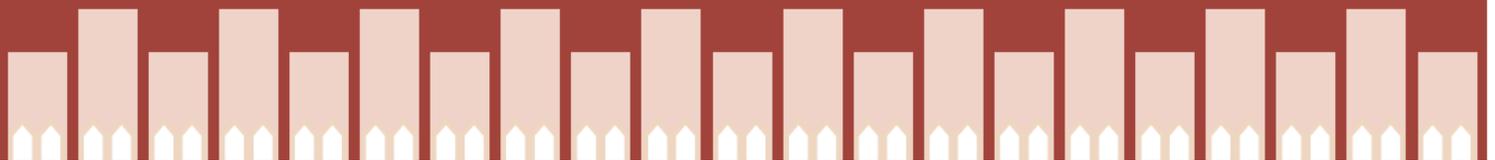


Downtown Peoria Residential Market Study

Prepared for
**Downtown Development
Corporation of Peoria**

June 2016

Prepared by
Valerie S. Kretchmer Associates, Inc.
807 Davis Street, #2004
Evanston, IL 60201



Valerie S. Kretchmer *Associates, Inc.*

Real Estate and Planning Consulting

807 Davis Street • #2004
Evanston, IL 60201-7103
TEL 847-864-8895
E-MAIL vsk@kretchmerassociates.com

June 14, 2016

Mr. Michael Freilinger, President/CEO
Downtown Development Corporation of Peoria
820 SW Adams Street, Suite 1A
Peoria, IL 61602-1621

Dear Mr. Freilinger:

Valerie S. Kretchmer Associates, Inc. (VSKA) is pleased to submit the attached residential market study for Downtown Peoria. Our analysis shows strong demand for rental apartments Downtown over the next five years.

Thank you for the opportunity to work on this assignment for you.

Sincerely,



Valerie Sandler Kretchmer
President



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I. SUMMARY AND CONCLUSIONS

A. Project Scope

Valerie S. Kretchmer Associates, Inc. (VSKA) was retained by the Downtown Development Corporation of Peoria to assess the demand for rental and for-sale housing in Downtown Peoria. VSKA conducted the following for this analysis:

- Toured Downtown Peoria, visited and surveyed the existing market rate apartments and condominiums.
- Interviewed in person or by phone City of Peoria staff, developers, Realtors, representatives of major employers, banks, regional planning and economic development agencies.
- Surveyed the highest quality suburban apartment complexes.
- Analyzed demographic, employment and housing trends affecting Downtown Peoria.
- Obtained data on home and condominium sales Downtown and in Peoria.
- Analyzed the demand for market rate rental and for-sale condominiums Downtown.

B. Summary of Findings

Downtown Peoria has a small but growing base of market rate renters. It is a significant employment center with an estimated 27,000 employees in the Greater Downtown Area. The largest single sector is health care, with the OSF, UnityPoint Health – Methodist Hospital and University of Illinois College of Medicine campuses at the edge of Downtown. Peoria is a major regional medical center for a large area of central Illinois, and the number of employees working at the Downtown hospitals and enrollment at the medical school are expected to increase. Caterpillar’s international headquarters is Downtown and the company has made a major commitment to stay in Peoria and build a state-of-the-art headquarters Downtown. Downtown is also the government, banking and legal center for the Peoria region.

Downtown is becoming increasingly popular as an entertainment destination with unique locally-owned restaurants, bars, music venues and galleries, as well as the location of numerous festivals along the riverfront, a minor league baseball stadium and civic/convention center. All of these are contributing to the increased vitality of the area.

The existing market rate rental apartment buildings are well occupied. As of spring 2016, there are four buildings with a total of 110 units under construction and another three projects with 186 units are planned. Most are rehabs of old industrial loft-warehouse buildings and developers are making use of federal and state historic tax credits as part of the funding package. One development is planned that involves new construction.

At the present time, rents in existing Downtown apartment buildings range from \$725-825 for studios, \$835 to \$1,325 for one bedroom and \$1,240 to \$1,550 for two bedroom apartments. Buildings under development will have higher rents, though most do not have their rents finalized at this time. Most of the new buildings will have small apartments, generally studio and one bedrooms. In comparison rents at the newest suburban complexes are slightly lower than the Downtown buildings, ranging from \$800-1,050 for one bedroom and \$900-1,220 for two bedrooms.

The Downtown condominium market is very limited with only three buildings with a total of approximately 135 units. (One property also has 22 rental units, not included in the count.) Only 17 units were sold Downtown since January 2015. Prices of condominiums and single-family attached units in Peoria tend to be on the lower end, with a median price of \$118,500. Last year, 70 of 187 units sold for more than \$150,000 and only 43 sold for more than \$200,000.

C. Conclusions

VSKA estimates demand for a total of 505-670 market rate rental units between 2015 and 2020 targeted to households with incomes of \$35,000-150,000, which equates to units with rents starting at \$800 per month. This is based on the increasing desirability of Downtown Peoria due to the following factors:

- Extensive public improvements put in place in the Warehouse District
- Expanding employment in the medical center at the edge of Downtown
- Caterpillar's commitment to build its headquarters Downtown
- Momentum generated by the rehabs of former industrial buildings in the Warehouse District into residential lofts
- Desire of millennials to live in interesting downtowns and close-in neighborhoods with restaurants and entertainment options not typically found in suburban shopping centers.
- Potential to attract younger seniors given the proximity of the medical center.

Our demand estimate is based on the projected household growth in the city and Downtown's ability to capture a higher share of renter households with incomes of \$35,000-\$150,000 than it has at present. As more people are living and working Downtown, we expect that more convenience-oriented stores and services will open to serve the growing population. This in turn will make Downtown a more desirable residential location.

Downtown demand will come primarily from renters in the next five years given the relatively inexpensive housing prices in Peoria. Existing single-family attached housing options catering to empty nesters are priced well below the likely prices needed to support new condominiums given land and construction costs for higher density buildings. In addition, historic tax credits, which

are spurring rental development in the Warehouse District, cannot be used for owner-occupied housing.

Once Downtown becomes a more established residential location and more shopping and services are in place, condominiums and/or for-sale townhouses will become more marketable. In the next five years, for-sale demand will be very limited.

II. DOWNTOWN PEORIA DESCRIPTION

A. Location Characteristics

Located along the Illinois River, Downtown Peoria is the business, government, health care and entertainment center of the city of Peoria and the five-county Peoria MSA. The Downtown consists of several sub-areas -- the Central Business District, Riverfront District and Warehouse District North and South, as shown on the aerial that follows at the end of this chapter. It generally includes the area from the MacArthur Highway on the southwest to the I-74 Bridge on the northeast, and from the river north to Jefferson Avenue to William Kumpf Boulevard to Monroe Street.

While not included in the official Downtown area, the medical district, consisting of OSF St. Francis, UnityPoint-Methodist Hospital and the University of Illinois College of Medicine are just to the north of the Central Business District and are considered to be an integral part of the Greater Downtown area.

Downtown is easily accessible to city neighborhoods to the north, south and west, as well as to East Peoria and other communities on the east side of the Illinois River in Tazewell County. Three bridges, I-74, Bob Michel and MacArthur Highway, cross the river. I-74 on the east side of Downtown provides easy access to the Central Business District and Riverfront. The city's Transit Center is adjacent to Downtown, providing access from all parts of the city.

B. Downtown Activity Generators

As will be discussed in greater detail in a subsequent chapter, Downtown is a major employment center and is best known as the global headquarters of Caterpillar, though other major employers include the two hospitals, College of Medicine, city and county government offices, CSE Software, the Diocese of Peoria, banks and professional services firms. Caterpillar has plans for a major new headquarters development, but it has been put on temporary hold until its global business improves. However, Caterpillar is committed to keeping its headquarters Downtown and in maintaining a major presence in the Peoria metro area. Based on the official plans, once it is built, the new headquarters will dramatically alter the look and feel of the Central Business District.

The region's major medical facilities are located Downtown and include OSF Saint Francis Medical Center with 616 beds plus 137 beds at the affiliated Children's Hospital of Illinois, Illinois Neurological Institute, and UnityPoint Health – Methodist Hospital with 330 beds. The University of Illinois College of Medicine trains 150 medical students and 270-plus residents and fellows. In the fall of 2016, it will be adding 55 first year medical students. Jump Trading Simulation & Education Center, a collaboration between OSF Saint Francis and the College of

Medicine, opened in 2013 and is a state-of-the-art, unique facility that uses the latest technology for training purposes.

Downtown is home to a number of educational institutions including Robert Morris University, Illinois Central College's Downtown Campus, University of Illinois at Springfield's Downtown campus, University of Illinois College of Medicine, Saint Francis Medical Center College of Nursing and Methodist College (affiliated with UnityPoint Health – Methodist Hospital). Bradley University is a short distance from Downtown Peoria as well.

It is also the major tourism and convention destination, with the city's Civic Center (convention center), major hotels, Peoria Riverfront Museum, Caterpillar Visitor's Center, Dozer Park minor league baseball stadium, Riverfront Market, riverfront trail, as well as numerous festivals and activities along the riverfront. The Civic Center hosts 400 events annually bringing a wide range of performances and sporting events to the city.

The Warehouse District is becoming a major entertainment and arts destination with new and unique restaurants, a brew-pub and galleries. ArtsPartners of Central Illinois, headquartered in the Warehouse District, sponsors Sculpture Walk Peoria with rotating installations along Washington Street. The City of Peoria completed \$35 million in streetscape improvements that were the catalyst for private investment in and development of historic loft rehabs for residential, restaurant and entertainment uses.

In addition to the residential projects under development and planned in the Warehouse District, other planned projects include a microbrewery, whiskey distillery, banquet facility, maker's space, and artists' spaces.

Peoria
DOWNTOWN
 DEVELOPMENT
 EST. 2013



- Warehouse District South
- Warehouse District North
- Riverfront District
- Central Business District



III. DEMOGRAPHIC AND EMPLOYMENT TRENDS

A. Demographic Trends

VSKA delineated a Greater Downtown Peoria area that covers the area generally considered to be Downtown Peoria and the medical district. The maps on the following pages show the boundaries of this area and this area in relation to the rest of the city of Peoria. It generally runs along the river from Cedar Street to Jefferson, northeast to N. Fisher Street/Hightower/W. High Street to North Street to Columbia Terrace east to I-74 to Pennsylvania Avenue east to Wayne Street, south to Adams Street, northeast to Spring Street and south to the river.

The Greater Downtown had just under 3,000 residents as of the 2010 Census and is estimated to have had a very slight decrease as of 2015 according to estimates by Esri, a demographic data vendor. Based on historical trends, Esri projects a very slight increase over the next five years. However, it must be pointed out that these projections do not reflect the new construction underway Downtown, so they should be considered conservatively low. Table 1 below shows population and household trends in the Greater Downtown area and the City of Peoria.

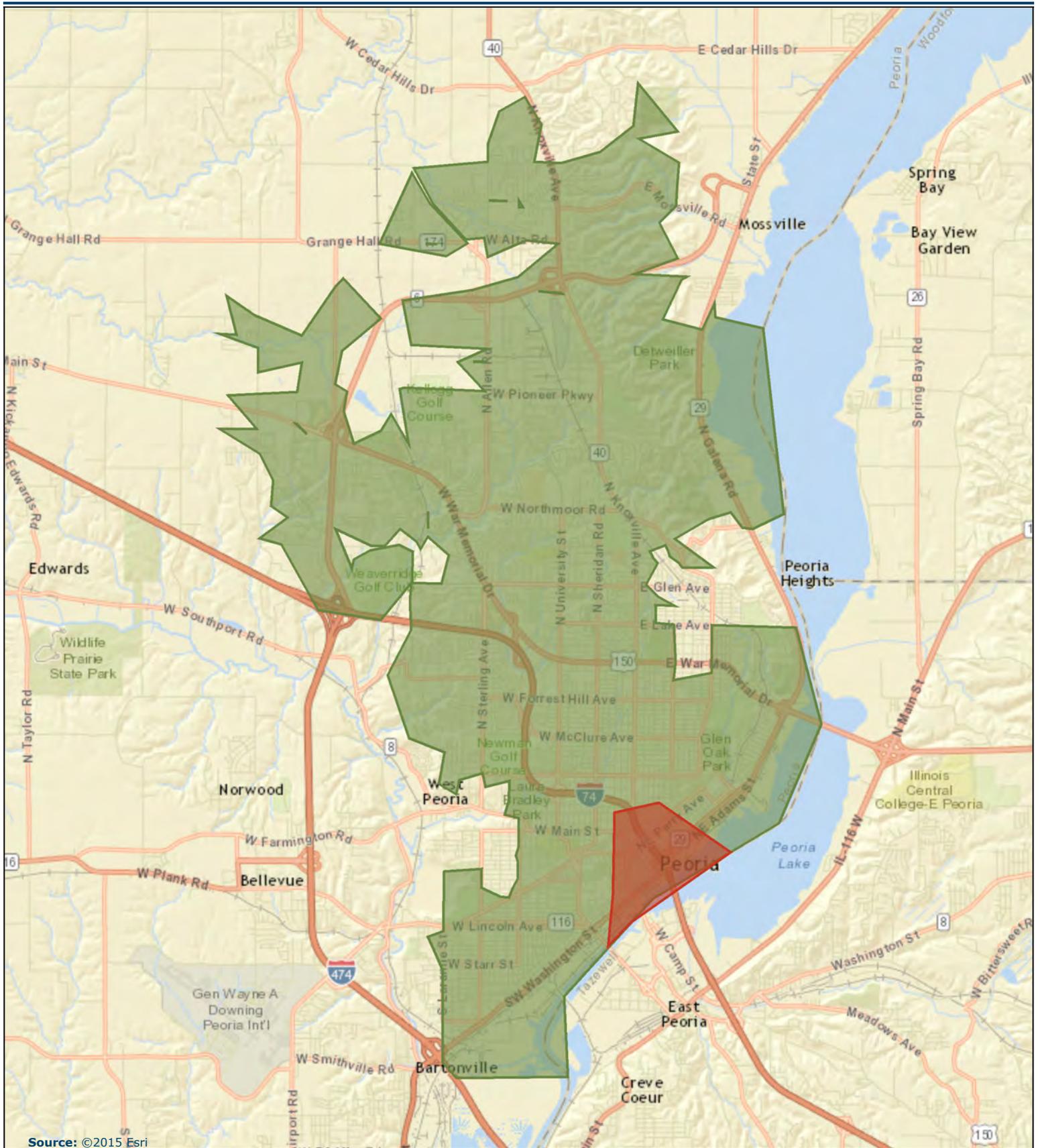
The City of Peoria has an estimated 2015 population of almost 117,200, a 1.9% increase since the 2010 Census. Esri projects a further 1.9% increase by 2015, with a 2.2% increase in the number of households.

The average household size Downtown is very small at only 1.58 persons, due to the lower share of children than in the city of Peoria overall. This is typical of downtowns in general. The median age at 34.2 years is slightly younger than the city's (35.2 years), but the city has a larger share of children and seniors.

According to longer-term population projections by EMSI provided by the Greater Peoria Economic Development Council, the population of Peoria County is projected to grow by 0.5% over the next ten years.

B. Income Characteristics

Table 2 that follows shows the income distribution for the Greater Downtown area and the city of Peoria. The median household income is estimated to be only \$17,733 Downtown, compared to \$47,134 in the city. Forty-three percent of the households Downtown have incomes under \$15,000. This is due in part to the presence of low-income senior housing and mixed income family housing at the edge of Downtown.



Source: ©2015 Esri

Table 1

**POPULATION CHARACTERISTICS
IN THE GREATER DOWNTOWN AREA AND CITY OF PEORIA**

	Greater Downtown		Peoria	
	Number	Percent	Number	Percent
<u>Population</u>				
2000 Census	2,824		113,874	
2010 Census	2,973		115,007	
Change, 2000-2010	149	5.3%	1,133	1.0%
2015 Estimated	2,950		117,199	
Change, 2010-2015	-23	-0.8%	2,192	1.9%
2020 Projected	2,957		119,439	
Change, 2015-2020	7	0.2%	2,240	1.9%
<u>Households</u>				
2000 Census	1,321		45,537	
2010 Census	1,572		47,152	
Change, 2000-2010	251	19.0%	1,615	3.5%
2015 Estimated	1,562		48,329	
Change, 2010-2015	-10	-0.6%	1,177	2.5%
2020 Projected	1,570		49,392	
Change, 2015-2020	8	0.5%	1,063	2.2%
Average Household Size, 2015	1.58		2.35	
<u>Population by Age, 2015</u>				
Under 5	191	6.5%	8,313	7.1%
5-14	322	10.9%	15,278	13.0%
15-24	444	15.1%	18,056	15.4%
25-44	923	31.3%	30,724	26.2%
45-54	390	13.2%	13,462	11.5%
55-64	374	12.7%	14,294	12.2%
65+	305	10.3%	17,074	14.6%
Median Age, 2015 (years)	34.2		35.2	

Note: Numbers may not sum to given totals due to rounding.

Source: Esri

Twenty-seven percent of Greater Downtown households have incomes over \$35,000, the minimum needed to afford market rate rentals, while 11% have incomes over \$75,000. Esri projects only a modest increase in the median income Downtown by 2020, but the projection does not take into account the new residential construction, so it underestimates the likely incomes of Downtown residents in the future.

Table 2

**2015 AND 2020 INCOME CHARACTERISTICS
IN THE GREATER DOWNTOWN AREA AND CITY OF PEORIA**

	Greater Downtown		Peoria	
	Number	Percent	Number	Percent
<u>2015 Household Distribution</u>	1,562		48,329	
Under \$15,000	669	42.8%	7,796	16.1%
\$15,000-24,999	301	19.3%	5,536	11.5%
\$25,000-34,999	166	10.6%	5,325	11.0%
\$35,000-49,999	142	9.1%	6,468	13.4%
\$50,000-74,999	119	7.6%	7,956	16.5%
\$75,000 or more	166	10.6%	15,242	31.5%
Median Household Income	\$17,733		\$47,134	
<u>2020 Household Distribution</u>	1,570		49,392	
Under \$15,000	657	41.8%	7,573	15.3%
\$15,000-24,999	237	15.1%	4,390	8.9%
\$25,000-34,999	199	12.7%	4,783	9.7%
\$35,000-49,999	151	9.6%	6,250	12.7%
\$50,000-74,999	121	7.7%	7,789	15.8%
\$75,000 or more	206	13.1%	18,602	37.7%
Median Household Income	\$19,412		\$54,006	

Note: Numbers may not sum to given totals due to rounding.

Source: Esri

C. Households by Age and Income

Table 3 below shows the distribution of households in the Greater Downtown area and city of Peoria by age. Almost one third of the households Downtown are under the age of 34, typically referred to as Millennials. These are the likely target group for new market rate rental housing. Downtown has a fairly even distribution of the remaining households with 14% ages 35-44, and 18% each ages 45-54, 55-64 and 65+. This indicates that even now with more limited housing options, Downtown is attracting residents of all age groups.

Table 3

HOUSEHOLDS BY AGE IN GREATER DOWNTOWN AREA AND CITY OF PEORIA

	<u>2015</u>		<u>2020</u>		<u>Change</u>	
	Number	Percent	Number	Percent	Number	Percent
<u>Greater Downtown</u>						
Total Households	1,562		1,570		8	0.5%
Age 15-24	160	10.2%	158	10.1%	-2	-1.3%
Age 25-34	347	22.2%	336	21.4%	-11	-3.2%
Age 35-44	212	13.6%	219	13.9%	7	3.3%
Age 45-54	276	17.7%	259	16.5%	-17	-6.2%
Age 55-64	<u>288</u>	<u>18.4%</u>	<u>291</u>	<u>18.5%</u>	<u>3</u>	<u>1.0%</u>
Total Under 65	1,283	82.1%	1,263	80.4%	-20	-1.6%
Age 65+	281	18.0%	303	19.3%	22	7.8%
<u>Peoria</u>						
Total Households	48,329		49,392		1,063	2.2%
Age 15-24	3,221	6.7%	3,075	6.2%	-146	-4.5%
Age 25-34	8,826	18.3%	8,247	16.7%	-579	-6.6%
Age 35-44	7,974	16.5%	8,927	18.1%	953	12.0%
Age 45-54	7,857	16.3%	7,550	15.3%	-307	-3.9%
Age 55-64	<u>8,811</u>	<u>18.2%</u>	<u>8,358</u>	<u>16.9%</u>	<u>-453</u>	<u>-5.1%</u>
Total Under 65	36,689	75.9%	36,157	73.2%	-532	-1.5%
Age 65+	11,637	24.1%	13,231	26.8%	1,594	13.7%

Note: Cells may not sum to given totals due to rounding.

Source: Esri

Those with incomes of \$35,000 to \$150,000 are considered the target group for market rate rental housing Downtown. VSKA segmented those under 65 and those over 65 to determine the number of younger vs. older potential Downtown renters. Table 4 below presents estimates and projections for the Greater Downtown area and the city. Twenty-six percent of Downtown households under 65 and 15% of those over 65 fall within the target income range. In comparison, 55% of city households under 65 and 47% of those over 65 fall within the target income range.

By 2020, the number of target households Downtown under 65 is projected to increase by 8.3% and the number over 65 by 8.2%. In the city, the number of target households under 65 is projected to increase by 3.9%, while the number over 65 is projected to increase by 23.8%, reflecting a large increase in the number of affluent seniors.

E. Employment Trends

The Greater Downtown area has an estimated 26,700 employees, 35% of the city's employment of 76,545. Employment has been relatively consistent over the past nine years, with the 2014 total only 3.7% below that of 2006, prior to the recession. The largest sector by far is Health Care and Social Assistance, which accounts for 53% of Downtown's employment with 14,200 employees. Other major sectors are Public Administration with 3,100 employees, Professional, Scientific and Technical Services with 2,200 employees, and Administration and Support and Waste Management and Remediation Services with 1,900 employees. Since 2006, the number of employees in the Health Care sector increased by 2,500, followed by Arts, Entertainment and Recreation with an increase of 500 employees. The largest decreases were in Public Administration (1,100) and Manufacturing (700).

The city's employment decreased by 2.3% between 2006 and 2014. Its largest sector is also Health Care and Social Assistance, representing 32% of the total employment with almost 24,700 employees. Other sectors with over 5,000 jobs each include Retail Trade, Administration and Support and Waste Management and Remediation Services, Accommodations and Food Services, and Educational Services. Of these, Health Care registered the greatest increase since 2006 (20.6%).

Tables 5 and 6 that follow show employment trends in the Greater Downtown area and the city of Peoria.

These data point to the importance of health care as a driver of both the Downtown and citywide economy. Downtown jobs in Health Care and Social Assistance account for 58% of the city's jobs in this category.

Table 4

GREATER DOWNTOWN AREA AND CITY OF PEORIA TARGET HOUSEHOLDS BY INCOME

	2015		2020		Change	
	Number	Percent	Number	Percent	Number	Percent
Greater Downtown						
Household Income - Under						
Age 65	1,283		1,263		(20)	-1.6%
\$35,000-\$49,999	131	10.2%	137	10.8%	6	4.6%
\$50,000-\$74,999	97	7.6%	95	7.5%	(2)	-2.1%
\$75,000-\$99,999	53	4.1%	64	5.1%	11	20.8%
\$100,000-149,999	<u>57</u>	<u>4.4%</u>	<u>70</u>	<u>5.5%</u>	<u>13</u>	<u>22.8%</u>
Sub-Total	338	26.3%	366	29.0%	28	8.3%
Household Income - Over						
Age 65	281		303		22	7.8%
\$35,000-\$49,999	11	3.9%	13	4.3%	2	18.2%
\$50,000-\$74,999	22	7.8%	26	8.6%	4	18.2%
\$75,000-\$99,999	9	3.2%	14	4.6%	5	55.6%
\$100,000-149,999	<u>7</u>	<u>2.5%</u>	<u>8</u>	<u>2.6%</u>	<u>1</u>	<u>14.3%</u>
Sub-Total	49	14.9%	53	17.5%	4	8.2%
City of Peoria						
Household Income - Under						
Age 65	36,689		36,157		(532)	-1.5%
\$35,000-\$49,999	4,715	12.9%	4,313	11.9%	(402)	-8.5%
\$50,000-\$74,999	6,165	16.8%	5,757	15.9%	(408)	-6.6%
\$75,000-\$99,999	4,443	12.1%	5,413	15.0%	970	21.8%
\$100,000-149,999	<u>4,803</u>	<u>13.1%</u>	<u>5,435</u>	<u>15.0%</u>	<u>632</u>	<u>13.2%</u>
Sub-Total	20,126	54.9%	20,918	57.9%	792	3.9%
Household Income - Over						
Age 65	11,637		13,231		1,594	13.7%
\$35,000-\$49,999	1,752	15.1%	1,938	14.6%	186	10.6%
\$50,000-\$74,999	1,792	15.4%	2,032	15.4%	240	13.4%
\$75,000-\$99,999	945	8.1%	1,410	10.7%	465	49.2%
\$100,000-149,999	<u>967</u>	<u>8.3%</u>	<u>1,376</u>	<u>10.4%</u>	<u>409</u>	<u>42.3%</u>
Sub-Total	5,456	46.9%	6,756	51.1%	1,300	23.8%

Note: Cells may not sum to given totals due to rounding.

Source: Esri

Table 5

EMPLOYMENT TRENDS IN GREATER DOWNTOWN PEORIA

Industry (NAICS)	2014	2013	2012	2011	2010	2009	2008	2007	2006	Change 2006-2014	
										Number	Percent
All Industries	26,714	26,848	26,696	26,975	28,286	26,358	27,580	27,708	27,754	-1,040	-3.7%
Agriculture, Forestry, Fishing, & Hunting (11)	13	0	0	0	7	0	0	0	1	12	1200.0%
Mining, Quarrying, & Oil and Gas Extraction (21)	0	0	0	0	0	0	2	6	0	0	0.0%
Utilities (22)	573	613	615	604	701	702	722	705	694	-121	-17.4%
Construction (23)	227	228	227	228	364	323	417	493	436	-209	-47.9%
Manufacturing (31-33)	499	591	618	841	833*	824	1,032	908	1,176	-677	-57.6%
Wholesale Trade (42)	209	344	354	303	301	275	340	358	388	-179	-46.1%
Retail Trade (44-45)	121	141	224	208	305	190	215	258	643	-522	-81.2%
Transportation & Warehousing (48-49)	118	122	96	54	46	56	76	66	347	-229	-66.0%
Information (51)	376	357	387	369	334	316	297	349	299	77	25.8%
Finance & Insurance (52)	548	550	615	587	793	746	885	859	841	-293	-34.8%
Real Estate & Rental & Leasing (53)	163	174	192	203	922	682	719	739	760	-597	-78.6%
Professional, Scientific & Technical Services (54)	2,233	2,215	2,469	2,216	2,246	2,216	2,200	2,181	2,046	187	9.1%
Management of Companies & Enterprises (55)	46	54	30	41	53	42	30	33	43	3	7.0%
Admin. & Support & Waste Mgmt. & Remediation Svcs. (56)	1,872	2,383	2,572	2,601	2,228	1,237	2,087	2,089	1,961	-89	-4.5%
Educational Services (61)	258	231	240	250	272	182	148	147	151	107	70.9%
Health Care & Social Assistance (62)	14,196	14,024	13,571	13,464**	13,357	12,900	12,598	12,288	11,675	2,521	21.6%
Arts, Entertainment & Recreation (71)	852	891	683	891	308	304	313	322	309	543	175.7%
Accommodations & Food Services (72)	784	879	790	963	976	1,035	1,182	1,399	1,297	-513	-39.6%
Other Services (Except Public Admin.) (81)	547	496	522	510	531	513	559	545	526	21	4.0%
Public Administration (92)	3,079	2,555	2,491	2,642	3,709	3,815	3,758	3,963	4,161	-1,082	-26.0%

* Due to a geocoding error, OnTheMap data identifies 10,436 manufacturing jobs in Greater Downtown Peoria in 2010. We've corrected the error by averaging the employment growth from 2009 through 2011, totaling 833 manufacturing jobs in 2010.

** Due to a geocoding error, OnTheMap data identifies 6,577 health care jobs in Greater Downtown Peoria in 2011. We've corrected the error by averaging the employment growth from 2010 through 2012, totaling 13,464 health care jobs in 2011.

Source: OnTheMap

Table 6
EMPLOYMENT TRENDS IN THE CITY OF PEORIA

Industry (NAICS)	2014	2013	2012	2011	2010	2009	2008	2007	2006	Change 2006-2014	
										Number	Percent
All Industries	76,545	76,102	77,307	76,549	76,116	74,707	77,435	78,673	78,368	-1,823	-2.3%
Agriculture, Forestry, Fishing, & Hunting (11)	17	7	6	8	13	8	7	10	15	2	13.3%
Mining, Quarrying, & Oil and Gas Extraction (21)	0	1	0	0	0	0	10	16	4	-4	0.0%
Utilities (22)	813	871	864	844	902	871	881	855	844	-31	-3.7%
Construction (23)	1,900	1,845	1,918	1,858	2,032	1,858	2,190	2,374	2,085	-185	-8.9%
Manufacturing (31-33)	3,019	3,085	3,722	3,569	3,714*	3,858	4,342	4,335	4,556	-1,537	-33.7%
Wholesale Trade (42)	2,683	2,500	2,447	2,557	2,676	2,857	3,133	3,113	3,031	-348	-11.5%
Retail Trade (44-45)	6,804	7,425	7,473	7,481	7,244	7,115	7,536	7,945	7,990	-1,186	-14.8%
Transportation & Warehousing (48-49)	1,113	1,089	1,114	1,502	1,095	1,271	1,191	1,256	1,341	-228	-17.0%
Information (51)	1,317	1,325	1,429	1,517	1,414	1,468	1,526	1,850	1,937	-620	-32.0%
Finance & Insurance (52)	2,493	2,546	2,660	2,526	2,860	2,837	3,391	3,288	3,288	-795	-24.2%
Real Estate & Rental & Leasing (53)	863	859	867	848	1,579	1,351	1,539	1,472	1,491	-628	-42.1%
Professional, Scientific & Technical Services (54)	4,362	4,692	5,141	4,609	4,447	4,287	4,538	4,350	4,133	229	5.5%
Management of Companies & Enterprises (55)	445	455	424	294	384	333	226	241	205	240	117.1%
Admin. & Support & Waste Mgmt. & Remediation Svcs. (56)	6,476	6,900	7,413	6,890	6,134	5,154	6,348	6,268	6,395	81	1.3%
Educational Services (61)	5,089	4,773	4,853	4,912	5,084	5,230	5,293	5,315	5,113	-24	-0.5%
Health Care & Social Assistance (62)	24,674	24,134	23,319	23,040	21,930	21,688	20,376	20,723	20,459	4,215	20.6%
Arts, Entertainment & Recreation (71)	1,953	1,887	1,824	1,991	1,474	1,414	1,606	1,584	1,575	378	24.0%
Accommodations & Food Services (72)	5,643	5,373	5,354	5,610	5,826	5,958	6,069	6,065	5,970	-327	-5.5%
Other Services (Except Public Admin.) (81)	3,309	3,396	3,579	3,505	3,315	3,065	3,186	3,345	3,286	23	0.7%
Public Administration (92)	3,572	2,939	2,900	2,988	3,993	4,084	4,047	4,268	4,650	-1,078	-23.2%

* Due to a geocoding error, OnTheMap data identifies 13,218 manufacturing jobs in Peoria in 2010. We've corrected the error by averaging the employment decline from 2009 through 2011, totaling 3,714 manufacturing jobs in 2010.

Source: OnTheMap

According to projections by EMSI, between 2016 and 2026, the city of Peoria is projected to have a 7.2% increase and the Peoria MSA a 5.5% increase in the number of jobs. The largest numerical increases in the city are projected in Health Care and Social Assistance (2,500) and Management of Companies and Enterprises (900), both of which are important job categories in the Greater Downtown Area. In fact, 79% of the projected MSA job growth in Health Care and Social Assistance and 58% in Management of Companies and Enterprises are in the city of Peoria. These reflect the continued importance of Greater Downtown Peoria’s job base to the city and region.

Downtown’s major employers are shown below in Table 7. In addition to the hospitals and medical college, Caterpillar is the dominant employer with approximately 3,800 employees at its Downtown facilities. It employs approximately 13,000-14,000 in total including its various manufacturing and technical facilities throughout the Peoria metro area.

Table 7

MAJOR DOWNTOWN PEORIA EMPLOYERS

Employer	# of Employees
OSF St. Francis HealthCare	5,000*
Caterpillar	3,800
UnityPoint - Methodist	2,439
University of Illinois College of Medicine	2,253**

*Full-time equivalent employees

**Many employees are physicians who teach part time at the College of Medicine and also work at one of the local hospitals

Source: Interviews with individual employers

The unemployment rate in the Peoria metro area was 7.7% as of March 2016, a significant increase from a year earlier when it stood at 6.2%. The unemployment rate in the city of Peoria and Peoria County is slightly higher at 7.9%. In comparison, the unemployment rate in Illinois stood at 6.8% in March 2016, up from 6.0% one year earlier. Caterpillar announced layoffs last fall that affected its manufacturing employees more than its headquarters staff.

IV. HOUSING CHARACTERISTICS

A. Housing Tenure and Rent

According to data from the U. S. Census American Community Survey (ACS) from 2009-2013, the city of Peoria had a total of 47,200 occupied housing units, 43% of which were rental. The Greater Downtown Area had only 1,500 units, of which 88% or 1,326 were rental.

The median contract rent in the city was \$564, compared to only \$402 in the Greater Downtown area, reflecting the mixed-income rental properties on the edge of Downtown. Almost one quarter of the city’s renters and 11% of those in the Greater Downtown paid more than \$750 per month in rent. The numbers are certainly higher today as the period covered by the ACS included several recession years when rents were lower. Table 8 below shows the rental characteristics in the Greater Downtown area and city of Peoria.

Table 8

GREATER DOWNTOWN AREA AND CITY OF PEORIA CONTRACT RENT, 2009-2013

Contract Rent	Greater Downtown		Peoria	
	Number	Percent	Number	Percent
Renter Households	1,326		20,453	
Less than \$200	315	23.8%	1,310	6.4%
\$200-\$299	159	12.0%	914	4.5%
\$300-\$499	399	30.1%	4,723	23.1%
\$500-\$749	309	23.3%	8,588	42.0%
\$749-\$999	30	2.3%	2,419	11.8%
\$1,000-1,499	34	2.6%	905	4.4%
\$1,500+	25	1.9%	813	4.0%
No Contract Rent	55	4.1%	781	3.8%
Median Contract Rent	\$402		\$564	

Source: American Community Survey 5-Year, 2009-2013

As of the 2009-2013 period, the Greater Downtown's 144 units renting for more than \$750 represent only 2.2% of the city's rental units in this price range. This is a very low share because of the limited housing available Downtown.

B. Construction Trends

There has been very little multi-family construction in Peoria over the past six years. Table 9 below shows the number of units authorized by building permits since 2010 in the city. While a total of almost 1,000 units were permitted, only 21% were for buildings with five or more units and these were permitted in 2010 and 2011. There has been no new multi-family construction since 2011. As will be discussed in the following section, several renovations of loft buildings in the Warehouse District are currently underway in 2016.

Table 9

**UNITS AUTHORIZED BY BUILDING PERMITS IN THE CITY OF PEORIA
2010-2015**

Year	Single-Family	2-Family	3-4 Family	5+-Family	Total
2010	146	12	0	191	349
2011	143	2	0	16	161
2012	220	14	0	0	234
2013	147	6	0	0	153
2014	51	0	0	0	51
2015	<u>49</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49</u>
Total	756	34	0	207	997

Source: U.S. Census Bureau.

V. GREATER DOWNTOWN RENTAL MARKET

A. Market Rate Apartments

There are few market rate rental buildings Downtown at the present time. The existing buildings have a total of 212 units. The largest single building is *Civic Center Plaza*, located on Fulton Street in the heart of Downtown, with 116 units and another 30 opening in the next month. The additional units are on floors that had previously been used for office space and were just converted to apartments. The property stays full and attracts a diverse tenant base, though residents are primarily younger. Many work at Caterpillar and the medical center, but it also attracts students from nearby Robert Morris University and the College of Medicine. During the summer, Caterpillar leased all of the studios for its summer interns. Rents range from \$727 for studios up to \$1,400 for the newly created two bedroom apartments.

The *Twin Towers* consist of two attached condominium buildings in the heart of Downtown on SW Jefferson Avenue. Twenty-two units that didn't sell as condominiums when it was built in the mid-1980s are under single ownership and are rented out. Units range from ¼ to full floors with one to three bedrooms and rents range from \$900 for one bedroom to \$2,400 for a full floor three bedroom apartment. The units stay full.

The Lofts at Waterfront Place on SW Water Street consists of 23 residential lofts above commercial space. Rents range from \$900 for one bedroom to \$1,450 for two bedroom apartments. It is fully occupied with a wait list.

Le Vieux Carre is a 15-unit building on State Street with large studio and one bedroom units with rents ranging from \$825-1,285. The units were renovated over the past ten years and stay full.

One very small building known as the *Kickapoo Building* was renovated last year and has six units. Located on the 700 block of North Main Street, it is very close to the medical campus; as such it has attracted many medical students. The apartments are over ground floor commercial space. Rents range from \$900 for one bedroom up to \$1,550 for two bedrooms. They are full and have a long wait list.

Table 10 at the end of this chapter provides details for all of the market rate buildings, followed by a map showing their locations. Photographs are in the Appendix.

B. Market Rate Apartments Under Construction

There are four loft renovation projects with a total of 110 units currently underway in the Warehouse District. These are *Murray Place*, *Winkler Building*, *Sealtest Building*, and *Persimmon Lofts*, and range from 8 to 44 units each, with the majority of units studio and one

bedrooms. All of the developments are making use of federal and Illinois historic tax credits. Since the state's River's Edge tax credit is expiring at the end of 2016, all of the buildings are finishing before the end of the year. Given the uncertainties over the State of Illinois's budget, developers are unsure if the tax credit will be extended. Details on these properties are included in Table 10.

C. Planned Market Rate Apartments

Three projects are in the planning stage at this time that will add 186 units – Cooperage 214, 701 North Main Street, and River Trail Apartments. The first two are rehabs of existing buildings with 18 and 24 units each. River Trail Apartments with 144 units, to be located at Bond Street and Evans Street along the river east of I-74, will be the largest project to be constructed in or near Downtown and the only one that is new construction. Available information on these projects is included in Table 10.

At this time there are no other planned apartments elsewhere in the city of Peoria or in East Peoria.

D. Class A Suburban Apartment Complexes

As a comparison to the rents at Downtown apartment buildings, VSKA surveyed the two newest suburban apartment complexes, *Apartments at Grand Prairie* (2010) and *Prairie Lakes* (2004-2013). These are considered to be the highest quality suburban apartments in the Peoria area and are both in the highly regarded Dunlap School District, an advantage for families with school-aged children. The properties offer many amenities including clubhouse with fitness center and outdoor pool, and units have full size washers and dryers in addition to the standard appliances. Rents are generally less expensive than the rehabbed loft buildings Downtown. Details on these properties are included in Table 11 at the end of this chapter, followed by a location map. Photographs are in the Appendix.

E. Comparison of Downtown Peoria Market Rate Apartments to Downtown Davenport, IA

VSKA recently completed work in the Quad Cities and surveyed market rate apartments in Downtown Davenport. That city experienced a large number of conversions and renovations of older Downtown buildings into rental apartments over the past ten years. It has a vibrant Downtown, so it provides a useful benchmark for Peoria. Most of the buildings used federal and state historic tax credits. According to developers, the Iowa state tax credit was a key factor in the renovation of these buildings.

Davenport has 42,050 households, slightly smaller than Peoria which has 48,329 as of 2015 according to estimates by Esri. Downtown Davenport has 726 market rate rental apartments, 1.7% of the city's households. As shown above, Downtown Peoria has 212 market rate rental units, equal to only 0.4% of the city's households. If Downtown Peoria had the same 1.7% share as Downtown Davenport, it would have 822 market rate rental units. This is indicative of the unmet potential in Downtown Peoria.

Table 10

DOWNTOWN PEORIA MARKET RATE RENTAL PROPERTIES

Location	# of Units	Rental Range		Square Footage	Rent/S.F.	Amenities and Comments
		Unit Type (Bed/Bath)	\$			
Civic Center Plaza 331 Fulton Street 309-966-4755	116	<u>Original</u>				Older high-rise in Peoria CBD. Building renovated in 1991. 30 additional units will be available in May/June 2016. Rent includes water, sewer and trash. Tenant pays heat, electric. Units have refrigerator and stove. Newly renovated units to include microwave. 1 and 2 BR units have dishwasher. Laundry on each floor, looking into minimart. Parking available in adjacent public garage for \$65/month. Laundry, workout rom, wifi accessible resident cafe. 98% occupied. Caterpillar leased all studios for the summer for its interns.
		Studio	\$727	600	\$1.21	
		1/1	\$834	700	\$1.19	
	30	<u>2016 Renovation</u>				
		Studio	\$750	600	\$1.25	
		1	\$925	700	\$1.32	
	2	\$1,400	800	\$1.75		
Twin Towers 123 SW Jefferson Avenue 309-674-1200	22	1 BR	\$900-1,250	792-1,120	\$1.12-1.14	Two 28-story buildings constructed as condos in 1985. 124 total units. Builder bought 22 units on lower floors that didn't sell as condos & rents them. Units can be 1/4 floor, 1/3 floor, 1/2 floor, or full floor. Rent includes water, sewer and trash removal; tenant pays electric (including heat). Units have stove, refrigerator, dishwasher, blinds and carpet or vinyl plank floors. Amenities include launderette on each floor, party room, 24-hr. doorman & camera surveillance, next to mall shopping; dry cleaning and maid service available; underground parking for \$70/month. Other owners may rent units. Units stay full.
		2 BR	\$1,000-1,350	900-1,200	\$1.11-1.13	
		3	\$2,400	1,660	\$1.45	
The Lofts at Waterfront Place 311 SW Water Street 309-691-2300	23	1/1	\$900-1,325	635-972	\$1.36-1.42	Residential loft units over commercial space. Units have stove, refrigerator, dishwasher, disposal, microwave, wood floors, window coverings. Laundry room, exercise room, deck. Rent includes water, sewer & trash removal; tenant pays electricity (incl. heat). Parking in lot across street with in/out privileges (not managed by building). Majority of building is commercial. 100% occupied with wait list..
		2/1	\$1,240	974	\$1.27	
		2/2	\$1,450	1,050	\$1.38	

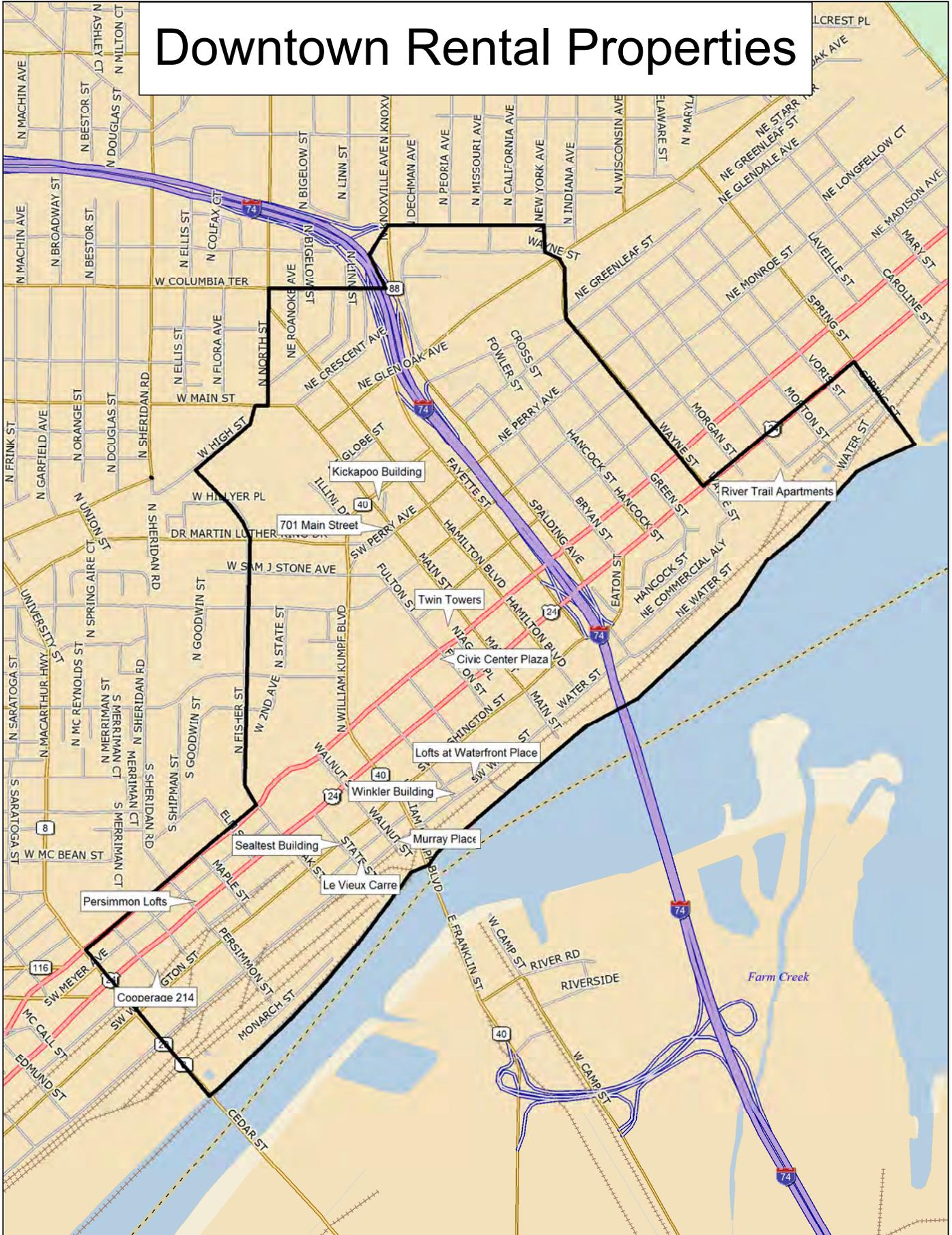
Location		Rental Range		Square Footage	Rent/S.F.	Amenities and Comments
		Unit Type (Bed/Bath)	\$			
Kickapoo Building 728-734 Main Street 309-696-1933	6	1/1	\$900-1,200	NA	NA	Renovated triangular-shaped building Downtown near medical center. Units have stove, refrigerator, carpet or wood floors, blinds & wiring for internet & cable. Laundry room and on-site parking. Located above coffee shop with Wi-Fi, near restaurants & bars. Long wait list (about 1 year). Mostly medical students.
		2/1	\$1,350-1,550	NA	NA	
Le Vieux Carre 114 State Street	15	Studio & 1 BR	\$825-1,285	900-1,400	\$0.92	Apartments renovated over the past 10 years. Units include a dishwasher, washer/dryer, microwave. Tenants pay utilities. Outdoor parking included in rent. Building stays full.
Under Construction						
Murray Place 100 Walnut Street 309-360-8997 murrayplace.com	30	1/1	\$985-995	824-833	\$1.19-1.20	Pre-leasing apartments. Will be available in Fall 2016. Large ceilings with exposed duct work. Storage and laundry on each floor, roof deck. Units include stainless steel appliances. On-site exercise room, bike racks, and parking
		2/2	\$1,500-2,150	1,102-1,471	\$1.36-1.46	
		3/2	\$1,975	1464	\$1.35	
Winkler Building Water St and Harrison St (309) 645-7666	28	Studio	NA	NA	NA	Apartments located above commercial space (teachers' union) in converted industrial building. Studios w/ lofted space and 1 bedrooms. Available summer 2016. Rents to be determined.
		1	NA	NA	NA	
Sealtest Building Washington St and State St	8	Studio	NA	900-1000	\$1.17	Open floor plan. 4 have been sold, some may be owner occupied, others may be purchased as investment and leased out. Pricing around \$140,000-230,000.
		1 & 2 BR	NA	1,400	\$1.17	
Persimmon Lofts Persimmon and Adams	44	Studio	NA	462-700	NA	Four story, elevator building, parking in the basement. Exposed concrete ceilings, exposed exterior walls. Units will include stove, refrigerator, internet and heat. Tenants responsible for utilities. Inside parking - \$75; outdoor parking - \$50. To be completed by year-end.
		1	NA	850-1,200	NA	

Location		Rental Range		Square Footage	Rent/S.F.	Amenities and Comments
		Unit Type (Bed/Bath)	\$			
Planned						
Cooperage 214 214 Pecan St (309) 693-9900	18	1/1	\$740-965	553-800	\$1.21-1.34	3-story building. Apartments will include stainless steel appliances, dishwasher, washer/dryer, premium cabinets, upscale bathrooms, exposed ceilings, original floors. Paid parking available. Tenant lounge. Gas and high speed internet included. Tenant pays electric. Construction should begin in June and be completed in December 2016.
		2/1	\$1,300	995	\$1.31	
		2/2	\$1,390-1,400	1,070-1,200	\$1.17-1.30	
701 Main St. (309) 696-0415	24	Studio	\$695	NA	NA	3-story building, conversion from 34 efficiencies to 24 studio to 2 bedroom apartments. Heat included, electric and parking are extra. Gut rehab: stainless steel appliances, granite countertops, breakfast bar. Not yet approved.
		1	\$1,050	NA	NA	
		2	\$1,375	NA	NA	
River Trail Apartments Bond St and Evans St (630) 321-1613	144	Studio	NA	NA	NA	Located a couple blocks from the Riverplex health club/medical center. Each building will have an elevator, attached garage, roof deck, and meeting rooms.
		1	NA	NA	NA	
		2	NA	NA	NA	
		3	NA	NA	NA	

NA Not Available

Source: Valerie S. Kretchmer Associates, Inc.

Downtown Rental Properties



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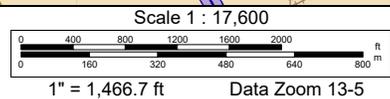
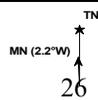


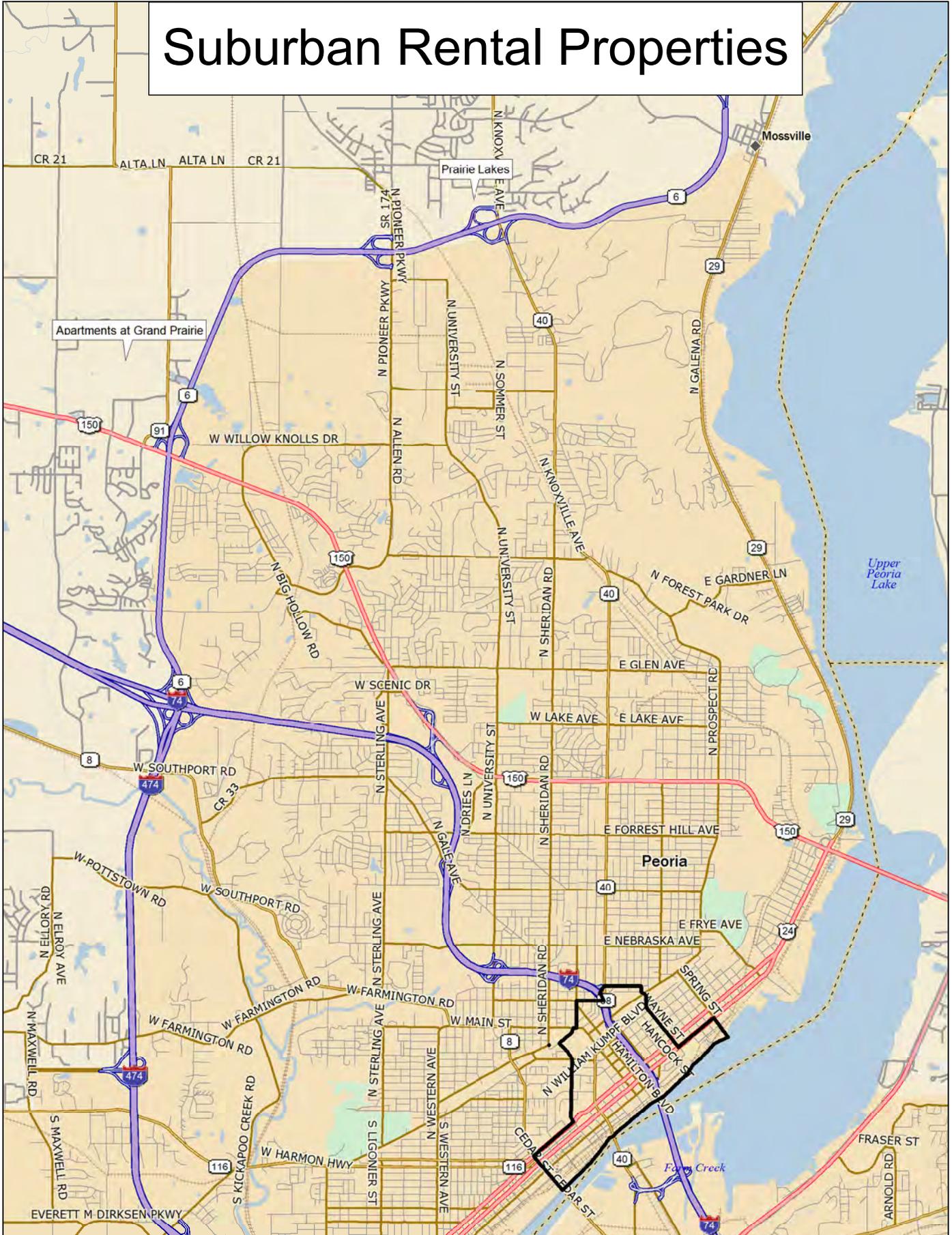
Table 11

BETTER QUALITY SUBURBAN APARTMENT COMPLEXES IN PEORIA

Location	Rental Range		Square Footage	Rent/S.F.	Amenities and Comments
	Unit Type (Bed/Bath)	\$			
Apartments at Grand Prairie 5400 W. Sienna Lane 309-693-3201	1/1 2/2 3/2	\$794-1,045 1,145-1,220 1,300-1,390	720-905 1,056 1,392	\$1.10-1.15 \$1.08-1.16 \$0.93-1.00	Opened in 2010. Garden apt. complex with 160 units directly north of The Shoppes at Grand Prairie. Units have stove, refrigerator, dishwasher, microwave, full size washer and dryer, ceiling fan, private storage, walk-in closets and balcony or patio. Common area amenities include clubhouse with billiards, fitness center and wireless cyber cafe, outdoor pool, fire pit, gas grills, park area, bike racks. Carports and garage spaces are available for a monthly fee. Tenants pay for heat, hot water, sewer, water and electricity. Dunlap School District.
Prairie Lakes 1700 W. Coneflower Drive 309-243-8588	1/1 2/1 2/2	\$800 905 1,000-1,020	970 1,141 1,190	\$0.82 \$0.79 \$0.84-0.86	Garden apt. complex with 750 units in 16 buildings built from 2004-2013. Units have refrigerator, stove, dishwasher, full size washer and dryer, walk-in closet and balcony or patio. 3rd floor units have cathedral ceilings and are most expensive. 2nd floor units less expensive. Addl. storage in some apts. Large clubhouse with fitness center, outdoor pool. Carports available for \$25 per month. Apartments available in all unit types. Heat and water included in rent. Dunlap School District. Larger 1 BR unit is handicapped accessible. 58% of units are 1 BR.

Source: Valerie S. Kretchmer Associates, Inc.

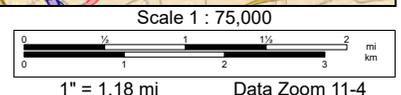
Suburban Rental Properties



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VI. CONDOMINIUM MARKET

A. Single-Family Attached and Detached Home Sales in Peoria

VSKA obtained data from the Peoria Area Association of Realtors on the number of single-family detached and attached sales in 2014 and 2015 by price range in the city of Peoria. Table 12 below summarizes the sales data. There were almost 1,900 sales of single-family detached homes, a 2.4% increase over the number in 2014. While the total single-family detached sales volume increased by 0.8% between 2014 and 2015, the median sales price increased by 1.9% to \$107,000 from \$105,000. Fifteen percent (291) of the single-family detached sales were over \$200,000, down very slightly from 2014.

There were far fewer single-family attached home sales, which include townhouses, duplexes and condominiums. In 2015 there were 187 sales, up 4.5% from 2014. The median sales price was higher than for single-family detached homes at \$118,500, though this was a 5.2% decline from the 2014 median. However, the total sales volume was 2.1% higher in 2015. Twenty-three percent of the sales (43) were for more than \$200,000. The higher median single-family attached price and share of sales over \$200,000 is likely due to the fact that the single-family attached units are generally newer than single-family detached homes.

Table 12

SUMMARY OF CITY OF PEORIA SINGLE-FAMILY DETACHED AND ATTACHED SALES 2014-2015

	2014	2015	Change
Single-Family Detached Sales Volume	\$244,608,284	\$246,491,985	0.8%
Single-Family Attached Sales Volume	\$24,277,387	\$24,779,550	2.1%
Single-Family Detached Sales (Units)	1,855	1,899	2.4%
Single-Family Attached Sales (Units)	179	187	4.5%
Median Sales Price - Single-Family Detached	\$105,000	\$107,000	1.9%
Median Sales Price - Single-Family Attached	\$125,000	\$118,500	-5.2%

Source: Peoria Area Association of Realtors

B. Downtown and Representative Suburban Condominium Sales

There are very few condominiums in Downtown Peoria. The largest is the Twin Towers, constructed in 1984 with a total of 124 units, 22 of which are rental units. Units at the Twin Towers range from ¼ to a full floor. Fourteen units sold between January 2015 and April 2016 at prices ranging from \$81-134 per square foot for one and two bedrooms with 790-1,660 square feet.

401 SW Water Street, a much smaller building built in 2000 with approximately 27 units, had only 3 sales during this period. However, the prices were considerably higher than those at Twin Towers, ranging from \$158-189 per square foot for one and two bedroom units with 1,405-1,934 square feet. The building is unusual in design and reportedly took five years to sell out when it first opened. The Maxam building, a small building with only 7-8 units on SW Washington Street, had no sales during this period.

Table 13 on the following page shows the number of sales by bedroom and unit size, price range, average price, and price per square foot for the two Downtown buildings and representative suburban condominiums that are attractive to empty nesters looking to downsize. On average, units at the Twin Towers sold for a similar price per square foot as the representative suburban properties which are primarily low-rise single-family attached buildings. Prices at 401 SW Water Street were significantly higher.

According to Realtors active in Peoria, the Downtown condominium buildings have a mix of residents including seniors, younger empty nesters, younger singles and couples. Few have children. The prices of condominiums at Twin Towers are not representative of the prices that a new Downtown building could command given that it is 30+ years old.

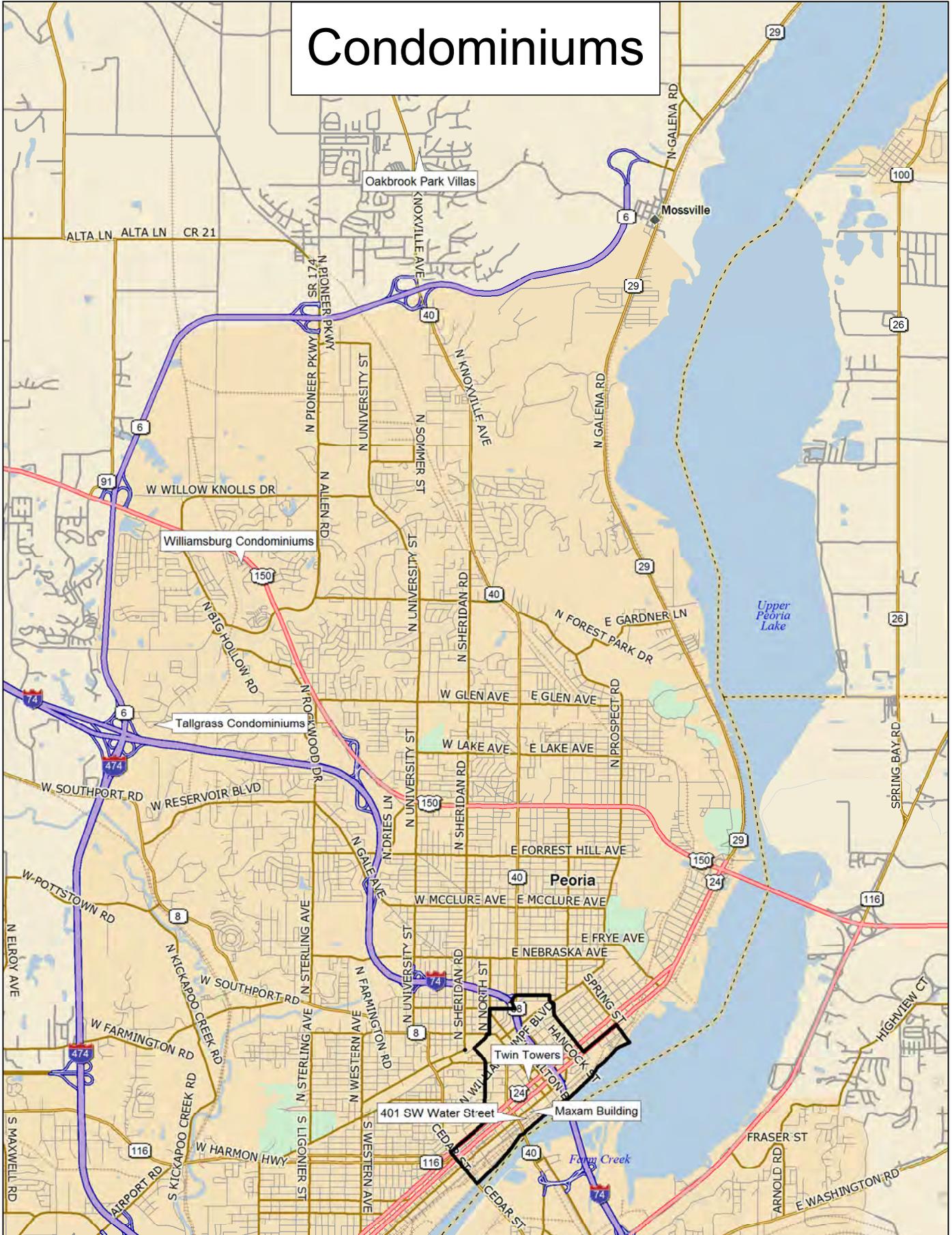
Table 13

DOWNTOWN AND REPRESENTATIVE SUBURBAN PEORIA CONDOMINIUM SALES, 2015-2016

	Bedrooms	SF Range	Price	Price/SF (Range)	Avg. Price/SF	# of Sales
Downtown						
Twin Towers	1	790-863	\$84,000-\$107,000	\$106-\$124	\$112	3
123-125 SW Jefferson Street	2	833-1,660	\$80,000-\$190,000	\$81-\$134	\$107	11
401 SW Water Street	1	1,405-1,934	\$265,000-\$305,000	\$158-\$189	\$173	2
	2	1,516	\$265,000	\$175	\$175	1
Representative Suburban						
Tallgrass Condominiums 4509-69 N Thornhill Drive	2	1,150-1,361	\$125,000-\$142,500	\$102-\$117	\$108	8
Williamsburg Condominiums 3308-23408 W King James Court 6610-22 N Queen Frances Lane	2	1,248-1,320	\$111,000-\$189,500	\$86-\$144	\$104	10
	3	1,712	\$137,900	\$81	\$81	1
Oakbrook Park Villas 11217 N Oakwood Drive	2	1,458-1,540	\$140,000-\$153,500	\$91-\$103	\$100	8
	4	1,920	\$214,000	\$111	\$111	1

Source: Jim Maloof Realtor, MLS/Peoria Area Association of Realtors

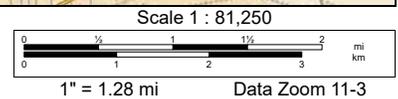
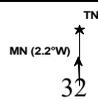
Condominiums



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VII. DEMAND FOR APARTMENTS AND CONDOMINIUMS IN DOWNTOWN PEORIA

A. Demand Generators

Projected growth in the population and employment in the Peoria region, city of Peoria and specifically the Greater Downtown area will generate demand for additional residential options. In the immediate term, the University of Illinois College of Medicine is increasing the size of the student body by 55 starting this fall. An estimated 60% of the medical students and medical residents currently live Downtown according to a college representative. Students at Robert Morris University, located in the Central Business District, also live Downtown now.

The medical center will continue to be a major source of potential residents for renovated buildings in the Warehouse District, as well as other buildings throughout the Greater Downtown. There will be demand for more apartments close to the hospitals, as demonstrated by the strong interest in the Kickapoo building on North Main Street. While the vast majority of medical center employees live outside of Downtown now, with a wider range of housing, more can be attracted.

While the timing of Caterpillar's headquarters construction is uncertain, the company is committed to staying in Downtown Peoria. Once construction does start, it is expected to generate more interest from residential developers.

Expansions of firms already located Downtown and relocations of others to Downtown will also fuel demand for additional residential options Downtown. Farnsworth Group, Northwest Mutual, and Crawford, Miller, Tilly announced that they will be moving Downtown from the suburbs. The moves were prompted by the desire to find more interesting space and to be closer to where younger employees want to be.

Caterpillar and firms moving Downtown consider additional residential development important for attracting and retaining younger employees. This is similar to the trend in many larger metropolitan areas including Chicago.

B. Apartment Demand

Table 14 that follows shows the demand over the next five years for apartments in the Greater Downtown area. Between 2015 and 2020, VSKA projects demand for **505-670 new market rate units for households with incomes of \$35,000-150,000 for an annual average of 101-134 units**. This is based on household estimates and projections by Esri and rental data from the American Community Survey for Peoria. VSKA made assumptions regarding the growth in higher income renter households and the potential share that Downtown Peoria can capture of the total citywide demand.

This following assumptions were used in the demand analysis:

Peoria Demand

Peoria renter households under 65 years of age with incomes of \$35,000-\$150,000 – currently 36% of households in this age and income group are renters. The share is assumed to grow to 39% by 2020 due to the increasing propensity of younger and more affluent households to rent.

Peoria renter households over 65 years of age with incomes of \$35,000-\$150,000 – currently 18% of households in this age and income group. The share is assumed to grow to 21% by 2020 due to the increasing propensity of more affluent households to rent and the desire of seniors to move into lower maintenance housing close to medical care.

Difference in the number of Peoria renter households with incomes of \$35,000-\$150,000 between 2015 and 2020 -- this is the demand for new market rate rental units in Peoria.

Demand for new market rate rental units in Peoria at 95% occupancy -- this is the demand for new market rate rental units divided by 95%.

Greater Downtown Peoria Demand

Number of Greater Downtown rental units targeted to households with incomes of \$35,000-\$150,000 – this is estimated at 190 units now and equal to 2.3% of the city's renters in this income range.

Greater Downtown's 2015 potential share of the city's renter households with incomes of \$35,000-\$150,000 assuming product was available – this could increase to 5-7%. The difference between the number of existing Downtown rental units for this income range and the potential share is the unmet or pent-up Greater Downtown demand as of 2015.

Between 2015 and 2020, with the additional planned residential development and increasing employment Downtown, we assume that Downtown can capture 20% of the city's new construction of rental units for households with incomes of \$35,000-\$150,000 -- this is Greater Downtown's share of new rental demand in the city.

Total 2020 Greater Downtown demand -- this is the 2015 unmet demand plus Greater Downtown's share of new demand between 2015 and 2020.

Average annual demand – this is the total 2020 Greater Downtown demand divided by 5 years.

Table 14

DEMAND FOR DOWNTOWN PEORIA APARTMENTS

	2015	2020	Change
Peoria Households Under Age 65 by Income	36,689	36,157	(532)
\$35,000-\$49,999	4,715	4,313	(402)
\$50,000-\$74,999	6,165	5,757	(408)
\$75,000-99,999	4,443	5,413	970
\$100,000-149,999	<u>4,803</u>	<u>5,435</u>	<u>632</u>
Sub-Total with Incomes \$35,000-\$149,999	20,126	20,918	792
Percent Who Are Renter Households	36%	39%	
Estimated Renter Households Under 65 with Incomes \$35,000-\$149,999	7,245	8,158	913
Peoria Households Over Age 65 by Income	11,637	13,231	1,594
\$35,000-\$49,999	1,752	1,938	186
\$50,000-\$74,999	1,792	2,032	240
\$75,000-99,999	945	1,410	465
\$100,000-149,999	<u>967</u>	<u>1,376</u>	<u>409</u>
Sub-Total with Incomes \$35,000-\$149,999	5,456	6,756	1,300
Percent Who Are Renter Households	18%	21%	
Estimated Renter Households over 65 with Incomes \$35,000-\$149,999	982	1,419	437
Peoria Demand for New Apartments from <u>All</u> Renter Households With Incomes \$35,000-\$149,999			
Total Renter Households with Incomes \$35,000-\$149,999	8,227	9,577	
Demand for New Rental Units from Growth in Renter Households of All Ages with Incomes \$35,000-\$149,999			1,349
Demand for New Rental Units for Households with Incomes \$35,000-\$149,999 based on Assumed 95% Occupancy			1,420
Greater Downtown Peoria Demand for New Apartments from Renter Households With Incomes \$35,000-\$149,999			
Existing Greater Downtown Units Targeted to Households with Incomes \$35,000-\$149,999 (2.3% of Peoria)*	190		
Greater Downtown's <u>Potential</u> Capture of Existing Renter Households with Incomes \$35,000-\$149,999 (5-7% of Peoria)	411-576		
2015 Unmet Demand for Greater Downtown Units for Households with Incomes \$35,000-\$149,999	221-386		
Greater Downtown's Potential Share of Peoria's Demand for New Rental Units for Households with Incomes \$35,000-\$149,999 between 2015 and 2020		20%	284
Total 2020 Demand for Greater Downtown Units for Renters with Incomes \$35,000-\$149,999 (2015 Unmet Demand + Share of New Demand between 2015 and 2020)		505-670	
Average Annual Demand for Greater Downtown Units for Renters with Incomes \$35,000-\$149,999		101-134	

* Estimated based on the number of units at market rate buildings Downtown with rents over \$800 and their share of Peoria's renter households with incomes of \$35,000-\$149,999.

Source: Valerie S. Kretchmer Associates, Inc. based on estimates and projections from Esri and American Community Survey 2010-2014.

Current developer interest has been in rehabilitation of existing historic structures, making use of federal and state historic tax credits. The Illinois historic tax credit is set to sunset at the end of 2016. To date, state legislators have not taken up the issue of extending the tax credit and the current budgetary impasse may affect whether or not this will be addressed by year-end. If it is not extended, there is likely to be a lull in Warehouse District renovation activity.

Until this year, there has been little in the way of new construction or rehabilitation of market rate apartments Downtown. As such, lenders and appraisers don't have good comparable property data to rely on for analyzing future rents and property values. While financing is generally available, the lack of data on new product makes it more difficult to get the level of financing often needed for a development to proceed.

Parking will be required in the Warehouse District for buildings that don't have on-site parking already. While Downtown residents typically have fewer cars than suburban residents, most of the early residents of the new Downtown apartment buildings will have cars. A City-owned parking deck or arrangement with a private owner will be necessary. Those living Downtown now are used to paying for parking in a garage.

The existing Downtown apartment buildings and those currently under construction have a mix that is heavily weighted to studio and one bedroom units. These sizes are reasonable for residents still in school and just starting out in their careers. However, we recommend a wider unit mix in future Downtown buildings that includes more two bedroom units with both one and two baths, particularly split floor plans that are suitable for roommates.

In the near term, achievable rents should be in the \$1.35 to \$1.45 per square foot range as shown in Table 15 below. This equates to the approximate rents shown below, depending on unit sizes and the level of in-unit and building amenities. It assumes that tenants pay for heat and electricity. Rents can probably increase at the rate of 2-3% per year as units are absorbed. Typically smaller units have a higher rent per square foot than larger units.

Table 15

RECOMMENDED UNIT SIZES AND RENTS

Unit Type	Typical Size Range (SF)	Rent Per SF Range	Rent Range
Studio	500-600	\$1.45	\$725-870
1 Bedroom	750-800	1.35-1.45	1,010-1,160
2 Bedroom	900-1,000	1.35-1.40	1,215-1,400

In order to achieve these rents, apartments should have a kitchen with a stove, refrigerator, dishwasher, disposal and microwave, at a minimum. An in-unit washer and dryer is desirable. Common area amenities should include at least a laundry room on each floor (if washers and dryers are not included in the unit), a community room and outdoor patio or deck. Inclusion of a fitness room, extra storage and bike room are recommended if space allows. Where possible, balconies should be included and can command a rent premium. Views of the river and other particularly attractive city views can also command a premium above the rents shown above.

B. Condominium Demand

Empty nesters, young seniors and first time buyers are the typical Downtown buyers. In places such as Peoria where single-family detached home prices are very affordable, first time buyers are more likely to buy a detached home than a condominium. Demand for condominiums and other for-sale housing options will be much more limited in the next few years than for rental apartments. Potential buyers will want to see more residents, stores and convenience-oriented services Downtown before deciding to buy. Renters are able to move after a year (or sometimes less) if they don't like their building or neighborhood. Buyers may have a more difficult time selling, which makes them more hesitant in the first place.

While all of the rental buildings currently under construction and many that are planned are making use of federal and state historic tax credits, this incentive is not available for owner-occupied residences. Thus, any new condominiums or townhouses will need to be new construction. Sales prices of Downtown and suburban condominiums and townhouses are relatively low at present. As indicated earlier in this report, there were only 43 single-family attached sales over \$200,000 in Peoria since January 2015.

Sales prices of at least \$160-170 per square foot are likely needed to make Downtown condominiums feasible for a developer. One bedroom units of 850-1,000 square feet would require a selling price of \$136,000-170,000. Two bedroom units of 1,200-1,600 square feet would require a selling price of \$192,000-272,000, while two bedrooms with a den or three bedrooms with 1,800-2,200 square feet would require a price of \$288,000-374,000. The market will be thin for Downtown units at these prices in the near term.

Condominium developers will need to pre-sell a portion of their buildings before they are able to start construction given typical lender requirements. This takes time, especially when prospective purchasers are faced with buying off of building plans with no models to view. Empty nesters and young seniors are the most likely ones to consider moving into a Downtown Peoria condominium. They will be interested primarily in single-story living as opposed to units with stairs, though a small number of duplex units could be marketable. Parking in or directly adjacent to the building is essential. Compared to a rental building, larger average unit sizes, higher quality finishes and upgraded appliances are also required.

VIII. APPENDIX

Photographs of Downtown Apartments and Condominiums

Photographs of New Suburban Apartment Complexes and Representative Condominiums

Downtown Apartments



Civic Center Plaza



Twin Towers

Downtown Apartments



Kickapoo Building



Le Vieux Carre



The Lofts at Waterfront Place

Downtown Apartments – Under Construction



Murray Place



Winkler Building



Sealtest Building



Persimmon Lofts

Downtown Apartments - Planned



Cooperage 214



701 Main Street

Downtown Condominiums



Twin Towers



401 SW Water



Maxam Building

Suburban Apartment Complexes



Apartments at Grand Prairie



Prairie Lakes

Representative Suburban Condominiums



Tallgrass Condominiums



Williamsburg Condominiums



Oakbrook Park Villas