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RE: Summary of Findings for the Market Feasibility Study for Senior Rental Housing in
Alexandria, Minnesota

Introduction

Viewpoint Consulting Group, Inc. conducted a Market Feasibility Study in February 2019 for a proposed 73-unit upscale senior apartment development in Alexandria called Alexandria Senior Apartments. This study assessed the site location being considered for the proposed development, examined growth trends and demographic characteristics of the senior population in the primary market area, analyzed the competitive market in the surrounding area, and calculated demand for senior (55+) rental housing.

Based on the analysis, it was found that market demand exists to support Alexandria Senior Apartments. This summary highlights key findings from the market study.

Site Location and Analysis

The subject location ("Site") for the proposed development is a parcel on Broadway Street between Third and Fourth Avenues in Alexandria Minnesota. The Site is appropriate for market rate senior rental housing for the following reasons listed below.

1. The Site has great access and visibility.
2. The Site's location in downtown Alexandria is conveniently located to shopping and services, restaurants, health care, and places of worship.
3. Alexandria contains Alomere Douglas County Hospital and several medical clinics.
4. The properties surrounding the Site would be compatible with a senior housing building.
5. The Site is one block from Lake Agnes, and Big Ole Central Park, which are on the shores of Lake Agnes and contain walking paths (including Central Lakes Trail).

Demographic Analysis

It is estimated that a new senior housing development in Alexandria would attract approximately 80% of its residents from a draw area (Primary Market Area, or “PMA”) that is Douglas County. The total population in the PMA was 36,009 in 2010. Alexandria is the largest community in the PMA. Its population grew by 25.5% last decade, reaching 11,070 in 2010. Alexandria accounted for about 70% of the PMA’s growth.

While the PMA’s total population increased by 9.7% last decade, its senior (age 65+) population grew by 20.0%, reaching 7,069 in 2010. Seniors ages 75 and over, the primary target market for senior housing, grew by 14.8% last decade. Between 2018 and 2023, the PMA’s 75+ population is projected to increase by 17.4%.

Competitive Market Analysis

No market rate senior rental properties (55+ with no services) were identified in the PMA. There is a 55+ ownership option – Village Cooperative. Arabella Manor is listed as 55+ rental, but it has some meals and home care services available and attracts an older resident base – making it more of a congregate/optional-services property. Overall, no age-restricted, market rate rental properties that would be directly competitive with the subject development were identified.

As there were no directly competitive senior rental properties in Alexandria, information was collected at newer general-occupancy rental properties and two independent (congregate/optional-services) properties in Alexandria, and four 55+ rental properties outside the PMA. These properties provide insight into rents that could be achieved at a new 55+ rental property in Alexandria. Below is information on three of the comparable properties.

Comparable Senior Housing Properties

Property Name	No. of Units	Year Built	Unit Type	Unit Size (sf)	Monthly Rent	Comments
Congregate/Optional-Services Properties in Alexandria						
Lakes Senior Apts. by Grand Arbor	73	2011	1BR	708 - 858	\$1,432 - \$1,759	3-story building on campus with assisted Living and memory care. Rent includes all utilities, local telephone and cable TV, and social programs & events. Meals, housekeeping, and home care services available for a fee.
4403 Pioneer Rd Alexandria			1BR+D	968 - 1,170	\$1,958 - \$2,367	
			2BR	1,149 - 1,534	\$2,323 - \$3,046	
			2BR+D	1,619 - 1,622	\$3,275 - \$3,280	
Comparable Senior (55+) Rental Properties in Other Communities						
Chateau Waters	72	2016	1BR	800 - 850	\$2,600 - \$2,800	Age 55+. 4-story building. Rent includes all utilities, \$150 meal credit on on-site restaurant, wellness membership, and concierge.
Pine Cone Rd Sartell			1BR+D	950 - 1,050	\$3,200 - \$3,400	
			2BR	1,000 1,045	\$3,400 - \$3,400	
			2BR+D	1,150 1,400	\$3,600 - \$4,000	
Affinity at Eagan	173	2018	Stu	522 - 522	\$1,490 - \$1,590	Age 55+. 5-story building. Rent includes all utilities, and UG parking. 2nd occupant = \$150/mo.
4000 Eagan Outlets Pkwy Eagan			1BR	608 - 733	\$1,595 - \$1,755	
			1BR+D	863 - 863	\$1,910 - \$1,975	
			2BR	916 - 1,235	\$1,890 - \$2,505	

Conclusions

The target market for market rate senior rental housing in Alexandria is senior households age 55+ with incomes above \$50,000, plus homeowners with incomes between \$35,000 and \$50,000. By allocating 40% of their gross monthly income for rent, senior households with incomes of \$50,000 could afford units with gross monthly rents of about \$1,600. Calculations of demand found unmet demand for 230 units in the PMA in 2018, growing to 257 units in 2023.

The proposed Alexandria Senior Apartments would be a four-story building above two levels of underground parking (one level for residents and one for retail customers). The first floor – or street level along Broadway Street – would contain commercial space. The top three floors would be residential, containing 73 apartment units.

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

We recommend rents that equate to about \$1.95 per square foot (in 2019 dollars). The rents range from \$1,325 to \$1,450 for studio units to \$2,050 to \$2,325 for two-bedroom units and include underground parking and all utilities except electricity. These rents would enable Alexandria Senior Apartments to adequately capture senior renters.

For 73 units, we forecast that full occupancy would be reached in 11 to 14 months of initial occupancy. This is based on an estimate that 25% to 30% of the units would be preleased and that the remaining 47 to 51 units would be leased at an average rate of 3.5 to 4.5 units per month. The projected absorption period is based on the level of unmet demand in the PMA, the lack of senior rental options in Alexandria, the performance of newer general-occupancy apartments in Alexandria, the quality of site location in the downtown, the construction quality/high-end finishes, and the recommended rents.