing options in the City.

- By 2020, the median household income is projected to increase 10% to $60,696 in the PMA. The annual average increase (2.0%) is estimated to be slightly lower than the historical annual inflation rate of 2.3% over the past decade.

- As households age through the lifecycle, household incomes tend to peak in the late 40s and early 50s which explains why most upscale housing is targeted to persons in these age groups. This trend is evident throughout the Market Area as the age 45 to 54 cohort has the highest estimated incomes at $77,181 in Wahpeton, $73,413 in the PMA, and $76,314 in the State.

- As illustrated in the following graph, the median income in the PMA is $32,759 for households under the age of 25, jumping to $63,593 in the 25 to 34 age group and $67,457 in the 35 to 44 age group. After age 45 to 54, median household incomes decline with age as older households are more likely to only have one income per household and senior households often do not have income-producing employment.



- Through 2020, the PMA is expected to experience household growth in several age groups, particularly those over the age of 65 (the baby boomers). The 35 to 44 age group is also expected to experience solid growth. Based on the distribution of projected household growth across age groups, there will likely be growing demand for a variety of housing options in the near future.

- The Department of Housing and Urban Development (HUD) defines affordable housing cost as less than 30% of a household's adjusted gross income. Households earning below 50% of the Area Median Income (AMI) are qualified for deep-subsidy housing while households earning between 50% and 80% AMI are qualified for shallow-subsidy housing. Often, shallow-subsidy housing is income-restricted at 60% AMI. All households earning incomes above 80% AMI comprise the target market for market rate housing.

- Based on the median gross rent of $488 for renter-occupied housing units in Wahpeton (2010-2014 American Community Survey 5-Year Estimates), a household will need to have an annual income of roughly $19,500 or greater to not exceed 30% of its monthly income on housing costs. In 2015, approximately 8,039 PMA households (85% of the total) are estimated to have incomes of at least $19,500. By 2020, the total income-qualified households are projected to increase by 162 households (+2%) after accounting for inflation.

- It appears that many PMA residents could afford higher rents. A household earning the average annual wage of $38,404 paid by employers in Richland County could afford a monthly rent of $960.

TABLE 3
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2015 & 2020

		Age of Householder						
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2015								
Less than $15,000	1,081	166	129	107	119	236	106	220
$15,000 to $24,999	784	57	72	60	78	116	118	282
$25,000 to $34,999	928	58	109	77	86	141	175	281
$35,000 to $49,999	1,474	104	180	187	258	320	239	187
$50,000 to $74,999	1,684	59	255	252	349	410	236	122
$75,000 to $99,999	1,404	40	204	238	343	366	134	79
$100,000 or more	2,118	57	356	331	517	566	173	119
Total	**9,473**	**542**	**1,305**	**1,252**	**1,750**	**2,154**	**1,180**	**1,291**
Median Income	**$55,146**	**$32,759**	**$63,593**	**$67,457**	**$73,413**	**$63,844**	**$46,086**	**$29,109**
2020								
Less than $15,000	1,022	149	120	101	87	202	120	244
$15,000 to $24,999	623	41	64	45	46	75	111	240
$25,000 to $34,999	839	49	96	69	54	109	187	274
$35,000 to $49,999	1,407	88	167	178	183	288	292	210
$50,000 to $74,999	1,706	57	244	254	266	415	325	144
$75,000 to $99,999	1,574	41	228	276	315	407	202	105
$100,000 or more	2,395	61	387	406	460	658	266	156
Total	**9,566**	**487**	**1,307**	**1,330**	**1,412**	**2,155**	**1,503**	**1,373**
Median Income	**$60,696**	**$35,525**	**$69,717**	**$76,093**	**$78,955**	**$73,967**	**$52,124**	**$31,623**
Change 2015 - 2020								
Less than $15,000	-59	-17	-9	-6	-31	-34	14	24
$15,000 to $24,999	-161	-16	-8	-15	-32	-40	-7	-42
$25,000 to $34,999	-88	-9	-12	-8	-32	-32	12	-7
$35,000 to $49,999	-67	-15	-13	-9	-75	-31	53	23
$50,000 to $74,999	22	-2	-11	2	-82	5	88	22
$75,000 to $99,999	170	1	24	38	-28	41	68	25
$100,000 or more	277	4	31	75	-56	92	93	37
Total	**93**	**-54**	**2**	**77**	**-338**	**1**	**323**	**82**
Median Income	**$5,550**	**$2,766**	**$6,124**	**$8,636**	**$5,542**	**$10,123**	**$6,038**	**$2,514**

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

- Based on data from the 2010-2014 American Community Survey 5-Year Estimates, the median value of owner-occupied housing units in Wahpeton was $102,100 in 2014. Assuming that a potential home buyer has good credit and makes a 10% down payment, a household would need to have a minimum annual income of roughly $27,100 to be income-qualified for a home purchased at the median value in Wahpeton.

- While 30% of income for housing costs is the federal standard for affordability, lenders often use a higher debt-to-income ratio in the 40% to 50% range to determine affordability.

- In 2015, roughly 78% of the households (7,413) have incomes of $27,100 or higher. The number of income-qualified households is projected to increase 3% (+216 households) by 2020. Most of this growth will occur in the 65 to 74 and 55 to 64 age groups, but the 35 to 44 and 25 to 34 age groups will also experience growth in income-qualified households (+91 and +8 households, respectively).

- This data indicates a growing demand for entry-level (first-time home buyers) housing in the PMA. The 45 to 54 age group is the cohort most likely to seek higher-priced "move-up" housing, but income-qualified household growth in this age group is expected to decline between 2015 and 2020, suggesting that demand for move-up housing will be modest. Additionally, income-qualified growth in the 55 to 64 and 65 to 74 age groups suggest that there will be growing demand for maintenance-free housing options in the area.

Household Tenure

Table 4 shows household tenure by age of householder for Wahpeton, the PMA, and the State of North Dakota in 2000 and 2010. The data is compiled from the U.S. Census Bureau. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes.

Household tenure information is important in understanding households' preferences to either rent or own their housing. In addition to preferences, factors that contribute to these proportions include mortgage interest rates, household age, and lifestyle considerations, among others. The following are key points.

- In Wahpeton, 54.0% of all households owned their housing in 2010, resulting in a home ownership rate that is substantially lower than the State (54.4% in 2010). Throughout the Primary Market Area, 73.9% of all households owned in 2010.

- Within the prime ownership years (35 to 64), about 67% of households in Wahpeton owned in 2010, compared to 82% of PMA householders and 76% in the State.

- The number of owner households in Wahpeton held steady between 2000 and 2010, with increases occurring in the 55 to 64 age group (+142 households for a 59% gain) and the 65 and older age group (+12 owner households for a 3% increase). All other age groups experienced contraction or no change in the number of owner households. The 35 to 44 age group experienced the most significant decrease, experiencing a -35% decline in owner households (-142 households).

- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent among the younger Market Area households as 53% of the population under the age of 35 rents in the PMA while 37% of North Dakota householders under the age of 35 rent. In Wahpeton, 73% of the under 35 age group rented in 2010.

TABLE 4
TENURE BY AGE OF HOUSEHOLDER
WAHPETON MARKET AREA
2000 & 2010

		Wahpeton				Primary Market Area				North Dakota	
		2000		2010		2000		2010		2000	2010
Age		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Pct.	Pct.
Under 25	Own	36	6.7	36	8.0	115	14.9	95	15.4	13.1	13.8
	Rent	502	93.3	414	92.0	659	85.1	521	84.6	86.9	86.2
	Total	**538**	**100.0**	**450**	**100.0**	**774**	**100.0**	**616**	**100.0**	**100.0**	**100.0**
25-34	Own	223	40.2	213	45.1	831	62.0	749	63.9	48.2	49.0
	Rent	332	59.8	259	54.9	509	38.0	424	36.1	51.8	51.0
	Total	**555**	**100.0**	**472**	**100.0**	**1,340**	**100.0**	**1,173**	**100.0**	**100.0**	**100.0**
35-44	Own	402	65.2	260	59.9	1,687	79.4	1,062	77.7	71.7	69.5
	Rent	215	34.8	174	40.1	438	20.6	305	22.3	28.3	30.5
	Total	**617**	**100.0**	**434**	**100.0**	**2,125**	**100.0**	**1,367**	**100.0**	**100.0**	**100.0**
45-54	Own	412	72.7	413	68.4	1,537	84.9	1,766	84.5	79.6	76.6
	Rent	155	27.3	191	31.6	274	15.1	324	15.5	20.4	23.4
	Total	**567**	**100.0**	**604**	**100.0**	**1,811**	**100.0**	**2,090**	**100.0**	**100.0**	**100.0**
55-64	Own	239	70.3	381	71.5	966	84.2	1,466	83.2	82.2	80.6
	Rent	101	29.7	152	28.5	181	15.8	295	16.8	17.8	19.4
	Total	**340**	**100.0**	**533**	**100.0**	**1,147**	**100.0**	**1,761**	**100.0**	**100.0**	**100.0**
65 +	Own	388	60.9	400	60.8	1,878	77.0	1,764	75.6	74.0	72.5
	Rent	249	39.1	258	39.2	562	23.0	570	24.4	26.0	27.5
	Total	**637**	**100.0**	**658**	**100.0**	**2,440**	**100.0**	**2,334**	**100.0**	**100.0**	**100.0**
TOTAL	Own	1,700	52.2	1,703	54.0	7,014	72.8	6,902	73.9	66.6	65.4
	Rent	1,554	47.8	1,448	46.0	2,623	27.2	2,439	26.1	33.4	34.6
	Total	**3,254**	**100.0**	**3,151**	**100.0**	**9,637**	**100.0**	**9,341**	**100.0**	**100.0**	**100.0**

Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC

- Nearly 85% of households under the age of 25 rented in the PMA in 2010 while approximately 36% of households age 25 to 34 rented. These percentages are somewhat lower than in the State which had 86% of households under age 25 and 51% of age 25 to 34 households renting in 2010. In Wahpeton, 92% of the under-25 age group and 55% of the 25 to 34 age group rented in 2010.

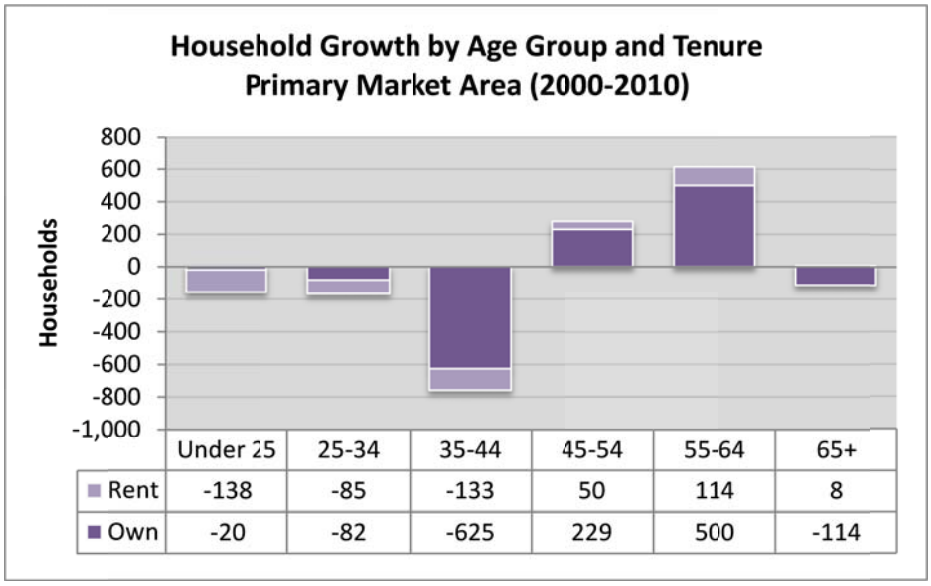
- In the PMA, 26% of all households rented in 2010, giving it a rental rate that was lower than the State (35% of households rented in 2010). In Wahpeton, 46% of all households rented. All age groups rented at higher rates in Wahpeton than in the PMA and North Dakota.

- In the PMA, the percentage of renter households declined from 27.2% in 2000 to 26.1% in 2010, while the percentage of owner households climbed from 72.8% to 73.9% over the decade. A similar trend occurred in the City of Wahpeton, as the percentage of renter households slipped from 47.8% in 2000 to 46.0% in 2010, while owner households increased from 52.2% to 54.0% over the decade.

- Household tenure trends were reversed in North Dakota and the United States, as homeownership rates slipped late in the decade in response to the economic recession.

- In the PMA, the number of renter households declined by -184 households between 2000 and 2010 (-7.0%), while the number of owner households slipped -1.6% (-112 households) over the decade.

- As depicted in the following chart, the largest increase occurred in the 55 to 64 age group in the PMA, as 114 renter households were added (+63%) and the number of owner households climbed by 52% (+500 households). Growth also occurred in the 45 to 54 age group with the addition of 229 owner households (+15%) and 50 renter households (+18%).



	Under 25	25-34	35-44	45-54	55-64	65+
Rent	-138	-85	-133	50	114	8
Own	-20	-82	-625	229	500	-114

- All other age groups contracted during the decade, particularly the 35 to 44 cohort which contracted by -133 renter households (-30%) and -625 owner households (-37%).

Employment Trends

Employment characteristics are an important component in assessing housing needs in any given market area. These trends are important to consider since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. Many households commute greater distances to work provided their housing is affordable enough to offset the additional transportation costs. Oftentimes, in less densely-populated areas, people will choose to live further from their place of work because they prefer a rural lifestyle (i.e. they want to live on a wooded lot or be on a lake) or suitable housing may not be available in their employer's community.

Table 5 shows employment and wage growth trends from 2005 to 2014 based on the most recent information available from the Bureau of Labor Statistics for Richland County, North Dakota, Wilkin County, Minnesota, and the State of North Dakota. Data represents the annual average employment for that year and is sourced from the Quarterly Census of Employment and Wages (QCEW).

All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly. Federal government establishments are also covered by the QCEW program.

- In 2005, there were 9,908 reported jobs in the PMA, including 7,919 in Richland County and 1,989 in Wilkin County. Due, in large part, to the economic recession, PMA employment declined roughly -1.9% (-193 jobs) between 2005 and 2010. By comparison, the State of North Dakota experienced a 9.3% jump in employment from 2005 to 2010.

- Data from the Quarterly Census of Employment and Wages indicates that employment in the PMA has increased modestly since 2010, climbing 1.4% (+139 jobs). The number of jobs increased 3.0% (+225) in Richland County but contracted -4.1% (-86 jobs) in Wilkin County. The State of North Dakota experienced 24% job growth (+86,017 jobs) during that time.

- Total employment declined -0.5% (-54 jobs) in the PMA over the past ten years, while the employment in the State of North Dakota jumped 36% (+116,555). Most of North Dakota's job growth occurred in the northwestern portion of the State due to the oil field development in that area.

- Future job growth will be tied to transportation access and population growth, and proximity to labor will increase in importance as the region's workforce ages.

- Manufacturing is the largest employment sector in Richland County with 1,910 jobs (24.4% of total employment), followed by Local Government with 1,365 jobs (17.4%). In Wilkin County, Education and Health Services is the largest employer, representing 33.4% of all jobs.

TABLE 5
QUARTERLY CENSUS OF EMPLOYMENT AND WAGES
WAHPETON MARKET AREA
2005 - 2014

	Employees		Establishments		Avg. Weekly Wage	
	No.	Pct. Ch.	No.	Pct. Ch.	No.	Pct. Ch.
RICHLAND COUNTY, NORTH DAKOTA						
2005	7,919	--	597	--	$556	--
2006	7,782	-1.7%	599	0.3%	$575	3.4%
2007	7,882	1.3%	609	1.7%	$613	6.6%
2008	7,836	-0.6%	623	2.3%	$622	1.5%
2009	7,511	-4.1%	615	-1.3%	$612	-1.6%
2010	7,614	1.4%	622	1.1%	$639	4.4%
2011	7,580	-0.4%	635	2.1%	$676	5.8%
2012	7,714	1.8%	639	0.6%	$697	3.1%
2013	7,881	2.2%	642	0.5%	$729	4.6%
2014	7,839	-0.5%	629	-2.0%	$739	1.4%
WILKIN COUNTY, MINNESOTA						
2005	1,989	--	203	--	$507	--
2006	2,071	4.1%	209	3.0%	$513	1.2%
2007	2,044	-1.3%	214	2.4%	$542	5.7%
2008	2,024	-1.0%	211	-1.4%	$565	4.2%
2009	2,033	0.4%	207	-1.9%	$578	2.3%
2010	2,101	3.3%	209	1.0%	$569	-1.6%
2011	2,066	-1.7%	213	1.9%	$606	6.5%
2012	2,080	0.7%	214	0.5%	$623	2.8%
2013	2,033	-2.3%	213	-0.5%	$667	7.1%
2014	2,015	-0.9%	211	-0.9%	$691	3.6%
STATE OF NORTH DAKOTA						
2005	328,097	--	24,841	--	$576	--
2006	335,718	2.3%	24,950	0.4%	$602	4.5%
2007	341,705	1.8%	25,140	0.8%	$636	5.6%
2008	350,440	2.6%	25,652	2.0%	$675	6.1%
2009	349,560	-0.3%	25,812	0.6%	$692	2.5%
2010	358,635	2.6%	26,162	1.4%	$733	5.9%
2011	379,432	5.8%	27,349	4.5%	$803	9.5%
2012	411,709	8.5%	29,395	7.5%	$883	10.0%
2013	427,108	3.7%	30,746	4.6%	$919	4.1%
2014	444,652	4.1%	31,587	2.7%	$978	6.4%

Sources: Bureau of Labor Statistics; Maxfield Research & Consulting, LLC

- The number of business establishments located in the PMA increased 5% (+40 establishments) between 2005 and 2014, while the number of businesses in North Dakota expanded 27%. In the PMA, Wilkin county gained eight establishments (+3.9%), while Richland County added 32 businesses (+5.4%).

- Average weekly wages in Richland County ($739) are -24% lower than the State of North Dakota ($978). Since 2005, wages have increased 33% in Richland County, compared to a 70% in the State. This equates to an average increase of 3.7% per year in Richland County. Wage growth also occurred in Wilkin County, climbing 36% between 2005 and 2014, for an average annual increase of 4.0%.

- In Richland County, average weekly wages were highest among the Utilities ($1,380), Professional and Technical Services ($1,250), and Wholesale Trade ($1,038) industry sectors. The Mining, Quarrying, and Oil and Gas Extraction sector had the highest wages in North Dakota ($2,013), followed by the Utilities industry ($1,740).

- Assuming that a potential home buyer has good credit and makes a 10% down payment, a household earning the average wage in Richland County would be able to afford to purchase a home priced at approximately $142,000 or lower to not be cost-burdened (paying more than 30% of their income for housing.

Resident Employment

Table 6 shows information on the labor force and resident employment in the Primary Market Area compared to North Dakota. The data is sourced from Job Service North Dakota and the Minnesota Department of Employment and Economic Development (DEED). Resident employment data reveals the work force and number of employed people living in the area, although not all of these individuals necessarily work in the area.

- The PMA labor force declined -7.1% (-922) between 2000 and 2014, representing -0.5% rate of decline annually. By comparison, resident employment in the PMA contracted -7.4% between 2000 and 2014 (-939), for a -0.5% annual rate of decline.

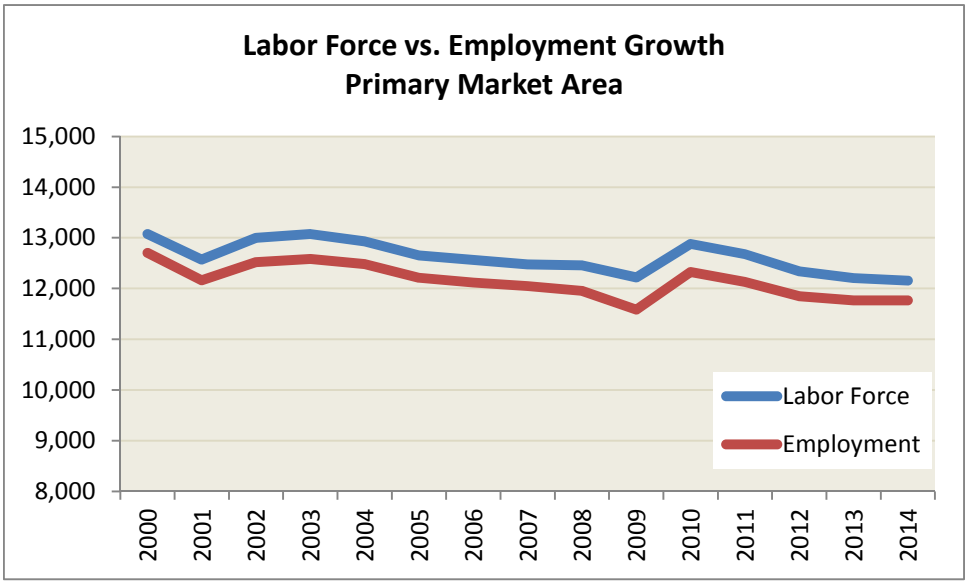


TABLE 6
LABOR FORCE AND RESIDENT EMPLOYMENT TRENDS
WAHPETON MARKET AREA
2000 - 2014

	Primary Market Area			North Dakota		
Year	Labor Force	Employment	UE Rate	Labor Force	Employment	UE Rate
2014	12,155	11,767	3.2%	416,367	404,864	2.8%
2013	12,206	11,765	3.6%	406,759	394,891	2.9%
2012	12,337	11,847	4.0%	397,892	385,718	3.1%
2011	12,680	12,129	4.3%	388,502	375,034	3.5%
2010	12,883	12,326	4.3%	378,342	364,053	3.8%
2009	12,222	11,586	5.2%	368,665	353,455	4.1%
2008	12,457	11,956	4.0%	371,025	359,333	3.2%
2007	12,480	12,048	3.5%	367,234	355,766	3.1%
2006	12,563	12,117	3.6%	361,459	349,821	3.2%
2005	12,651	12,214	3.5%	355,545	343,508	3.4%
2004	12,931	12,482	3.5%	352,466	340,403	3.4%
2003	13,076	12,586	3.7%	344,676	331,852	3.7%
2002	12,999	12,522	3.7%	340,631	327,957	3.7%
2001	12,574	12,162	3.3%	341,816	331,820	2.9%
2000	13,077	12,706	2.8%	342,568	332,407	3.0%

Sources: Job Service North Dakota; MN DEED; Maxfield Research & Consulting, LLC

- The PMA's unemployment rate has been declining steadily from a peak of 5.2% in 2009 to 3.2% in 2014. It appears that increased hiring is driving the unemployment rate down throughout the Market Area as growth in the number of employed residents has been out-pacing labor force growth. The PMA labor force contracted -0.5% (-67) between 2009 and 2014, while the number of employed residents increased 1.6% (+181). By comparison, employment in North Dakota grew 14.5% against labor force growth of 12.9% between 2009 and 2014.

- With a 3.2% unemployment rate in 2014, unemployment in the PMA is slightly higher than North Dakota (2.8%), but significantly lower than the United States (6.2%). Both the PMA and the State of North Dakota have consistently maintained unemployment rates well-below the national rate.

- Low unemployment in combination with a contracting labor force can restrain economic expansion in a community, as it becomes difficult for employers in the area to hire workers and increase production or services. The labor force contraction in the PMA is due, in part, to an aging population, as the workforce population (age 16 to 64) declined between 2000 and 2010, and the workforce population has not experienced any growth since 2010.

Commuting Patterns of Area Workers

Proximity to employment is often a primary consideration when choosing where to live, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. Table 7 highlights the commuting patterns of workers in the City of Wahpeton based on data from the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) program for 2013, the most recent data available.

- As the table illustrates, about 64% of the workers employed in Wahpeton reside outside the City. The largest proportion of workers in the City resides in Wahpeton (36.3%), followed by Breckenridge (12.1%) and Fargo (4.9%). Approximately 53% of the workers in Wahpeton reside within ten miles of their place of employment while over 18% travel greater than 50 miles. Roughly 12% of workers in the City travel 10 to 24 miles for employment and 17% commute a distance ranging from 25 to 50 miles.

TABLE 7
COMMUTING PATTERNS
CITY OF WAHPETON
2013

Home Destination			Work Destination		
Place of Residence	**Count**	**Share**	**Place of Employment**	**Count**	**Share**
Wahpeton city, ND	1,410	36.3%	Wahpeton city, ND	1,410	41.1%
Breckenridge city, MN	470	12.1%	Fargo city, ND	384	11.2%
Fargo city, ND	191	4.9%	Breckenridge city, MN	339	9.9%
Fergus Falls city, MN	82	2.1%	Gwinner city, ND	75	2.2%
Fairmount city, ND	48	1.2%	West Fargo city, ND	71	2.1%
Wyndmere city, ND	41	1.1%	Fergus Falls city, MN	43	1.3%
West Fargo city, ND	38	1.0%	Grand Forks city, ND	38	1.1%
Jamestown city, ND	36	0.9%	Minot city, ND	33	1.0%
Bismarck city, ND	33	0.9%	Moorhead city, MN	32	0.9%
Moorhead city, MN	32	0.8%	Wyndmere city, ND	32	0.9%
All Other Locations	1,501	38.7%	All Other Locations	972	28.3%
Distance Traveled			**Distance Traveled**		
Total Primary Jobs	3,882	100.0%	Total Primary Jobs	3,429	100.0%
Less than 10 miles	2,072	53.4%	Less than 10 miles	2,106	61.4%
10 to 24 miles	464	12.0%	10 to 24 miles	153	4.5%
25 to 50 miles	642	16.5%	25 to 50 miles	630	18.4%
Greater than 50 miles	704	18.1%	Greater than 50 miles	540	15.7%

Home Destination = Where workers live who are employed in the selection area
Work Destination = Where workers are employed who live in the selection area

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC

- Roughly 41% of the workers living in Wahpeton also have jobs in the City. The remaining 59% commute to other communities, most notably to Fargo (11%) and Breckenridge (10%).

- Over 61% of Wahpeton's resident workers travel less than ten miles to their place of employment, while 16% have a commute distance of more than 50 miles. Over 18% commute between 25 and 50 miles to get to work and 5% travel from 10 to 24 miles.

Table 8 provides a summary of the inflow and outflow characteristics of the workers in Wahpeton. Outflow reflects the number workers living in Wahpeton but employed outside the City while inflow measures the number of workers that are employed in the City but live outside Wahpeton. Interior flow reflects the number of workers that both live and work in the City.

- As the table shows, Wahpeton can be considered an importer of workers as a slightly higher number of nonresidents commute into the City for work. Roughly 2,472 workers come into Wahpeton for employment (inflow) while 2,019 leave (outflow) and 1,410 both live and work in Wahpeton. In 2013, Wahpeton experienced net job inflow of 453 workers.

- Roughly 64% of the jobs in Wahpeton are filled by workers commuting into the City. With nearly 2,500 workers commuting into the City daily, there appears to be an opportunity to provide housing for this workforce, particularly for those with a commute distance in excess of 50 miles (over 700 workers).

- The highest proportion of workers coming into Wahpeton is aged 30 to 54 (51%) and earn between $1,251 and $3,333 per month ($15,000 to $40,000 per year). The "All Other Services" sector brings in the most employees (51%).

TABLE 8
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
CITY OF WAHPETON
2013

	Outflow		Inflow		Interior Flow	
City of Wahpeton	**2,019**	**100.0%**	**2,472**	**100.0%**	**1,410**	**100.0%**
By Age						
Workers Aged 29 or younger	565	28.0%	649	26.3%	324	23.0%
Workers Aged 30 to 54	967	47.9%	1,271	51.4%	700	49.6%
Workers Aged 55 or older	487	24.1%	552	22.3%	386	27.4%
By Monthly Wage						
Workers Earning $1,250 per month or less	406	20.1%	543	22.0%	320	22.7%
Workers Earning $1,251 to $3,333 per month	777	38.5%	1,005	40.7%	574	40.7%
Workers Earning More than $3,333 per month	836	41.4%	924	37.4%	516	36.6%
By Industry						
"Goods Producing"	565	28.0%	750	30.3%	377	26.7%
"Trade, Transportation, and Utilities"	475	23.5%	464	18.8%	219	15.5%
"All Other Services"*	979	48.5%	1,258	50.9%	814	57.7%

*includes the following sectors: Information, Financial Activities, Professional & Business Services, Education & Health Services, Leisure & Hospitality, Other Services, and Public Administration

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC

Summary of Demographic Trends

- As of 2010, the Primary Market Area (Richland County, ND and Wilkin County, MN) contained 22,897 people and 9,341 households. Between 2000 and 2010, the population declined by -2,239 people (-8.9%) while the number of households declined -3.1% (-296). The PMA lost people at a faster pace than it lost households suggesting a trend toward decreasing household sizes. This trend is an indication of an aging household base and also reflects a general shift in demographic factors that favor smaller households, such as a declining proportion of married couple households with children.

- Based on recent estimates, it appears that the Market Area has stabilized, and modest growth is occurring. By 2020, the PMA is expected to add 103 people (+0.4%) and 225 households (+2.4%). The greatest growth is expected to occur among older adults in the Market Area. Aging of baby boomers led to a 45% increase in the 55 to 64 population between 2000 and 2010 in the PMA. As this group ages, all cohorts age 55 or greater are expected to see increases over the next several years, particularly the 65 to 74 age group which is projected to grow 29.4% in the PMA (+567) between 2015 and 2020.

- Growth among the older age groups can generate demand for a cooperative housing development as empty nesters and seniors that are able to live independently often move out of single-family homes and into housing developments maintained by an association for convenience reasons.

- In addition to the older age groups, a general occupancy cooperative housing development would likely draw entry-level or first-time home buyers. While the younger age groups are most likely to be drawn to rental housing, the 25 to 34 and 35 to 44 cohorts comprise the market for entry-level ownership housing. With an estimated 2,560 people in 2015, the 25 to 34 cohort represents 11% of the PMA population. Over the next five years, we expect this cohort will experience little change in the PMA, but the age 35 to 44 cohort is projected to experience solid growth, expanding 7.1%.

- In 2015, the median household income is estimated to be approximately $47,963 in the City of Wahpeton and $55,146 in the PMA, compared to $55,579 in North Dakota. This data suggests that Wahpeton residents are not as affluent as residents in surrounding areas and have fewer resources to devote toward housing than residents elsewhere in the PMA and the State.

- Based on data from the 2010-2014 American Community Survey 5-Year Estimates, the median value of owner-occupied housing units in Wahpeton was $102,100 in 2014. Assuming that a potential home buyer has good credit and makes a 10% down payment, a household would need to have a minimum annual income of roughly $27,100 to be income-qualified for a home purchased at the median value in Wahpeton. In 2015, roughly 78% of the households (7,413) have incomes of $27,100 or higher.

- Through 2020, the PMA is expected to experience household growth in several age groups, particularly those over the age of 65 (the baby boomers). The 35 to 44 age group is also expected to experience solid growth. This data indicates a growing demand for entry-level (first-time home buyers) housing in the PMA. Additionally, income-qualified growth in the 55 to 64 and 65 to 74 age groups suggest that there will be growing demand for maintenance-free housing options in the area.

- In 2005, there were 9,908 reported jobs in the PMA, including 7,919 in Richland County and 1,989 in Wilkin County. Due, in large part, to the economic recession, PMA employment declined roughly -1.9% (-193 jobs) between 2005 and 2010. Data from the Quarterly Census of Employment and Wages indicates that employment in the PMA has increased modestly since 2010, climbing 1.4% (+139 jobs).

- Average weekly wages in Richland County ($739) are -24% lower than the State of North Dakota ($978). Since 2005, wages have increased 33% in Richland County, compared to a 70% jump statewide. This equates to an average increase of 3.7% per year in Richland County. Wage growth also occurred in Wilkin County, climbing 36% between 2005 and 2014, for an average annual increase of 4.0%.

- Assuming that a potential home buyer has good credit and makes a 10% down payment, a household earning the average wage in Richland County would be able to afford to purchase a home priced at approximately $142,000 or less to not be cost-burdened (paying more than 30% of their income for housing).

- Roughly 64% of the jobs in Wahpeton are filled by workers commuting into the City. With nearly 2,500 workers commuting into the City daily, there appears to be an opportunity to provide housing for this workforce, particularly for those with a commute distance in excess of 50 miles (over 700 workers).

- Based on demographic factors influencing the area, notably population and household growth among the first-time homebuyer age group (mid-20s through 30s), it appears that there will be growing demand from the target market for a general occupancy housing cooperative in Wahpeton. The empty-nester and independent senior populations (age 55 to 74) could also be drawn to the proposed development. Additionally, commuting data suggests that there is an opportunity to provide workforce housing in the City.

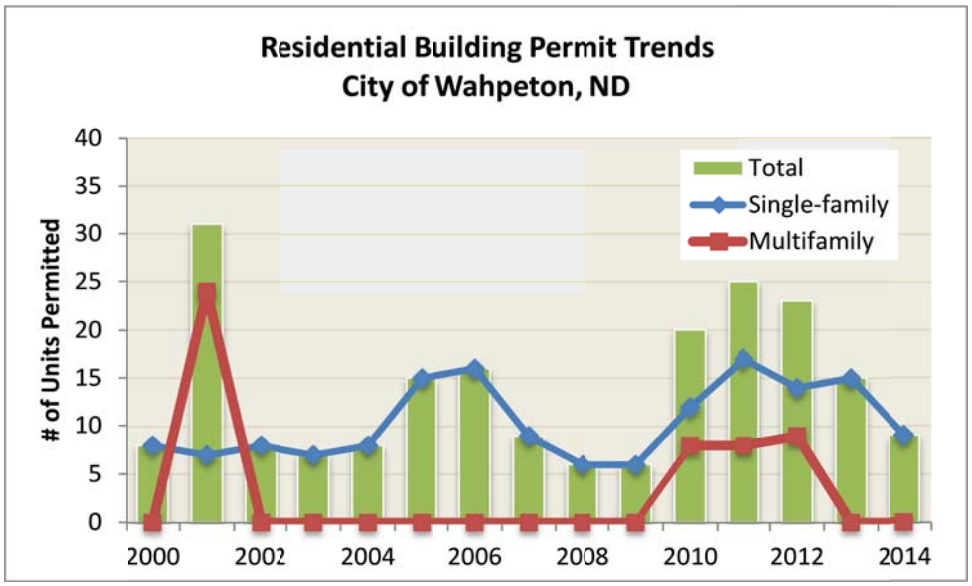
Introduction

Maxfield Research and Consulting, LLC analyzed the for-sale housing market in Wahpeton by collecting data on residential building permits, home sales, active listings, and conducting interviews with area real estate professionals. Demand calculations for general occupancy for-sale housing in the Market Area between 2015 and 2020 are also provided.

Residential Construction Trends

Building permit data for Wahpeton from 2007 through 2014 was provided by the City while data prior to 2007 and for the Remainder of the PMA was obtained from the U.S. Census Building Permits Survey (BPS) and the U.S. Department of Housing and Urban Development (HUD) State of the Cities Data Systems (SOCDS). Statistics from the BPS are based on reports submitted by local permit officials and the survey covers all "permit-issuing places" (jurisdictions that issue building or zoning permits). The HUD SOCDS takes information from the BPS and includes any subsequent Census revisions to achieve higher quality data. Areas for which no authorization is required to construct new housing units are not included in the survey.

Table 9 on the following page displays the number of units permitted for single-family homes and multifamily structures (includes duplexes, structures with three or four units, and structures with five or more units) from 2000 through 2014 in the City of Wahpeton as well as the Remainder of the PMA. Multifamily housing includes both for-sale and rental units, and is defined as residential buildings containing units built one on top of another and those built side-by-side which do not have a ground-to-roof wall and/or have common facilities. Single-family is defined as fully detached, semi-detached (semi-attached, side-by-side), row houses, and townhouses. For attached units, each unit must be separated from the adjacent unit by a ground-to-roof wall and they must not share systems or utilities to be classified as single-family.



- Due, in large part to the economic recession and associated "housing bust", residential building activity dropped off sharply in Wahpeton from 2007 through 2009. However, an average of 18 new housing units has been permitted per year since 2010, compared to 11 units per year between 2000 and 2009. Since 2000, Wahpeton has averaged roughly 14 new residential units per year.

TABLE 9
RESIDENTIAL BUILDING PERMIT TRENDS
PRIMARY MARKET AREA
2000 - 2014

	City of Wahpeton				Remainder of PMA				Primary Market Area			
	SF	DTQ	MF5	TOTAL	SF	DTQ	MF5	TOTAL	SF	DTQ	MF5	TOTAL
2000	8	0	0	8	29	0	0	29	37	0	0	37
2001	7	0	24	31	29	0	0	29	36	0	24	60
2002	8	0	0	8	35	0	0	35	43	0	0	43
2003	7	0	0	7	39	2	0	41	46	2	0	48
2004	8	0	0	8	29	8	8	45	37	8	8	53
2005	15	0	0	15	36	0	58	94	51	0	58	109
2006	16	0	0	16	44	12	0	56	60	12	0	72
2007	9	0	0	9	43	0	0	43	52	0	0	52
2008	6	0	0	6	16	0	8	24	22	0	8	30
2009	6	0	0	6	13	0	24	37	19	0	24	43
2010	12	0	8	20	13	0	0	13	25	0	8	33
2011	17	0	8	25	9	0	0	9	26	0	8	34
2012	14	0	9	23	20	0	0	20	34	0	9	43
2013	15	0	0	15	30	0	0	30	45	0	0	45
2014	9	0	0	9	26	0	0	26	35	0	0	35

Notes: SF = Single Family; DTQ = Duplex, Triplex, or Fourplex; MF5 = Five or more units

Sources: US Census Bureau; HUD SOCDS; City of Wahpeton; Maxfield Research & Consulting, LLC

- From 2000 through 2014, permits were issued for a total of 568 single-family homes and 169 multifamily units in the PMA. Nearly 28% of all the new units were located in the City of Wahpeton with 206 units, including 157 new single-family units and 49 multifamily units. Multifamily units comprised roughly 23% of all the new housing units in the PMA since 2000, while the remaining 77% were single-family. These proportions were very similar in Wahpeton (24% multifamily and 76% single-family).

- As of December 2015, nine new single-family homes have been permitted in Wahpeton, but multifamily development is very active in the City. Permits were recently issued for 132 new multifamily rental units, including: Birchwood Apartments, a 24-unit apartment building in the south side of the City; Two 39-unit apartment buildings in northwest Wahpeton, near Walmart; and, a 30-unit active adult (age 50 and older) apartment project located just south of the subject property along 4th Street.

Home Sales

Table 10 provides information on sales of single-family detached homes and multifamily units (includes townhomes, twinhomes, and condominiums) in the City of Wahpeton from 2010 through October 2015. The data was obtained from the City of Wahpeton. The points following the table summarize key findings.

TABLE 10
RESIDENTIAL SALES ACTIVITY
CITY OF WAHPETON, ND
2010 through October 2015

	Median Sale Price	% Change	Median Size (Sq. Ft.)	Price per Sq. Ft.	Closed Sales	% Change	Median Age (Yr. Built)
Single-family							
Oct. 2015 ytd	$111,675	-1.7%	1,212	$92.14	82	--	1956
2014	$113,622	7.5%	1,270	$89.47	74	-7.5%	1959
2013	$105,674	-4.8%	1,347	$78.45	80	23.1%	1961
2012	$111,000	1.0%	1,314	$84.47	65	-23.5%	1958
2011	$109,900	15.7%	1,340	$82.01	85	16.4%	1961
2010	$95,000	--	1,232	$77.11	73	--	1959
Multifamily							
Oct. 2015 ytd	$125,500	31.8%	1,264	$99.29	9	--	1984
2014	$95,244	13.1%	1,271	$74.94	8	14.3%	1980
2013	$84,200	4.9%	1,050	$80.19	7	16.7%	1980
2012	$80,289	19.3%	1,084	$74.07	6	20.0%	1980
2011	$67,284	-2.0%	1,260	$53.40	5	-44.4%	1980
2010	$68,656	--	1,080	$63.57	9	--	1979
All Sales							
Oct. 2015 ytd	$111,900	3.1%	1,214	$92.17	91	--	1957
2014	$108,571	4.5%	1,271	$85.42	82	-5.7%	1961
2013	$103,900	-6.0%	1,336	$77.77	87	22.5%	1965
2012	$110,500	14.3%	1,260	$87.70	71	-21.1%	1960
2011	$96,715	12.3%	1,327	$72.88	90	9.8%	1962
2010	$86,142	--	1,201	$71.73	82	--	1965

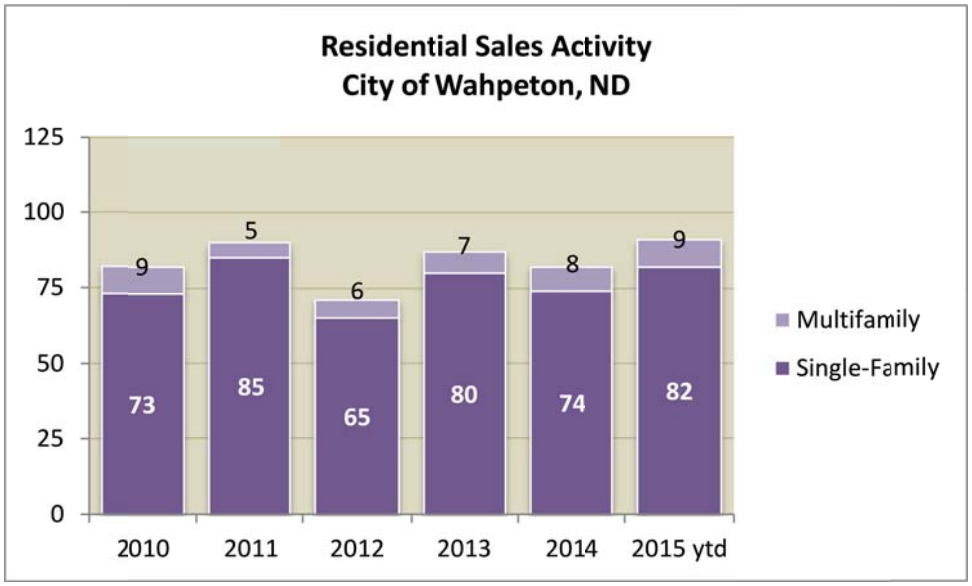
Sources: City of Wahpeton; Maxfield Research & Consulting, LLC

- From 2010 through October 2015, there were 503 residential sales in Wahpeton. Homes in Wahpeton have been selling at an average annual rate of 86 units per year since 2010.

- Roughly 91% of all sales were for detached single-family homes. The multifamily market appears to be relatively small in Wahpeton, as there have been only 44 sales since 2010 (9% of the total).

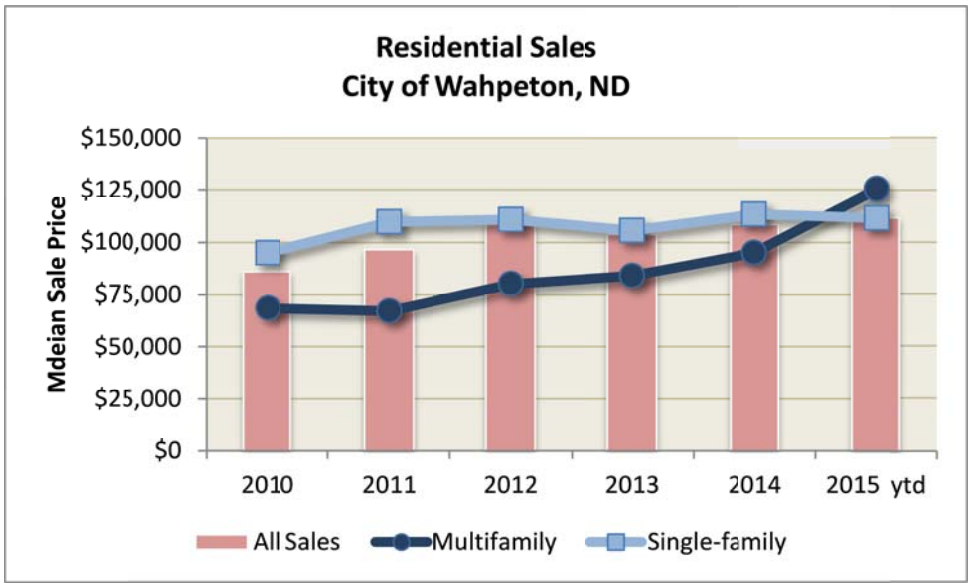
- With the exception of a dip in 2012, residential sales activity in Wahpeton has been relatively steady since 2010, averaging 80 to 90 sales per year.

- However, it appears that sales activity will be substantially higher in 2015, as 91 sale transactions occurred through the first ten months of the year.



- On average, Wahpeton experiences roughly 6.9 residential sales per month, including 6.3 detached single-family sales and 0.6 multifamily sales. Through the first ten months of 2015, the City is averaging 8.2 detached single-family sales and 0.9 multifamily sales on a monthly basis.

- As of 2014, the median sale price for a home in Wahpeton was $108,571. Single-family homes had a median sale price of $113,622, roughly 19% higher than the median multifamily sale price of $95,244.



- As illustrated in the graph on the preceding page, the median sale price has climbed from $86,142 in 2010 to $111,900 as of October 2015, a 30% increase.

- The median price for single-family homes increased 17.6%, from $95,000 in 2010 to $111,675 in 2015. Multifamily prices jumped nearly 83% from $68,656 in 2010 to $125,500 in 2015. The sharp multifamily price increase in 2015 was due primarily to the sale of two new construction twin home units which were both priced over $270,000.

- Much of the housing being sold is over 50 years old, as the median year built for single-family homes sold in Wahpeton since 2010 is 1959. The multifamily housing stock is younger, with a median year built of 1980 for all multifamily homes sold since 2010.

- In Wahpeton, new construction comprised roughly 3% of all single-family sales and 14% of multifamily sales since 2010. A total of 13 new single-family homes and seven multifamily homes were purchased in the City during that time period.

- Since 2010, new construction single-family homes have sold at a median price of $213,222, essentially double the median sale price of previously owned homes ($106,425). The median sale price for new construction multifamily units ($164,450) is 125% higher than previously owned multifamily units ($72,860).

- At a median size of 1,692 square feet for single-family homes and 1,278 for multifamily, new construction homes are also substantially larger than the previously owned properties (1,280 square feet for single-family and 1,088 square feet for multifamily). On a per square foot basis, new construction single-family homes (median price of $126.02 per square foot) are priced 52% higher than previously owned (median price of $83.14 per square foot). New construction multifamily homes are priced 92% higher, at a median price of $128.68 per square foot compared to $66.97 per square foot for previously owned multifamily homes.

- As depicted in Table 11 on the following page, single-family detached homes priced between $50,000 and $99,999 have been the most popular product in Wahpeton since 2013, representing 31% of all sales, while homes sold in the $100,000 to $149,999 price range represent 30% of all sales. Single-family detached homes priced between $150,000 and $199,999 and lower than $50,000 represented 16.9% and 12.7% of all single-family detached sales, respectively. Homes priced between $200,000 and $300,000 represented about 8% of all sales, while homes priced above $300,000 represented less than 2% of all transactions.

- Of the multifamily units sold in Wahpeton since 2013, nearly 42% were priced in the $50,000 to $99,999 range and 30% were priced between $100,000 and $149,999 range. Roughly 13% were priced between $150,000 and $200,000, while 8% were priced between $250,000 and $300,000. Another 8% were priced below $50,000.

TABLE 11
RESIDENTAL SALES ACTIVITY - PRICE DISTRIBUTION
CITY OF WAHPETON, ND

	2013		2014		2015 ytd		Total	
	Closed Sales	% of Total	Closed Sales	% of Total	Closed Sales	% of Total	Closed Sales	% of Total
Single-family								
Less than $50,000	9	11.3%	10	13.5%	11	13.4%	30	12.7%
$50,000 to $99,999	26	32.5%	22	29.7%	24	29.3%	72	30.5%
$100,000 to $149,999	24	30.0%	23	31.1%	23	28.0%	70	29.7%
$150,000 to $199,999	12	15.0%	11	14.9%	17	20.7%	40	16.9%
$200,000 to $249,999	3	3.8%	4	5.4%	4	4.9%	11	4.7%
$250,000 to $299,999	4	5.0%	3	4.1%	2	2.4%	9	3.8%
$300,000 or more	2	2.5%	1	1.4%	1	1.2%	4	1.7%
Total	**80**	**100%**	**74**	**100%**	**82**	**100%**	**236**	**100%**
Multifamily								
Less than $50,000	1	14.3%	0	0.0%	1	11.1%	2	8.3%
$50,000 to $99,999	3	42.9%	4	50.0%	3	33.3%	10	41.7%
$100,000 to $149,999	2	28.6%	4	50.0%	1	11.1%	7	29.2%
$150,000 to $199,999	1	14.3%	0	0.0%	2	22.2%	3	12.5%
$200,000 to $249,999	0	0.0%	0	0.0%	0	0.0%	0	0.0%
$250,000 to $299,999	0	0.0%	0	0.0%	2	22.2%	2	8.3%
$300,000 or more	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	**7**	**100%**	**8**	**100%**	**9**	**100%**	**24**	**100%**

Sources: City of Wahpeton; Maxfield Research & Consulting, LLC

Active Listings

Table 12 on the following page presents a summary of single-family detached and multifamily homes currently listed for sale in Wahpeton. Multifamily includes condominiums, townhouses, and twin homes. Data is sourced from the Wahpeton-Breckenridge Area Multiple Listing Service (MLS).

- There are 30 homes listed for sale in Wahpeton as of December 2015. Roughly 87% of the for-sale listings (26 homes) are single-family detached housing units and the remaining 13% (four homes) are multifamily units. There are another 14 homes listed for sale across the River in Breckenridge, all of which are single-family homes.

- The median asking price for single-family homes in the City of Wahpeton is $164,900, which is 48% higher than the median price of closed sales through the first ten months of 2015 ($111,675) and 45% higher than the median price of sales closed in 2014 ($113,622). The median asking price for multifamily units is $112,400, roughly 18% higher than the median price of closed multifamily sales in 2014 ($95,244).

TABLE 12
EXISTING HOMES LISTED FOR SALE
CITY OF WAHPETON, ND
December 2015

	Listings	% of Total	Median Year Built	Median Size	Median Price	Price per Sq. Ft.
Single-family Detached						
Less than $50,000	2	6.7%	1928	1,018	$37,400	$36.74
$50,000 to $99,999	4	13.3%	1937	1,564	$78,950	$50.48
$100,000 to $149,999	5	16.7%	1959	1,796	$129,900	$72.33
$150,000 to $199,999	6	20.0%	1971	1,732	$177,400	$102.42
$200,000 to $249,999	3	10.0%	1978	2,112	$209,900	$99.38
$250,000 to $299,999	4	13.3%	1977	2,343	$285,950	$122.04
$300,000 or more	2	6.7%	1985	2,328	$329,900	$141.71
Subtotal	**26**	**86.7%**	**1970**	**1,845**	**$164,900**	**$89.38**
Multifamily						
Less than $50,000	0	0.0%	--	--	--	--
$50,000 to $99,999	2	6.7%	1977	1,576	$94,900	$60.22
$100,000 to $149,999	1	3.3%	1952	1,400	$124,900	$89.21
$150,000 to $199,999	0	0.0%	--	--	--	--
$200,000 to $249,999	0	0.0%	--	--	--	--
$250,000 to $299,999	1	3.3%	2004	1,533	$254,900	$166.28
$300,000 or more	0	0.0%	--	--	--	--
Subtotal	**4**	**13.3%**	**1977**	**1,533**	**$112,400**	**$73.32**
Market Total	**30**	**100%**	**1973**	**1,806**	**$152,450**	**$84.41**

Sources: Wahpeton-Breckenridge Area MLS; Maxfield Research & Consulting, LLC

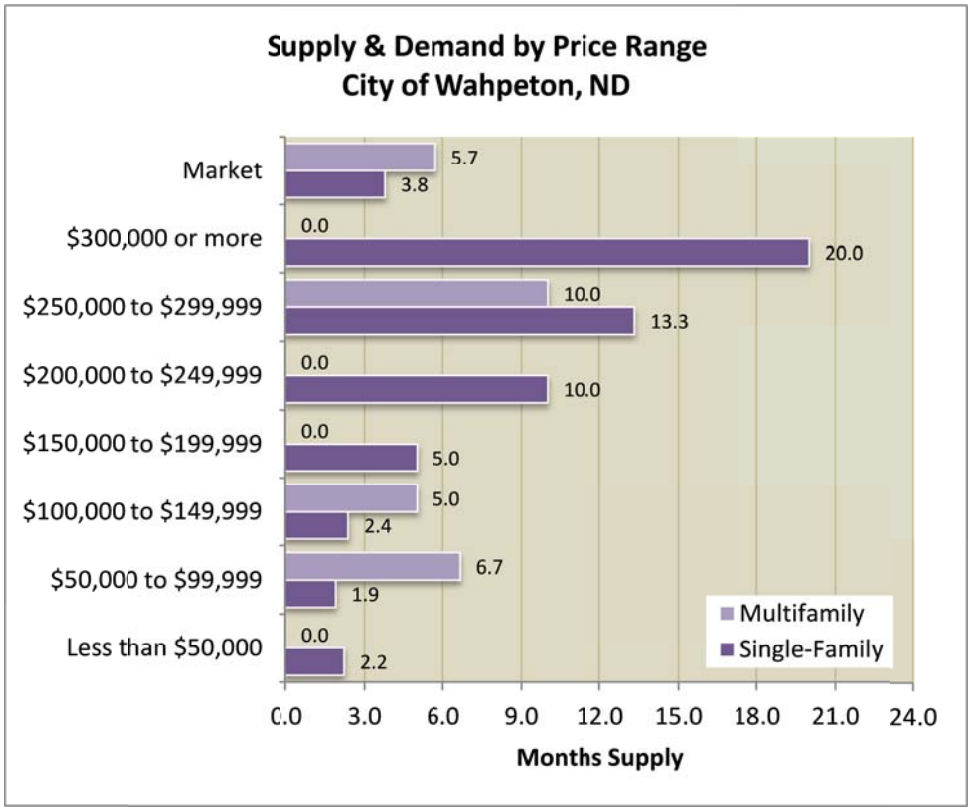
- The median size of homes listed for sale is 1,806 square feet which equates to a median price per square foot of $84.41. With a median size of 1,845 square feet, the median price per square foot for single-family homes is $89.38. Multifamily units are slightly smaller, at 1,533 square feet with a median price of $73.32 per square foot.

- Approximately 13% of the listed homes were built in the year 2000 or later while 3% were built in the 1990s, 13% in the 1980s, 23% in the 1970s, 3% in the 1960s, 17% in the 1950s, and 7% in the 1940s. About 20% of all listed homes were built prior to 1940.

- There is a fairly direct relationship between the pricing, age, and size of homes in Wahpeton. The older homes tend to be smaller and have a lower asking price per square foot than newer homes. Single-family homes with asking prices below $50,000 are the smallest with a median size of 1,018 square feet. Single-family homes with asking prices at $250,000 or higher are, by far, the largest with sizes ranging from 1,285 square feet to about 2,600 square feet (median size of 2,328 square feet).

- Equilibrium in the for-sale residential market is generally considered to be a six-month supply of homes on the market. Since 2013, the PMA has averaged approximately 6.9 single-family sales and 0.7 multifamily sales per month. Based on the current inventory of homes listed for sale (26 single-family homes and four multifamily units), there is a 3.8-month supply of single-family homes and a 5.7-month supply of multifamily homes on the market in Wahpeton.

- As illustrated in the following graph, there appears to be an oversupply of higher-priced single-family homes in Wahpeton while lower-priced single-family homes seem to be undersupplied. The supply of multifamily homes is essentially at or near equilibrium for most price ranges, although there are currently no homes available in the $200,000 to $249,999 range or priced below $50,000.



- Demand for housing has been highest for units priced in the $50,000 to $99,999 and the $100,000 to $149,999 ranges. Share prices at the proposed River Pointe Cooperative development are expected to range from $100,000 to $140,000 per unit, so pricing at the proposed project is consistent with market demand.

- There have been an average of 2.3 sales per month in the $100,000 to $149,999 price range in Wahpeton since 2013, and there are currently five single-family homes and one multifamily home listed for sale in this price range. As such, there is an approximately 2.4-month supply of single-family homes and 5.0-month supply of multifamily homes on the market.

Pending Housing Developments

In order to assess future competition for the proposed development, Maxfield Research interviewed staff from the Cities of Wahpeton and Breckenridge to learn of any pending housing developments that may impact housing demand in the Market Area.

We identified four multifamily residential projects totaling 172 units pending in the City of Wahpeton (summarized below). However, these are all rental housing projects and would not compete directly with the proposed ownership housing product, but they will provide some indirect competition for the River Pointe Cooperative project.

- Triple G Properties is currently developing Village at Rivers Edge, an age-restricted apartment development for the age 50 and older population. Unit sizes will range from 850 square-foot one-bedroom units to 1,600 square-foot two-bedroom units and will include decks, stainless steel appliances, and washer/dryer hook-ups. Other amenities offered include elevators, community room, fitness center, craft room, and a pub. The 30-unit first phase is under construction with three additional phases planned.

- Property Resources Group and PACES Lodging recently commenced construction on two, 39-unit apartment developments on property located north of Walmart near the intersection of Commerce Street and 17th Avenue North. These units will be market rate but rents will be targeted to households at 80% of Area Median Income.

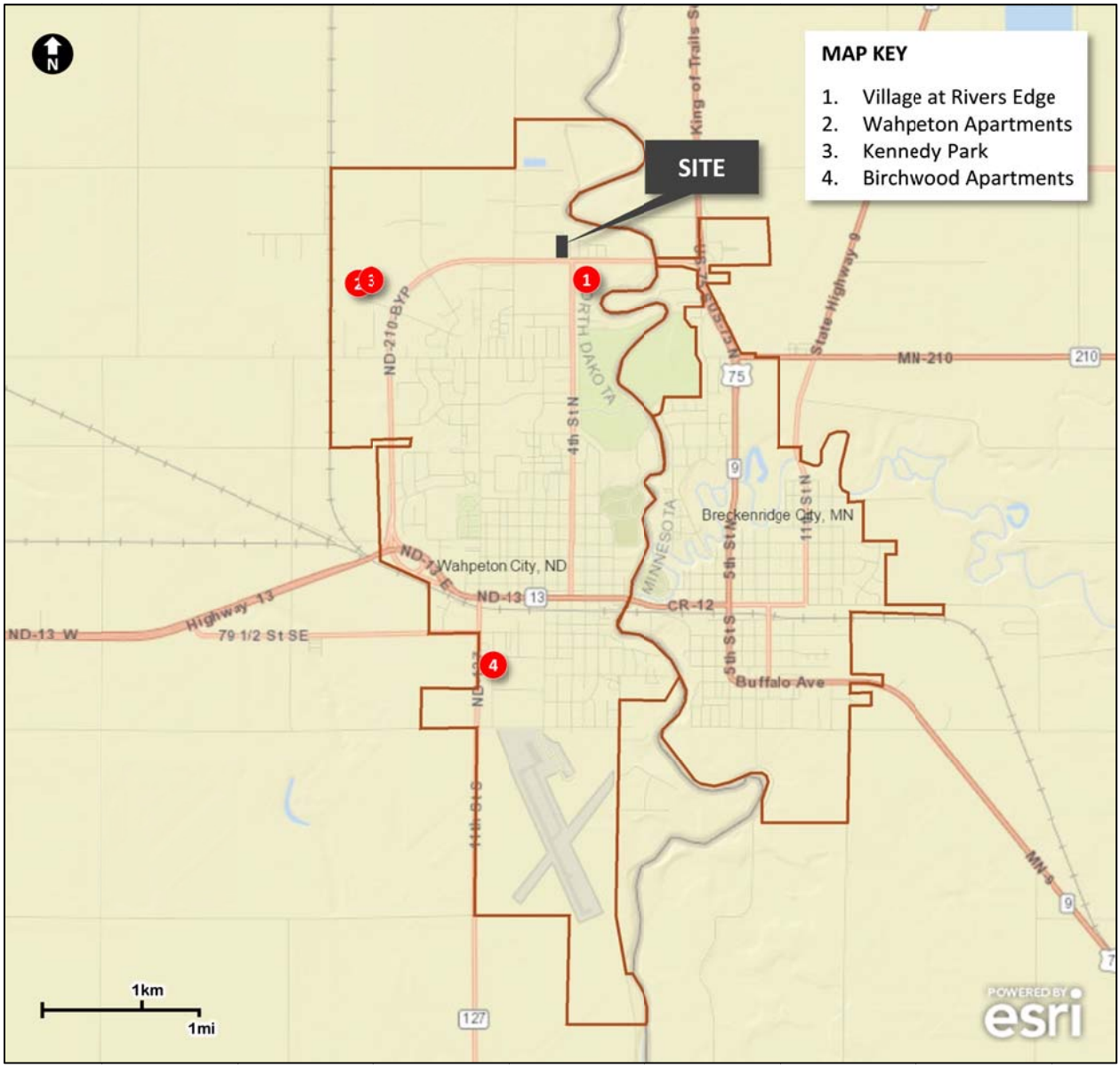
- G.A. Haan received approval from the City to develop a 40-unit rental townhome project, referred to as Kennedy Park, on a Site located near the intersection of Commerce Street and 17th Avenue North (north of Walmart). This is a tax credit development that will be restricted to households at or below 60% of Area Median Income. Unit sizes will range from 1,000 square-foot two bedroom units to 1,300 square-foot three bedroom units. Amenities will include a community building and a playground. A spring 2016 groundbreaking is planned.

- Birchwood Investment Properties, LLC is developing a 24-unit market rate apartment building at the west end of 8th Avenue South. This project will be comprised of nine one-bedroom units, 11 two-bedroom units, and four, three-bedroom units. The development will also provide 24 garage parking stalls in two detached structures. Rental rates will range from $725 to $975 per month.

There are no multifamily housing developments planned or under construction in the City of Breckenridge, Minnesota.

The map and figure on the following page summarize these projects and illustrate the location of each development in relation to the subject property.

Pending Housing Developments Location Map



Project	Developer	Units	Description
Village at Rivers Edge	Triple G Properties	30 under construction 115 total planned	Age 50 and older, upscale rental housing
Wahpeton Apartments	Property Resource Group/ PACES Lodging	78 under construction	Workforce rental housing
Kennedy Park	G.A. Haan	40 planned	Affordable rental townhome development
Birchwood Apartments	Birchwood Investments	24 under construction	Market rate rental apartment development

Real Estate Professional Interviews

In an attempt to gain additional insight into potential demand for the proposed project, Maxfield Research solicited input from real estate agents active in the area. The following points summarize the findings from this process.

- There are first-time homebuyers in the market that could be drawn to that type of housing, but there are concerns about the overall desirability of subject property's location in Wahpeton.

- Odor from the City's water treatment facility, which is located about one-quarter mile north of the Site, would likely detract from the marketability of the Site for a housing development.

- Due to factors such as the location of the Site in Wahpeton, units at the proposed development will likely be challenging to sell.

Introduction

Maxfield Research and Consulting, LLC was engaged to quantify the demand for a general occupancy for-sale housing cooperative on a Site located near the northwest corner of the intersection between Highway 210 and 4th Street in Wahpeton, North Dakota. The proposed development would include 17 lots, each containing a manufactured home on a permanent foundation.

Earlier sections of this report examined the characteristics of the subject property and surrounding land uses, growth trends and demographic characteristics of the household base in the PMA, and current housing market conditions in Wahpeton. This section of the report quantifies demand for additional ownership housing in the PMA between 2015 and 2020. The study concludes with an estimate of the rate of absorption for the development along with marketing considerations for the proposed project.

For-Sale Housing Market Demand Analysis

Table 13 presents our demand calculations for general occupancy for-sale housing in the Market Area between 2015 and 2020. The analysis identifies potential demand for general occupancy for-sale single-family housing that is generated from both new households and turnover households. The following points summarize our findings.

- According to our projections, the PMA is expected to grow by 93 households between 2015 and 2020. The older population (65 and older) is generally not a target market for new general occupancy for-sale housing, but because this will be a cooperative development, we believe that younger, independent seniors (age 65 to 74) may be drawn to the project. As such, the demand calculations focus on households between the ages of 18 and 74 that will account for the majority of demand on the subject property. We estimate that roughly 83% of the projected household growth will generate demand for general occupancy housing units, resulting in projected demand for 77 units.

- Based on household tenure data from the United States Census, we expect that 75% of the demand will be for owner-occupied housing units, equating to a potential 58 owner households from household growth.

- As of 2015, there are approximately 6,975 owner households under the age of 75 in the PMA. Based on household turnover data from the American Community Survey, we estimate that 18% of these under-75 owner households will experience turnover between 2015 and 2020. This estimate results in anticipated turnover of approximately 1,256 existing households by 2020.

- We then estimate the percent of existing owner households turning over that would prefer to purchase new housing. In Wahpeton, roughly 3% of all single-family home sales and 14% of multifamily sales were for new construction since 2010. Considering the current supply of available existing homes in Wahpeton along with recent sales and building trends, we estimate that 10% of the households turning over in the PMA will desire new housing. This estimate results in demand from existing households for 126 new residential units in the PMA between 2015 and 2020.

- Total demand from household growth and existing household turnover between 2015 and 2020 equates to 183 new units in the PMA.

TABLE 13
GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND
PRIMARY MARKET AREA
2015 to 2020

		PMA
DEMAND FROM PROJECTED HOUSEHOLD GROWTH		
Projected household growth 2015 to 2020[1]		93
(times) Pct. of HH growth for general occupancy housing[2]	x	83%
(equals) Projected demand for general occupancy units	=	77
(times) Propensity to Own[3]	x	75%
(equals) Number of potential owner households from HH growth	=	**58**
DEMAND FROM EXISTING OWNER HOUSEHOLDS		
Number of owner households (age 74 and younger) in Market Area, 2015	=	6,975
(times) Estimated % of owner turnover (2015 to 2020)[4]	x	18%
(equals) Total existing HHs projected to turnover between 2015 and 2020	=	1,256
(times) Estimated % desiring new owner housing	x	10%
(equals) Demand from existing households	=	**126**
Total Demand From Household Growth and Existing Households, 2015 to 2020	**=**	**183**
(times) Ownership demand generated from outside Market Area	x	25%
(equals) Total demand potential for ownership housing in Market Area	**=**	**245**
		Single-family
(times) Percent desiring for-sale single-family housing	x	65%
(equals) Total demand potential for new for-sale single-family housing	**=**	**119**
Capture Rate for 17 units on Site	**x**	**14.3%**

[1] Estimated household growth based per ESRI and Maxfield Research & Consulting, LLC
[2] Pct. of household growth under age 75
[3] Pct. Owner households under age 75 from 2010 Census
[4] Based on household turnover and mobility data (2010-2014 American Community Survey).
[5] Based on new construction sales and building permit data in Wahpeton from 2010 to present

Source: Maxfield Research & Consulting, LLC

- An additional proportion is added for households that would move into ownership housing in the PMA who currently reside outside the area. We estimate that 25% of the demand potential for general occupancy ownership housing would be derived from outside the PMA, increasing total demand to 245 units.

- Based on new construction sales data, building permit trends, and the age distribution of PMA households, we estimate that 65% of the householders seeking new housing will desire single-family housing units. We anticipate that there will be demand for approximately 119 general occupancy single-family units in the PMA between 2015 and 2020.

- Although the PMA is estimated to be able to support 119 for-sale single-family units over the next five years, no single property would be able to capture all of the demand. As proposed, the River Pointe Cooperative development will include 17 units. Therefore, the project would need to capture roughly 14.3% of the PMA demand potential.

- A capture rate of 25% or higher would typically raise concerns about a market area's capacity to support a potential project. It is our professional opinion that the 14.3% capture rate is achievable given current market conditions and the demographic factors influencing housing demand in the area.

- The strongest sources of demand for for-sale cooperative housing at the subject property will likely be young family households seeking affordably-priced entry-level ownership housing. People in their late-20s to late-30s who commute to Wahpeton for employment will also account for a portion of the demand for the proposed project. Older mid-age households (never-nesters or empty-nesters) and retired individuals and couples may also be drawn to the project.

Summary of Findings

The subject project will be comprised of 17 lots, each containing a manufactured home on a permanent foundation with a seven-foot deep front porch and a 24-foot by 24-foot garage. Each garage pad will be served by a concrete driveway with ingress/egress to a public street. The development will also include a community building with a storm shelter and playground. While specific unit types have not yet been determined, the project is expected to include a mix of two-bedroom and three-bedroom units.

While the exact pricing structure has not yet been determined, share prices are expected to potentially range from $100,000 to $140,000 per unit. Per the chart on page 52, monthly fees are expected to range between $461 and $1,000 per unit, depending on the amount of equity that buyers put into their shares upfront.

The development will be structured as a cooperative, meaning that buyers would own a proprietary lease of a specific unit and occupy the property under that lease, but they will not own the real estate. A corporation will own the title to the real estate, and the cooperative owners will be shareholders in that corporation. Each unit buyer must make a minimum down payment and pay their pro rata share of the corporation's expenses (i.e. mortgage charges, taxes, maintenance fees, etc.) Common charges are determined by taking the total operating costs of the development, dividing them by the total number of shares in the property, and then multiplying that by the number of shares allocated to any one unit.

Based on our analysis of the Site, we identified several key characteristics that favor the development of general occupancy housing on the property. Adjacent and surrounding land uses are somewhat compatible with the proposed development. The Site is located in fairly close proximity to a variety of retail and dining options, public schools, and medical services. Residents will also have convenient access to the local highway network. Many recreational and entertainment venues are located near the Site and it is situated near several of the largest employers in the Wahpeton/Breckenridge market area.

We also identified certain factors that may negatively impact the viability of the Site for a housing development. While the existing mobile home park to the east is compatible with the proposed development, the noise, dust, and activity associated with the trucking company adjacent to the west side of the Site limit the attractiveness of the property as a residential location. Odor from the City's water treatment facility, which is located about one-quarter mile north of the Site, could detract from the marketability of the Site for housing. Noise from traffic along Highway 210 may diminish the livability of housing units on the Site. If possible, a landscape buffer along the southern and western sides of the property should be incorporated into the development plan to minimize some of these issues.

Based on demographic factors influencing the area, notably population and household growth among the first-time homebuyer age group (mid-20s through 30s), it appears that there will be growing demand from the target market for a general occupancy housing cooperative in Wahpeton. The empty-nester and independent senior populations (age 55 to 74) could also be drawn to the proposed development. Additionally, commuting data suggests that there is an opportunity to provide workforce housing in the City.

From 2000 through 2014, permits were issued for a total of 157 single-family homes and 49 multifamily units in Wahpeton. Multifamily units comprised roughly 24% of all the new housing units in the City since 2000, while the remaining 76% were single-family. Between 2010 and 2014, an average of 18 new housing units has been permitted per year in Wahpeton, including 13 single-family units and five multifamily units annually. Residential sales activity in Wahpeton has been relatively steady since 2010, averaging 80 to 90 sales per year, but it appears that sales activity will be substantially higher in 2015, as 91 transactions occurred through the first ten months of the year. On average, Wahpeton experiences roughly 7.6 residential sales per month, including 6.9 detached single-family sales and 0.7 multifamily sales.

Since 2010, new construction single-family homes have sold at a median price of $213,222, essentially double the median sale price of previously owned homes ($106,425). The median sale price for new construction multifamily units ($164,450) is 125% higher than previously owned multifamily units ($72,860). On a per square foot basis, new construction single-family homes (median price of $126.02 per square foot) are priced 52% higher than previously owned (median price of $83.14 per square foot).

Demand for housing has been highest for units priced in the $50,000 to $99,999 and the $100,000 to $149,999 ranges. Share prices at the proposed River Pointe Cooperative development are expected to range from $100,000 to $140,000 per unit which would be appropriate given market demand.

We anticipate that there will be demand for approximately 119 new general occupancy single-family units in the PMA between 2015 and 2020. The River Pointe Cooperative development will include 17 new units, and would capture roughly 14.3% of the PMA demand potential. Based on demand trends and the proposed pricing structure at River Pointe Cooperative, we anticipate that the project will be well-received by the target market.

As mentioned previously, various buy-in (equity down payment) options will be available for buyers. The following figure depicts a breakdown of the four different buy-in options which are being considered along with estimated monthly fees for each option. The primary market for the proposed project will be first-time homebuyers which would be drawn to Option A ($5,000 buy-in). It is very unlikely that a first-time homebuyer would be a target for Options B, C, and D. Those buy-in options would most likely be selected by empty-nester and independent senior populations which comprise a secondary source of demand for the project because there will be an Association that will cover exterior maintenance and upkeep for the units.

Assuming that a potential home buyer makes a 10% down payment, a household would make a monthly payment of roughly $750 to $800 if they purchased a home sold at the median sale price in Wahpeton ($113,600). By comparison, a household purchasing a new construction single-family home (median price of $213,200) would likely have a monthly payment in the $1,400 to $1,500 range.

Taking into consideration that first-time homebuyers typically are not a market for new construction and many of the homes sold in Wahpeton are over 50 years old (homes sold in 2014 had a median year-built of 1959), we anticipate that monthly fees for a unit at the proposed development sold under Option A would be in the $900 to $1,000 range.

	Buy-in	Monthly Fee Range
Option A	$5,000	$900 - $1,000
Option B	$30,000	$720 - $800
Option C	$55,000	$576 - $640
Option D	$80,000	$461 - $512

With a monthly fee of $950, a household would need to have an annual income of roughly $38,000 or greater to not exceed 30% of its monthly income on housing costs. In 2015, approximately 6,385 PMA households (67% of the total) are estimated to have incomes of at least $38,000. By 2020, the total income-qualified households are projected to increase by 232 households (+3.6%) after accounting for inflation. The 25 to 34 and 35 to 44 cohorts comprise the market for entry-level ownership housing. Combined, these two age groups are projected to grow by 97 income-qualified households (+5%) between 2015 and 2020.

Additional demand for the proposed project could be generated by people commuting into Wahpeton for employment. As mentioned previously, the average annual wage paid by employers in the County is $38,404. A household earning the average wage could afford a monthly fee of $960.

Projected Absorption

On average, Wahpeton experiences roughly 6.9 single-family sales per month (83 sales per year), and there have been approximately 2.1 sales per month (25 sales per year) in the $100,000 to $149,999 price range. Based on our review of demographic and economic factors impacting housing demand in the PMA, our assessment of the existing competitive market, and the quality of the subject Site, we believe that a cooperative housing development on the Site should experience relatively steady absorption of units.

The following absorption projections are based on a 2017 opening with a pre-marketing period of approximately six months. For the 17 new units, we estimate that full occupancy would be reached within three years of initial occupancy. This assumes that roughly 10% of the units (two units) would be presold, and the remaining units would sell at an average rate of 5.0 units per year.

Marketing Considerations

The rate of sales will be determined, in part, to the quality and extent of the marketing effort. We recommend the following marketing strategies.

- The strongest sources of demand at River Pointe Cooperative will likely be young family households seeking affordably-priced entry-level ownership housing. People in their late-20s to late-30s who commute to Wahpeton for employment will also account for a portion of the demand for the proposed project. Older mid-age households (never-nesters or empty-nesters) and retired individuals and couples may also be drawn to the project, but will be a secondary source of demand.

- Engage a real estate professional to market the property and get it listed on the local Multiple Listing Service. The real estate professional hired must understand and be able to communicate to buyers the concept of a cooperative. The marketing team should educate the market on the benefits of residing in a housing cooperative, including:

    - Security and maintenance-free living;
    - Social amenities and tax benefits (i.e. ability to homestead the unit);
    - Residents are able to gain equity;
    - Shareholders control costs/investment into the property;
    - Ability to customize units; and,
    - Buyers can use equity from a home sale to cover share costs.

- Establish a web presence for the project early in the marketing period and place signage on the Site along Highway 210. Advertising should be placed in local and regional newspapers and other periodicals, and informational meetings should be held with local Realtors. Develop attractive marketing brochures detailing information on features, amenities, pricing, and monthly fees. These should be made available at the time marketing begins, preferably at groundbreaking. Full-scale marketing should begin six months before opening.

- The proposed development should distinguish itself from the adjacent mobile home park so potential buyers understand that River Pointe Cooperative is not an extension of the existing mobile home park. This could be accomplished with signage, marketing, layout, and the exterior design of the homes.

- We recommend that a landscape buffer along the southern and western sides of the property should be incorporated into the development plan to minimize the potential negative impact of being located adjacent to a trucking company and alongside Highway 210.