



**Maxfield**  
Research & Consulting



## Market Study Findings on DT Pine City Mill Site

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                                 **Maxfield Research & Consulting LLC**

**April 30, 2020**

# Maxfield Research & Consulting, LLC

## Overview

- 35+ years experience
- Diverse client base
- Multi-Sector Capable
  - residential
  - commercial
  - public + private entities
- Market driven strategies
- Recommending highest & best uses
- Provide actionable plans

**Maxfield Research & Consulting, LLC** is a full-service real estate advisory company providing strategic value to our private and public sector clients' real estate activities.



# Project Scope

## OBJECTIVE

Provide initial market assessment for a select development in Pine City

## APPROACH

Identify current & future rental, retail and homeless needs for the subject property located at 320 3<sup>rd</sup> Street Southeast

## PROJECT DELIVERABLES

- Site assessment
- Demographic/Economic drivers
- Market performance of real estate types
- Recommended uses

## KEY DATES

- Data collection: February 2020
- Draft Report: March 2020
- Presentation: April 30, 2020

# Agenda

Site Analysis

Demographic/Economic Overview

Market Overview/Trends

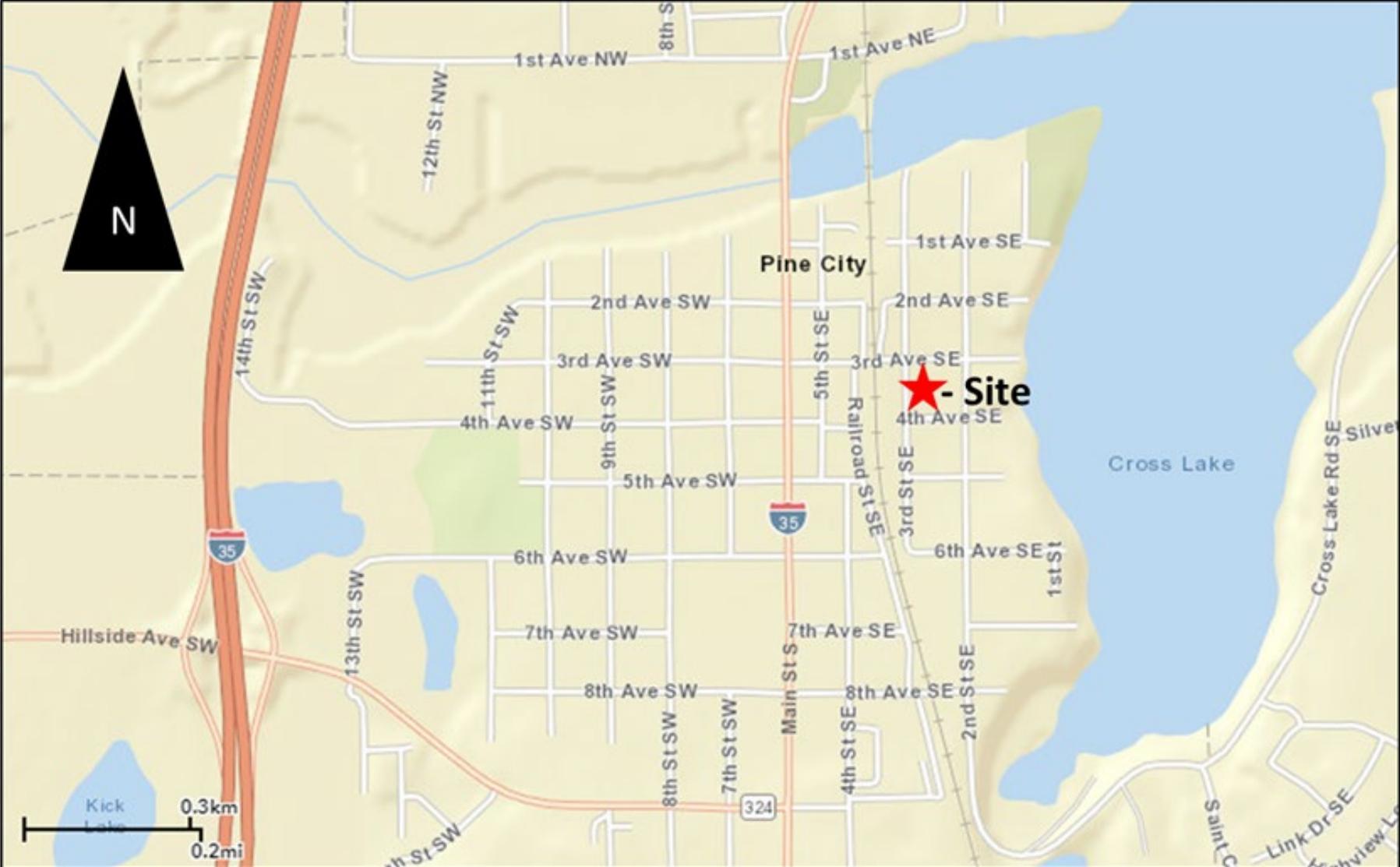
Demand Calculation

Recommendations

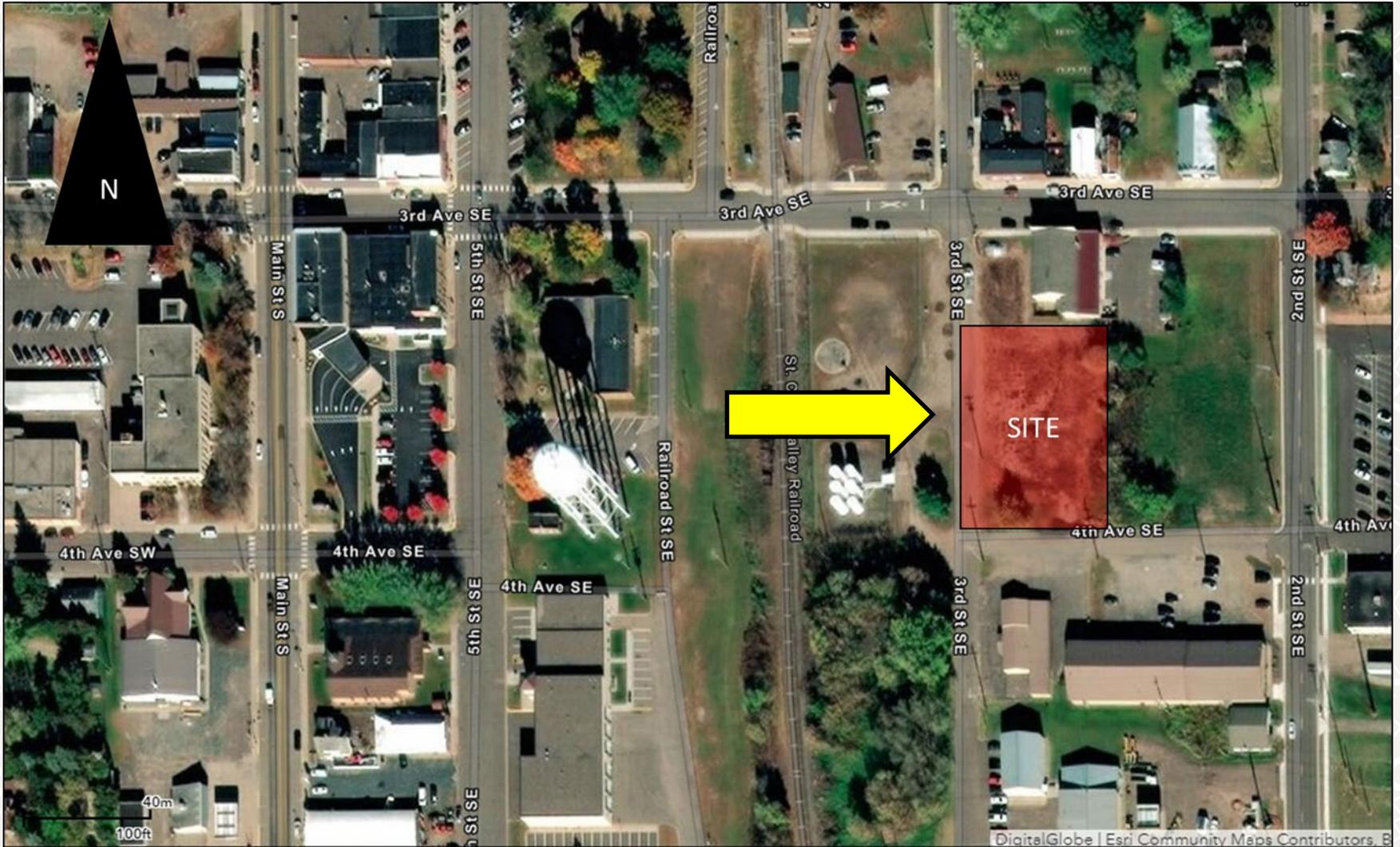
COVID-19 Impacts

# Site Analysis

# Pine City Mill Site Location



# Aerial View of Property



# Adjacent Parcels



## Acreage:

- Subject: 0.68
  - A Place for You: 0.58
  - Remainder: 0.87
  - Block: 2.13
- 
- A Place for You + Subject Site = 1.26 acres

# Site Assessment

## Strengths

- Low-traffic; semi-secluded
- Walkable from shopping at 5<sup>th</sup> Street SE
- Nearby amenities
- Property already acquired and cleared

## Weaknesses

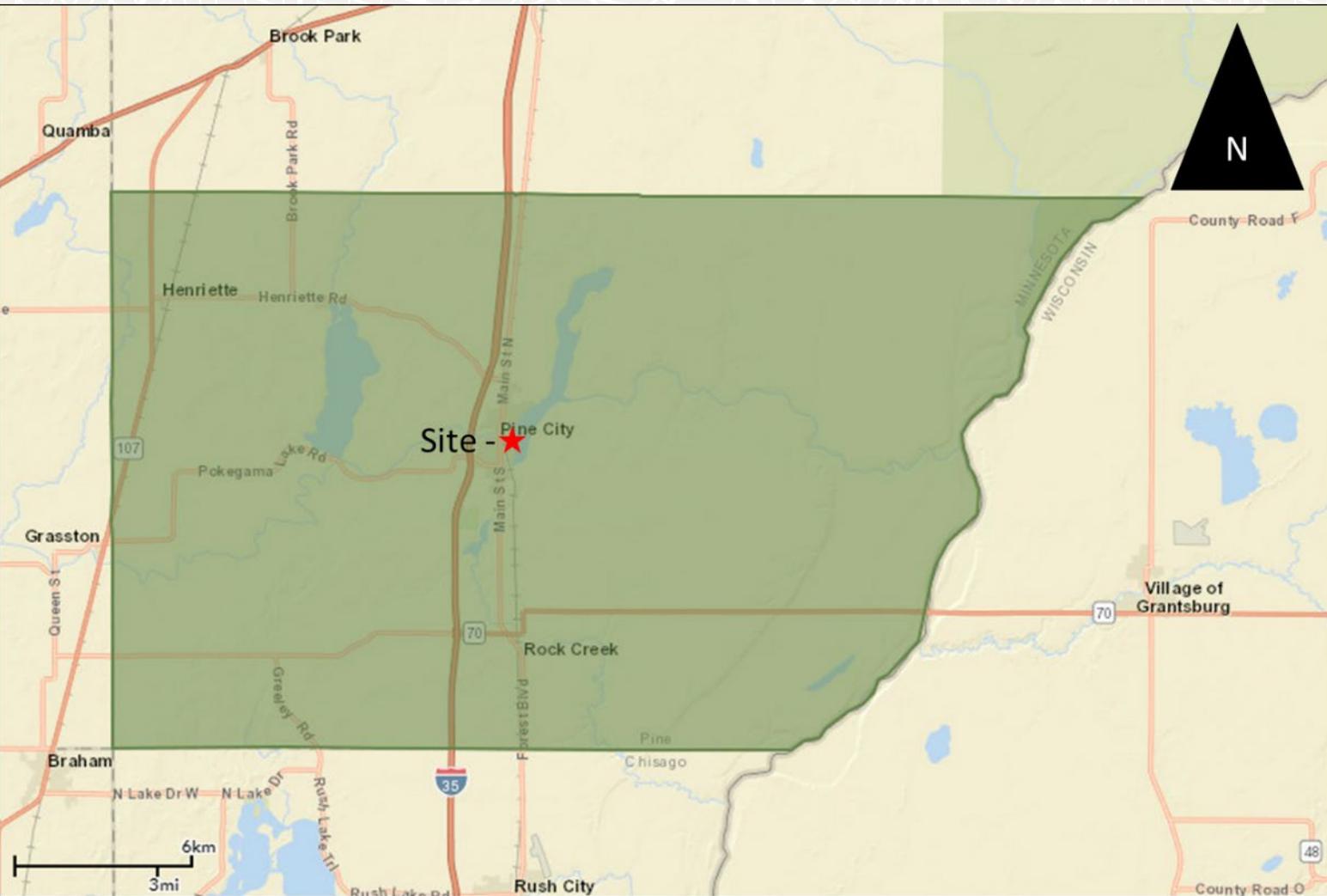
- Medium visibility from Main Street
- Somewhat limited access
- Limited Site Acreage, additional land assembly would require redevelopment



*The Site, looking towards “A Place for You”*

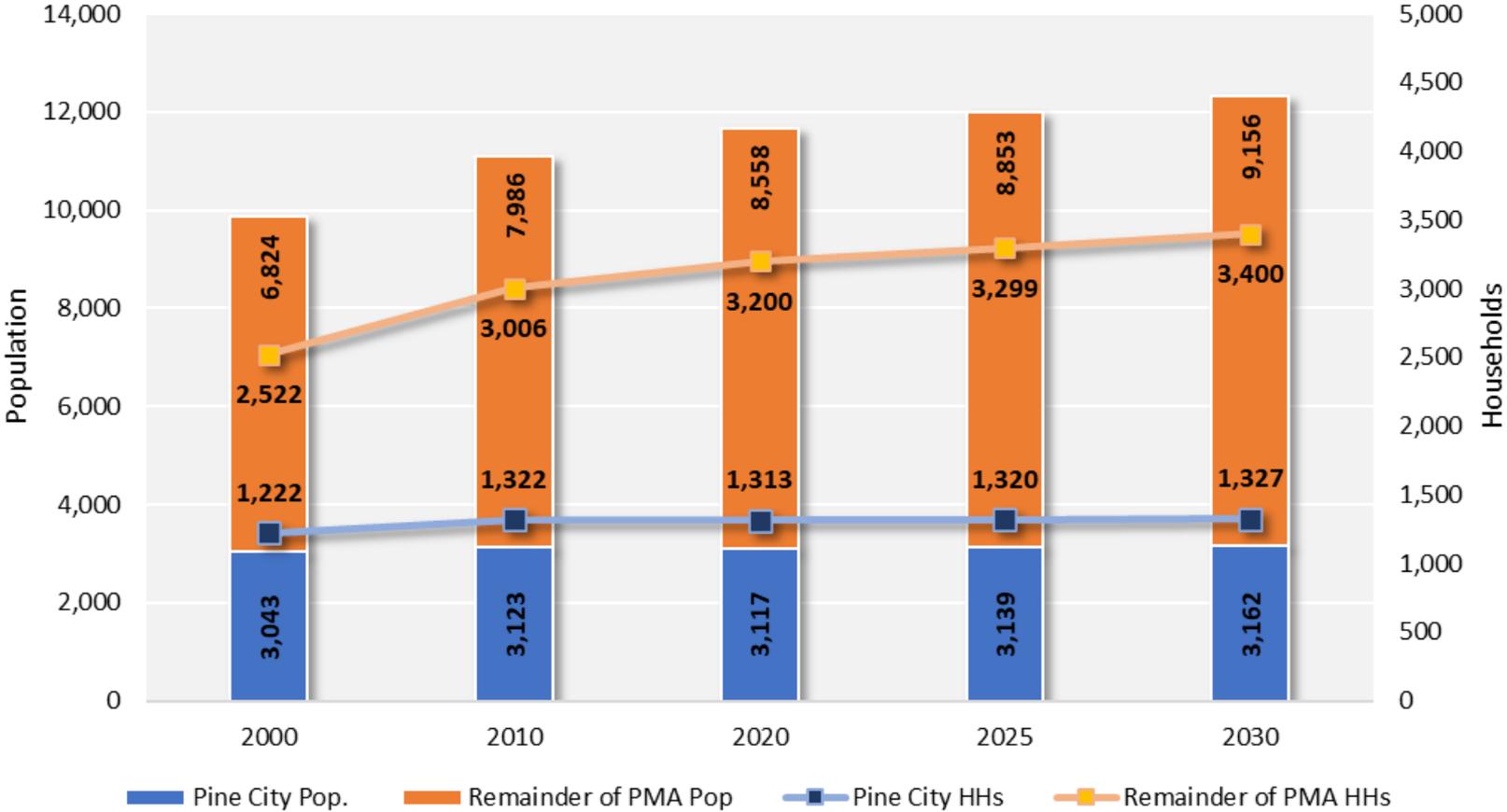
# Demographic/Economic Overview

# Primary Market Area: 7 County Subdivisions



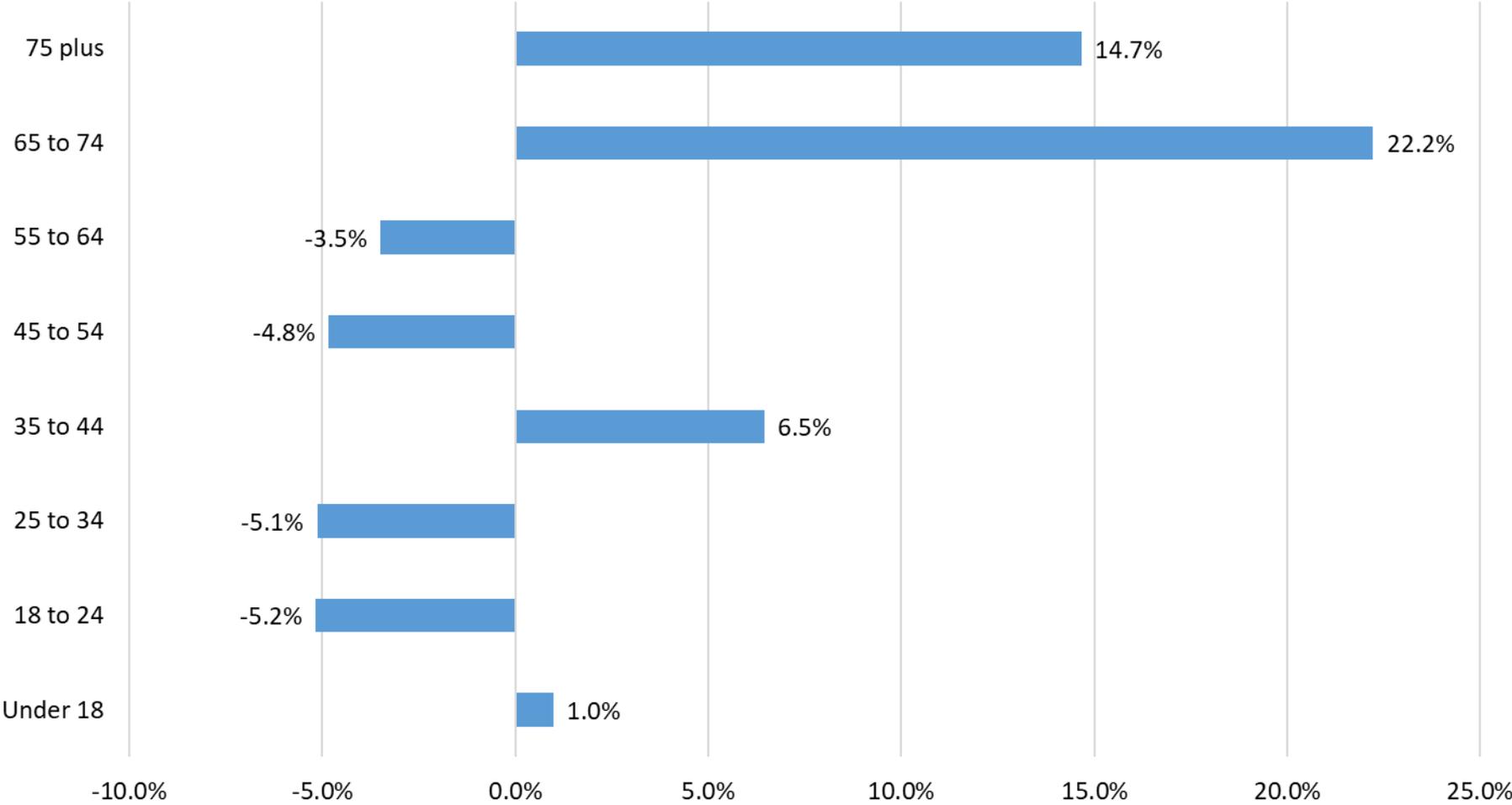
# Household Growth outpace Population Growth

### Population and Household Trends Pine City and PMA, 2000 to 2030

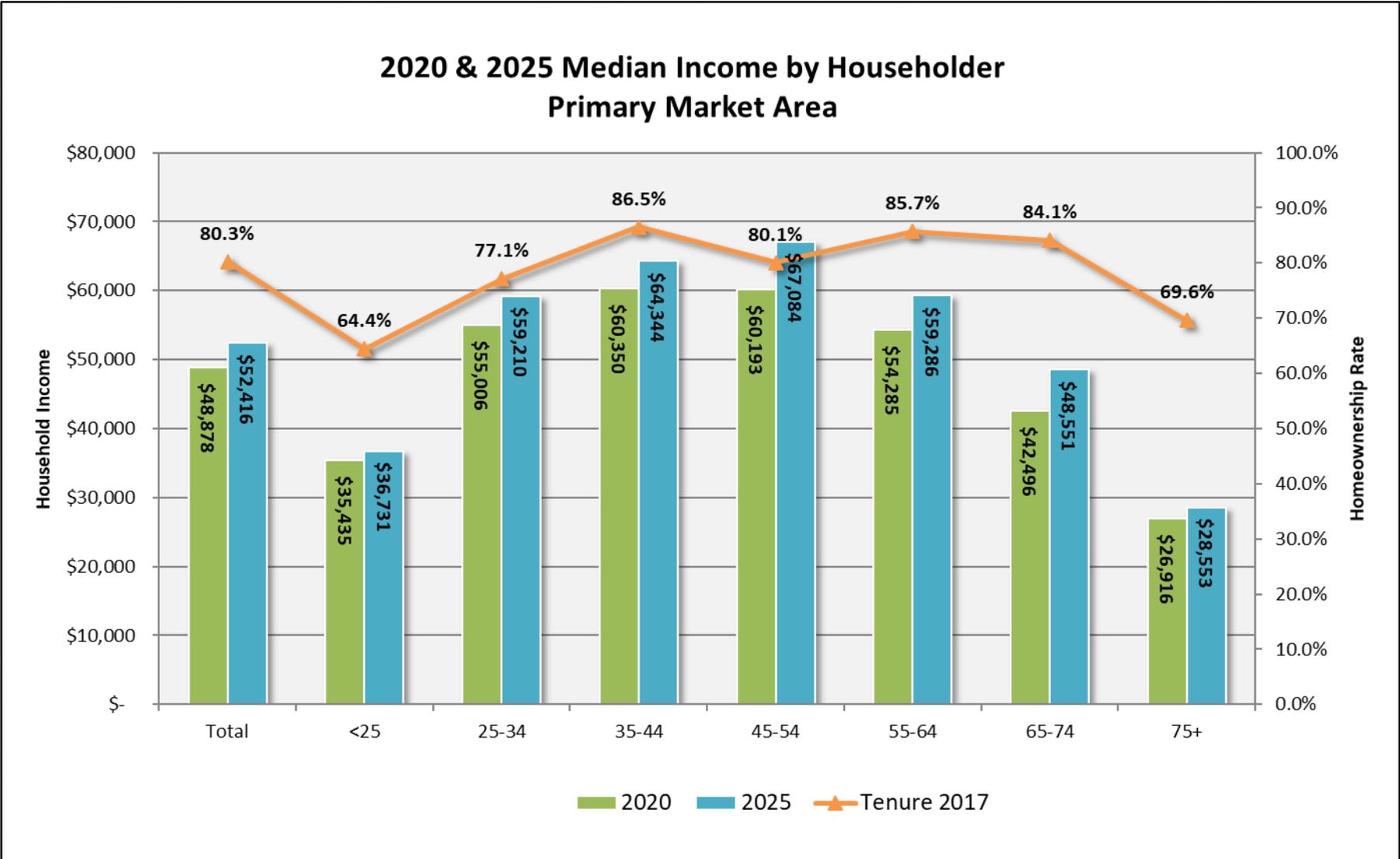


# Strong Growth in Older Age Cohorts

PMA Projected Population Age Distribution: 2020-2025

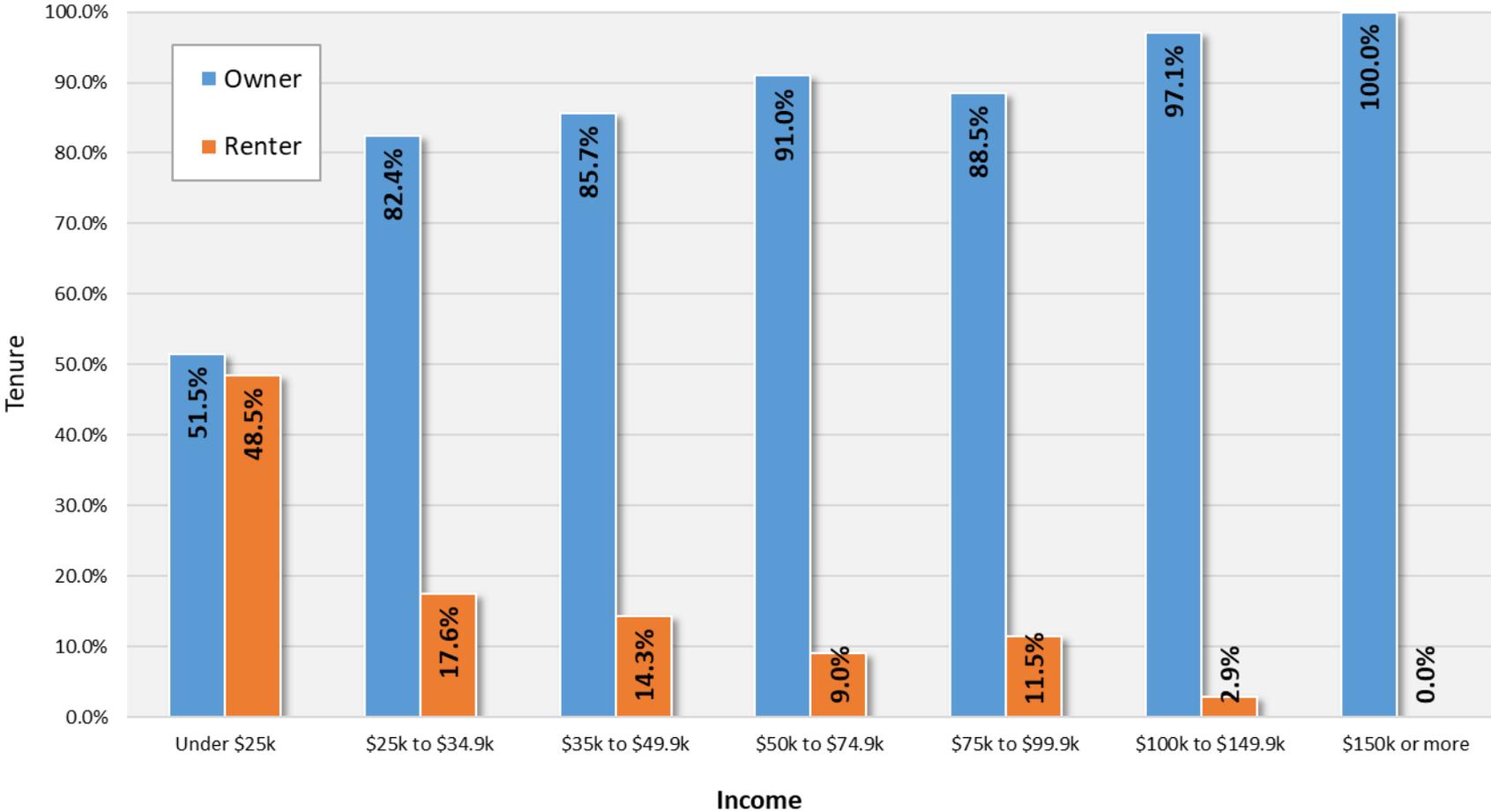


# Incomes peak in the 35-44 cohort



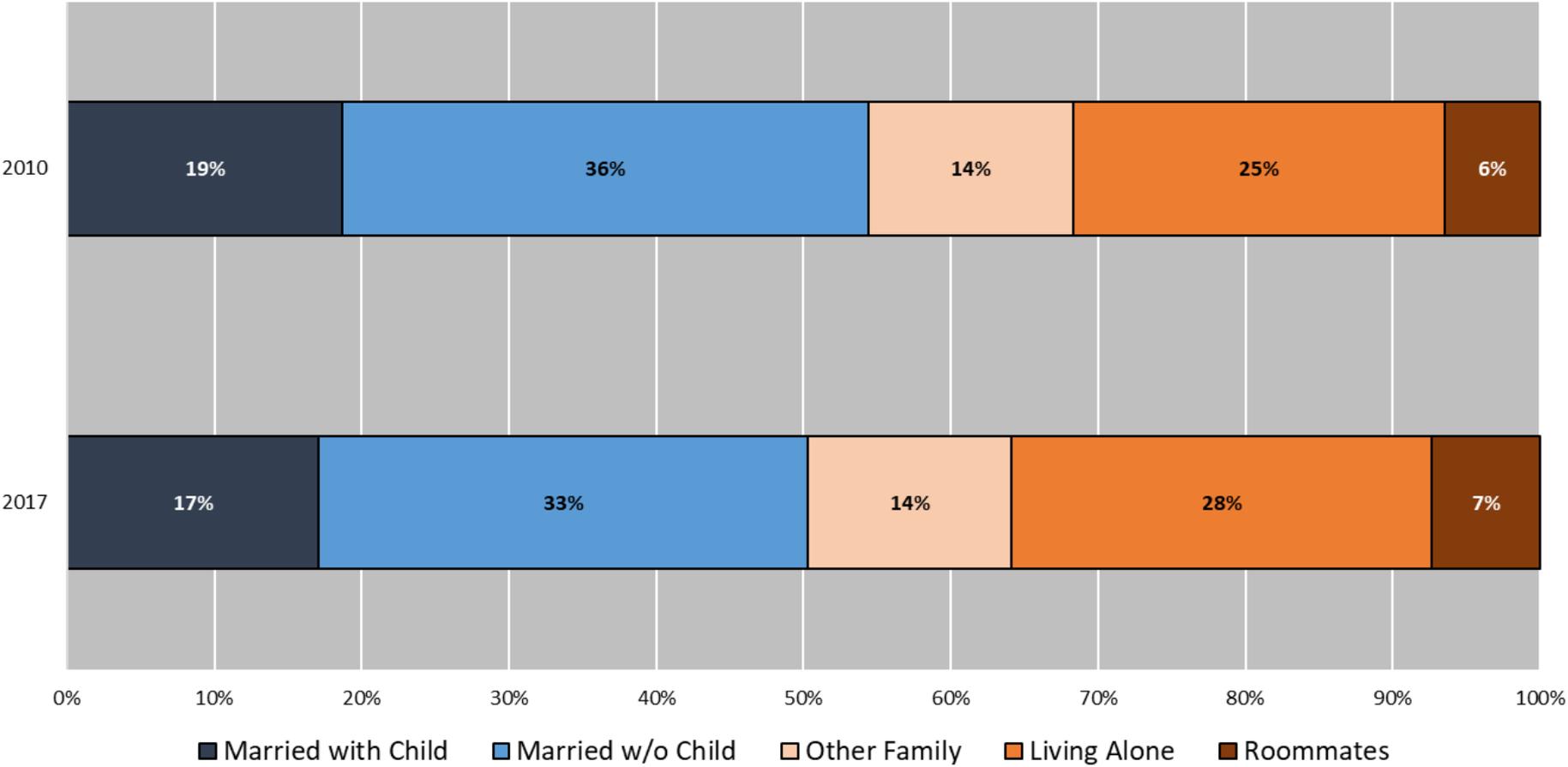
# HO Rates Rise with Income

Tenure by Income  
Primary Market Area, 2017



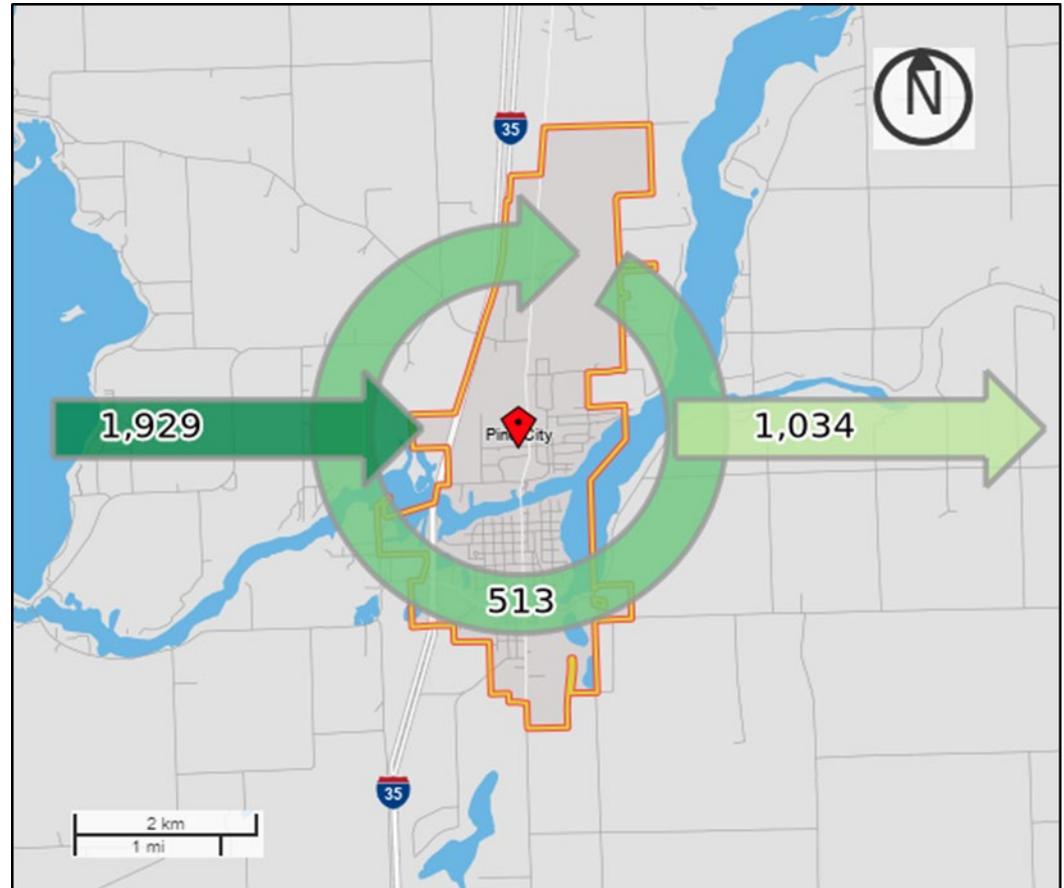
# Family HH Types Shrinking...

Household Type, Primary Market Area, 2010-2017



# Economic Growth Positive... until COVID-19

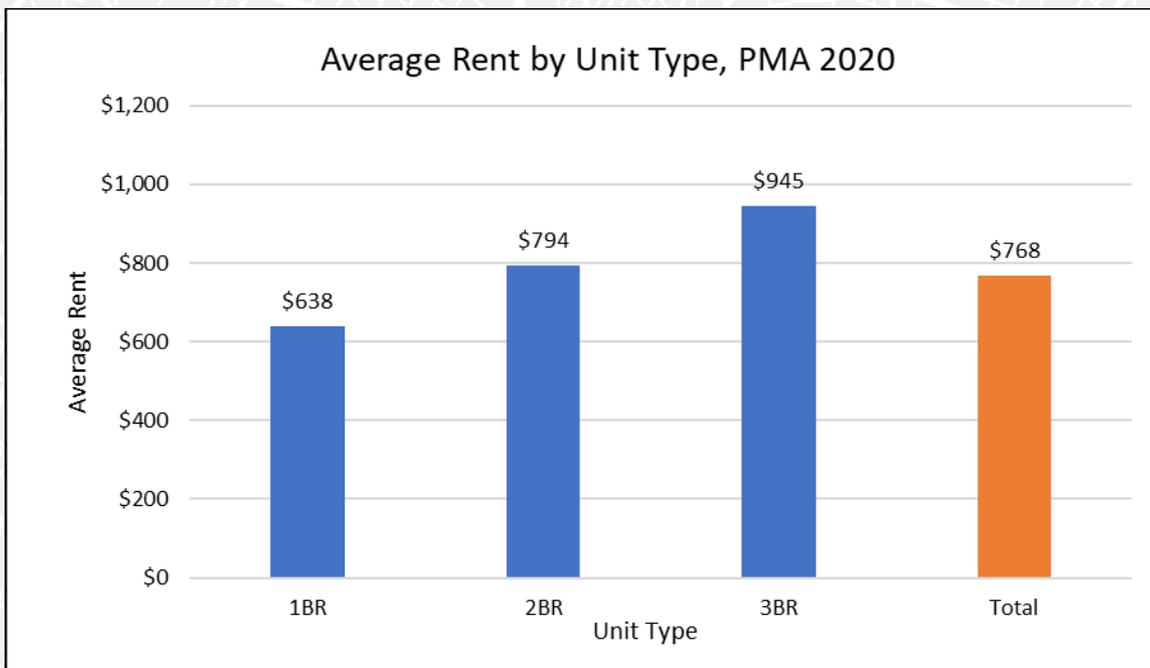
- Low 4.8% unemployment rate...lowest in 20 years
- Labor force - 10-year high
- 9% job growth projected in Central MN this decade
- Pine City wages about 13% lower than EDR-7E
- Pine City is a net importer of jobs daily. Almost twice as many workers commute in than commute out.
- The impact of Covid-19 is rapidly changing



# Market Overview/Trends

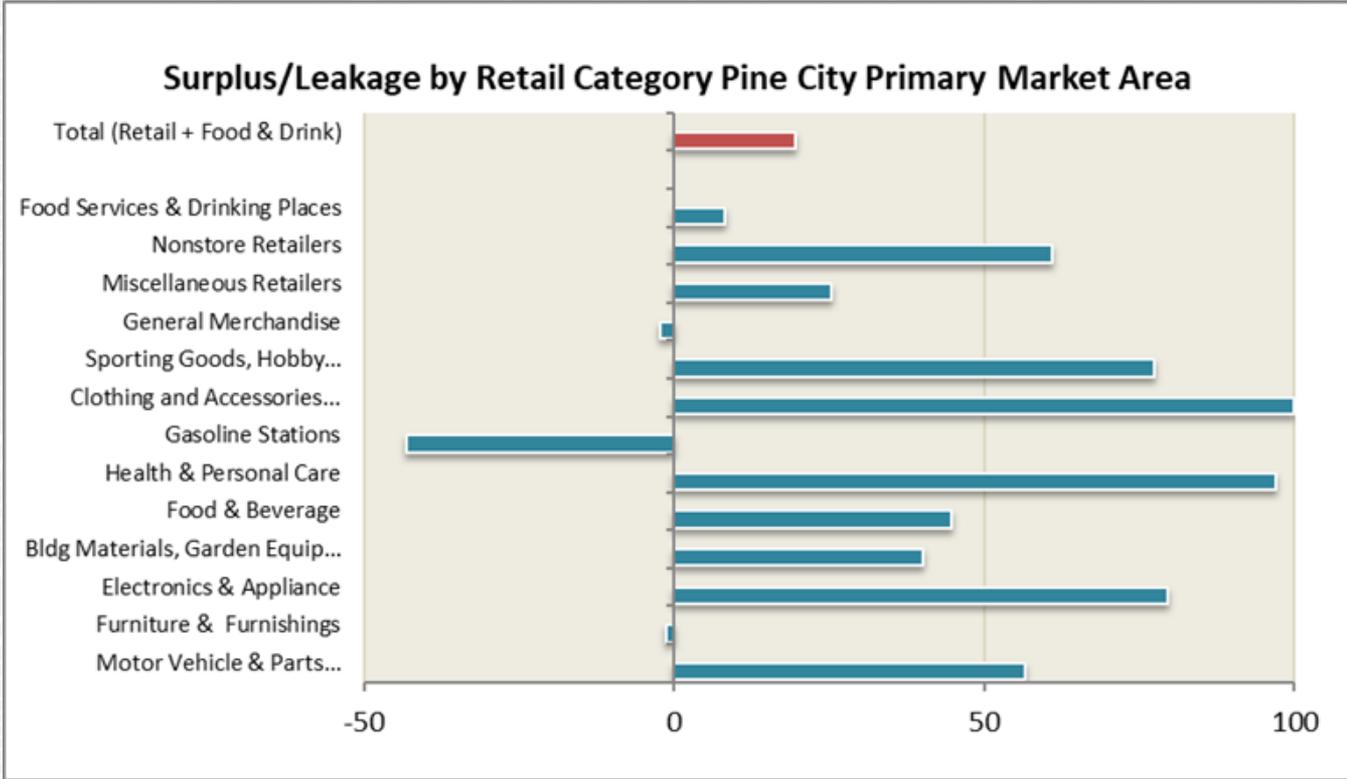
# Tight Rental Market with NO Vacancies

- 80% HO rate in PMA
- 100% occupied @ time of survey
- Avg. Rents:
  - \$768 across all MR units, \$0.93 PSF
- PMA:
  - MR: 76 units (5 projects)
  - Aff: 0 units
  - Deep-subsidy: 69 units (3 projects)
- Hilltop Cottages, a 35-unit LIHTC project, located at 1345 8<sup>th</sup> Street SW, is under construction and satisfies affordable housing demand through 2025.



# Excess Retail Leakage

- Retail leakage in 10 of 13 sectors
- Big Box chains nearest I-35
- Few commercial spaces available (lease or buy)
- Strongest demand for neighborhood goods and services
- New retail space is likely too expensive to construct w/o significant subsidies



# A Place For You

## A Place For You:

- Opened in 2012
  - Transitional shelter – 90-day program
  - Single adults only
  - Capacity for 11
  - Waiting List
- As housing costs increase, more households find themselves at risk of becoming homeless
- Between 2015 and 2018, the number of people experiencing homelessness in Central MN increased by 11.9%, compared to 17.9% statewide.



A Place For You, as seen from Site

# Recommendations

# Demand Summary

## Demand in the Market Area

- 28 Units MR Rental
- 0 Units of AFF Rental
- 21 Units Deep-Sub. Rental
- 44 units of Permanent Supportive Housing
- 10,688 SF of Retail Space

## Demand at the Site

- 20 Units MR Rental
- 0 Units of AFF Rental
- 15 Units Deep-Sub. Rental
- 13 units of Permanent Supportive Housing
- 2,138 SF of Retail Space

# Two Potential Development Concepts

## Townhome Development Concept (existing site – 0.68 acres)

- 10-unit townhome project
- All Market Rate units
- Target market is families and empty nesters
- 8 - 2BR units, \$1,050 to \$1,150/mo.
- 2 - 3BR units, \$1,250 to \$1,350/mo.

## Multifamily Apartment w/Homeless (Existing site plus “A Place For You” = 1.27-acre site)

- 20-unit apartment project
- Target market is empty nesters, families, young professionals
- 6- 1BR units, \$850 to \$900/mo.
- 10 - 2BR units, \$950 to \$1,000/mo.
- 4- 3BR units, \$1,150 to \$1,250/mo
- Incorporates existing “A Place for You” parcel, and would relocate 10 beds into new development | separate wing

# COVID-19 Impacts

- Pre- March 2020: Real Estate industry strong across almost all market segments; especially for Residential Housing (pent-up demand and under supplied)
- Post COVID-19:
  - Record-long economic expansion comes to an end
  - UE rate: 20% in U.S. (4/29/2020) vs. 3.5% Feb. 2020
  - Retail, hospitality, senior housing, and office hit the hardest
  - Industrial, health care, multifamily apartments, and for-sale residential holding up
  - Construction delays (permitting, labor issues, materials distribution, etc.)
  - Lenders tightened belts: higher credit scores, more equity/liquidity...capital on the sidelines
  - Land Acquisitions on-hold; unless discounted

# Recovery Scenarios

## Recovery:

- Dependent on peak, flattening of curve, lifting of stay at home mandates, Vaccine timing, etc.
- Hopeful for gradual re-opening and phasing plan in May
- V-Curve: Unlikely as still peaking
- U-Curve: Most likely..but could be a “narrow U” or a “wide U”
- L-Curve: Hopefully not. Long-term downturn into 2021 and social distancing continues

# Impact on Pine City Mill Site...

- Continued demand for rental housing; even more-so given economic situation
- Housing could be a leader in the recovery...unlike the Great Recession
- Construction labor market has softened = opportunities for negotiating
- Construction costs stable to falling: cost savings on fuel, lumber, steel, etc...but some materials harder to get (i.e. China and Italy exports) and construction delays anticipated
- Banks are favoring “relationships” and look to experienced developers
- New housing projects are projected to weather downturn due to construction cycle and occupancy in a recovering economy

# Questions & Comments

## Contact Information

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