

March 27, 2024

MEMORANDUM

TO: Ms. Megan Boeck
City of Albert Lea

FROM: Mr. Rob Wilder
Ms. Mary C. Bujold
Maxfield Research and Consulting, LLC

RE: Initial Market Assessment for Workforce Rental Housing in Albert Lea, MN

Introduction/Purpose and Scope of Research

This memorandum is an initial market assessment to evaluate the potential to develop workforce rental housing in Albert Lea, Minnesota. Maxfield Research calculates demand for general occupancy rental housing based on 1) projected household growth, 2) turnover of existing households, and 3) current market conditions for rental housing including the amount of pending product near the subject Site.

The scope of the analysis includes population and household growth trends, household income trends, household tenure by age of householder, employment trends, an assessment of current market conditions for rental housing and a survey of competitive rental properties in the Market Area. Maxfield Research also inventoried pending developments in the Market Area and provides a demand estimate for additional workforce general occupancy rental housing in the Market Area.

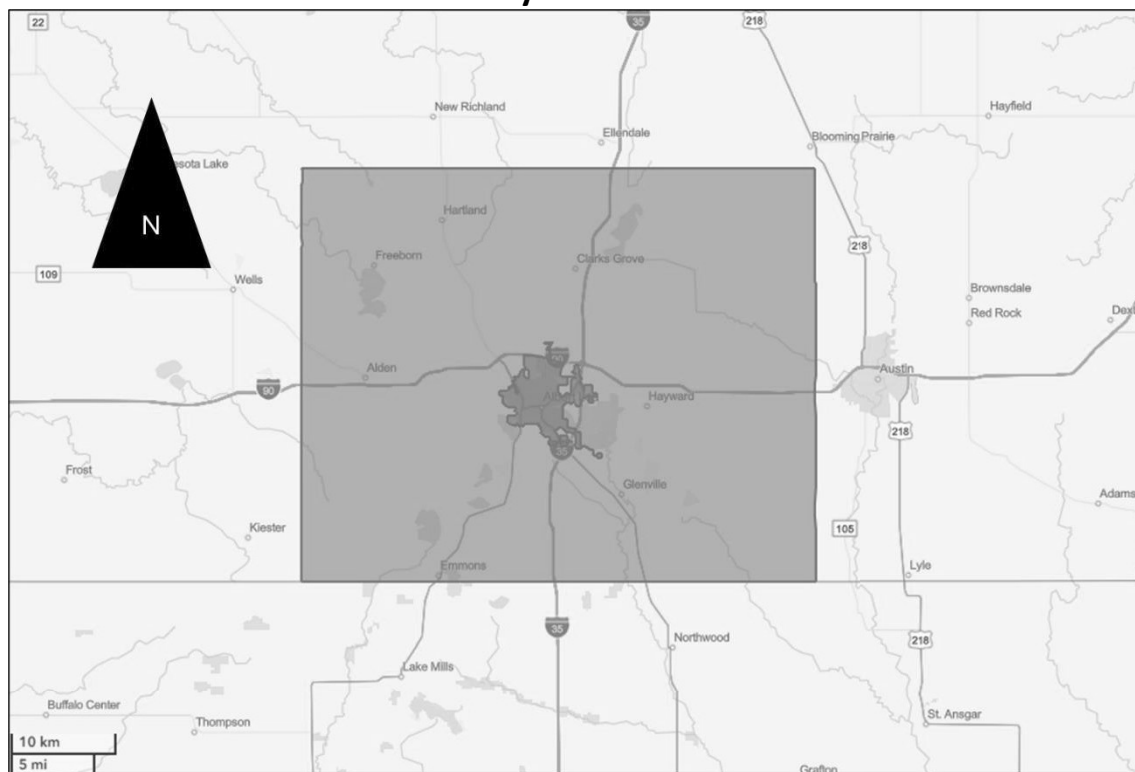
The methodology used to calculate demand in this memorandum is proprietary to Maxfield Research but is consistent with methodologies used by analysts throughout the housing industry. This report includes primary and secondary research. Primary research includes interviews with rental property managers and data on existing and proposed rental properties. Secondary research is credited to the source when used and is usually data from the U.S. Census or regional planning agencies. Secondary research is always used as a basis for analysis and is carefully reviewed considering other factors that may impact projections such as residential building permit data or migration trends. Information on competitive rental properties and pending rental developments was gathered by Maxfield Research and is accurate to the best of our knowledge.

Primary Market Area Definition

Based on community orientation patterns, municipal boundaries and our experience in conducting analyses for rental housing, Maxfield Research identified a draw area for the proposed housing in Albert Lea. The draw area or Primary Market Area (PMA) consists of Freeborn County. A map illustrating the geographic area included is shown below.

We estimate that 75% of the demand for rental housing will be generated from the PMA. The remaining portion of the demand (25%) would come from outside of the PMA.

Primary Market Area



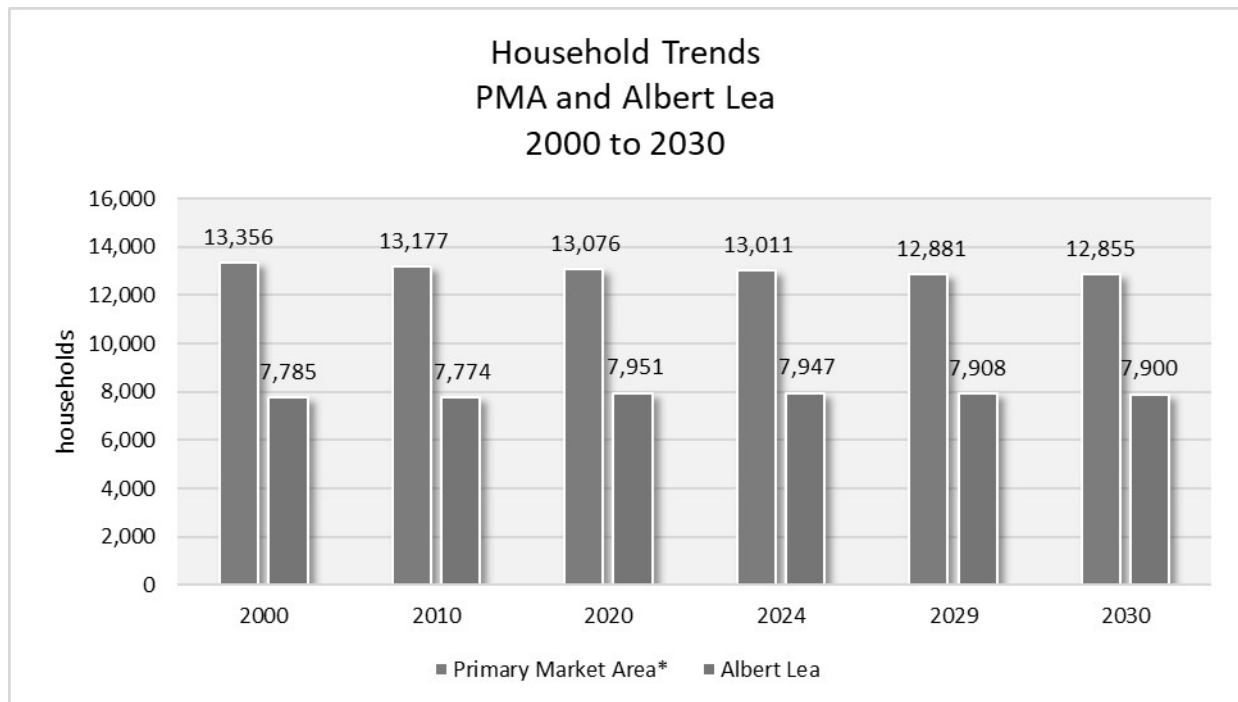
Population and Household Growth Trends

Table 1 presents population and household growth trends and projections for the PMA from 2010 to 2030. The 2000, 2010 and 2020 population and household figures were obtained from the U.S. Census Bureau. The 2024 estimates and projections for 2029 and 2030 are based on forecasts made by ESRI, Inc. (a nationally recognized demographics firm).

- As of 2010, the PMA contained 31,255 people and 13,177 households, of which, 18,016 people and 7,774 households were in Albert Lea. Albert Lea accounts for about 60% of the PMA population and 61% of PMA households.
- Between 2010 and 2020, the PMA population declined by 1.2% and the household base fell by 0.8%, compared to Albert Lea which saw a population increase of 2.6% and a household increase of 2.3%.
- Since households represent occupied housing units, household growth trends are a better indicator of housing demand than population growth trends. Between 2024 and 2029, the Primary Market Area is projected to lose 130 households, a decline of 1.0%. This estimate could be higher if demand is met by new development.

| TABLE 1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS PRIMARY MARKET AREA 2000 - 2030 | | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|-------------|--------------|
| | Census | | | Estimate | Forecast | | Change | | | |
| | | | | | | | 2010-2020 | | 2020-2030 | |
| | 2000 | 2010 | 2020 | 2024 | 2029 | 2030 | No. | Pct. | No. | Pct. |
| Population | | | | | | | | | | |
| Primary Market Area* | 32,584 | 31,255 | 30,895 | 30,526 | 30,072 | 29,980 | -360 | -1.2% | -915 | -3.0% |
| Albert Lea | 18,356 | 18,016 | 18,492 | 18,344 | 18,162 | 18,125 | 476 | 2.6% | -367 | -2.0% |
| Remainder of PMA | 14,228 | 13,239 | 12,403 | 12,182 | 11,910 | 11,855 | -836 | -6.3% | -548 | -4.5% |
| EDR 10 Southeast** | 460,102 | 494,684 | 517,852 | 526,196 | 536,847 | 538,943 | 23,168 | 4.7% | 21,091 | 4.0% |
| Households | | | | | | | | | | |
| Primary Market Area* | 13,356 | 13,177 | 13,076 | 13,011 | 12,881 | 12,855 | -101 | -0.8% | -221 | -1.7% |
| Albert Lea | 7,785 | 7,774 | 7,951 | 7,947 | 7,908 | 7,900 | 177 | 2.3% | -51 | -0.6% |
| Remainder of PMA | 5,571 | 5,403 | 5,125 | 5,064 | 4,973 | 4,955 | -278 | -5.1% | -170 | -3.3% |
| EDR 10 Southeast** | 174,764 | 193,690 | 205,311 | 209,453 | 214,769 | 215,810 | 11,621 | 6.0% | 10,499 | 5.0% |
| *Includes all of Freeborn County. | | | | | | | | | | |
| **Includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona. | | | | | | | | | | |
| Sources: US Census Bureau; ESRI; Maxfield Research & Consulting, LLC. | | | | | | | | | | |

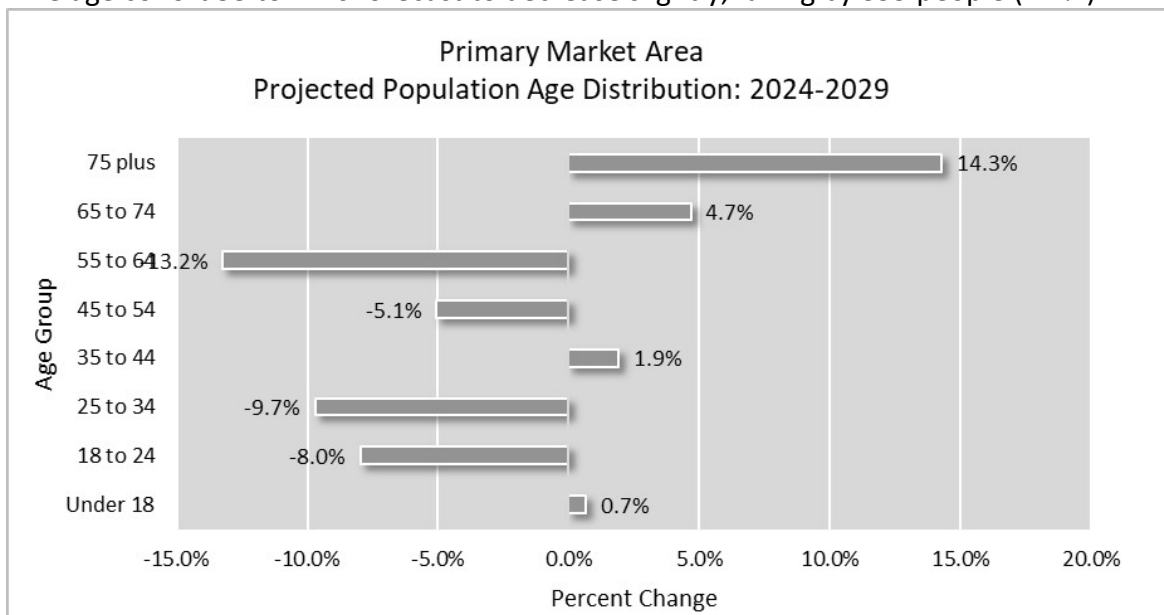
- The average household size in the PMA has decreased slightly to an estimated 2.35 people per household in 2024 from 2.44 in 2000 and is projected to fall to 2.33 by 2030 as household sizes shrink due to fewer families with children. The average household size in the PMA however, is larger than that for Albert Lea and is slightly lower than EDR 10 Southeast.



Age Distribution

The age distribution of a community's population helps to assess the type of housing needed. For example, younger and older people are more attracted to higher density housing near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer single-family homes. Table 2 presents the age distribution of the PMA population from 2010 to 2029. Information from 2010 and 2020 is sourced from the U.S. Census. The 2024 estimates and projections for 2029 were calculated by ESRI, a reputable national demographics firm. The following are key trends about the age distribution of the PMA's population.

- In 2010, the largest adult age group in the PMA was people ages 45 to 54, totaling 4,779 people (15.3% of the PMA's population). As of 2020, it is estimated that the 55 to 64 age cohort is the largest, comprising 14.9% of the population. In Albert Lea, the largest adult age group in 2010 was age 45 to 54 (14.0% of the total population), and the 55 to 64 age group is the largest age group in 2020 (13.4%).
- Traditionally, young to mid-age households are most likely to rent their housing. Between 2024 and 2029, people ages 35 to 44 are forecast to increase by 66 (1.9%). Younger Millennial households, most of whom fall within the 25 to 34 age group, are forecast to decrease by 355 people (9.7%). New housing and job opportunities could help to retain younger people in the community.
- As a portion of baby boomers consider alternative housing products to their single-family homes, some will seek out maintenance-free housing and may elect to rent apartments. The age cohort 55 to 74 is forecast to decrease slightly, falling by 399 people (4.7%).

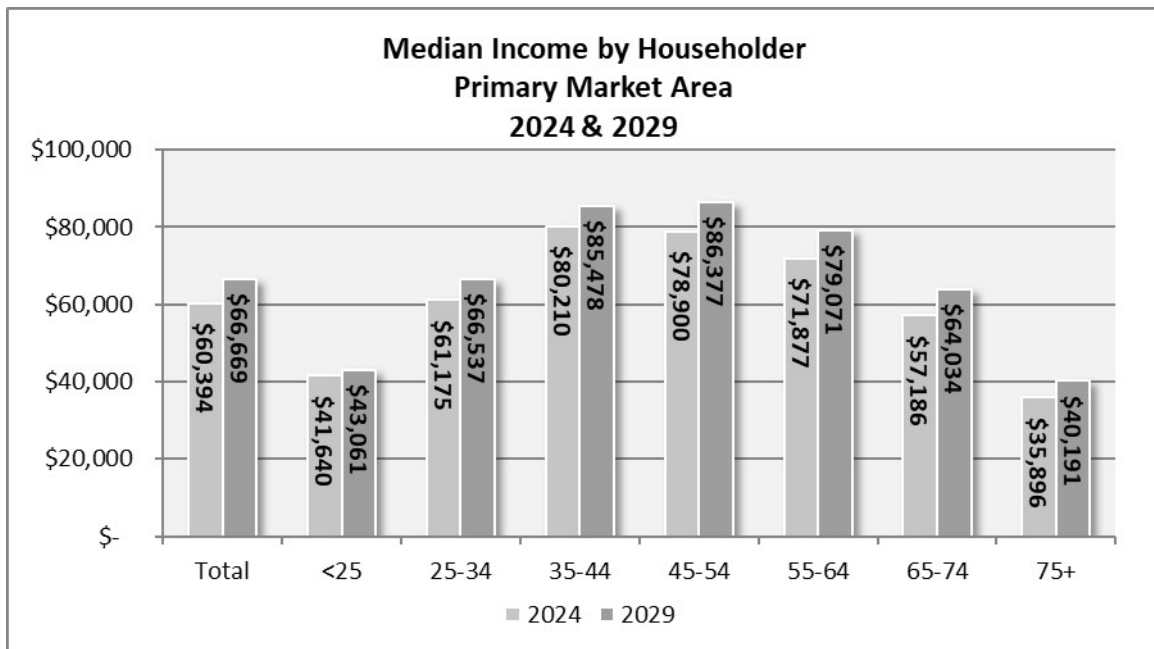


| TABLE 2 POPULATION AGE DISTRIBUTION PRIMARY MARKET AREA 2000-2029 | | | | | | | | |
|--|---------------|---------------|---------------|---------------|------------------|--------------|------------------|--------------|
| | U.S. Census | | ESRI | | Change 2010-2024 | | Change 2024-2029 | |
| | 2010 | 2020 | 2024 | 2029 | No. | Pct. | No. | Pct. |
| Albert Lea | | | | | | | | |
| Under 18 | 4,195 | 4,182 | 3,649 | 3,812 | -533 | -12.7% | 163 | 4.5% |
| 18 to 24 | 1,249 | 1,290 | 1,349 | 1,304 | 59 | 4.6% | -46 | -3.4% |
| 25 to 34 | 2,085 | 2,204 | 2,213 | 2,128 | 9 | 0.4% | -85 | -3.9% |
| 35 to 44 | 1,982 | 2,040 | 1,991 | 2,118 | -49 | -2.4% | 127 | 6.4% |
| 45 to 54 | 2,560 | 1,890 | 1,936 | 1,867 | 46 | 2.4% | -69 | -3.6% |
| 55 to 64 | 2,339 | 2,486 | 2,409 | 2,199 | -77 | -3.1% | -210 | -8.7% |
| 65 to 74 | 1,766 | 2,169 | 2,368 | 2,431 | 199 | 9.2% | 63 | 2.7% |
| 75 plus | 2,121 | 2,231 | 2,429 | 2,754 | 198 | 8.9% | 325 | 13.4% |
| Total | 18,297 | 18,492 | 18,344 | 18,612 | -148 | -0.8% | 268 | 1.5% |
| Remainder of PMA | | | | | | | | |
| Under 18 | 3,013 | 2,686 | 2,395 | 2,272 | -291 | -10.8% | -122 | -5.1% |
| 18 to 24 | 669 | 766 | 747 | 626 | -19 | -2.4% | -122 | -16.3% |
| 25 to 34 | 1,244 | 1,190 | 1,235 | 986 | 45 | 3.8% | -249 | -20.2% |
| 35 to 44 | 1,513 | 1,483 | 1,408 | 1,346 | -75 | -5.1% | -62 | -4.4% |
| 45 to 54 | 2,219 | 1,481 | 1,472 | 1,368 | -9 | -0.6% | -104 | -7.1% |
| 55 to 64 | 1,878 | 2,132 | 2,052 | 1,672 | -80 | -3.8% | -380 | -18.5% |
| 65 to 74 | 1,270 | 1,656 | 1,711 | 1,840 | 55 | 3.3% | 129 | 7.5% |
| 75 plus | 1,152 | 1,009 | 1,162 | 1,350 | 153 | 15.1% | 188 | 16.2% |
| Total | 12,958 | 12,403 | 12,182 | 11,460 | -221 | -1.8% | -722 | -5.9% |
| Primary Market Area | | | | | | | | |
| Under 18 | 7,208 | 6,868 | 6,044 | 6,084 | -824 | -12.0% | 40 | 0.7% |
| 18 to 24 | 1,918 | 2,056 | 2,097 | 1,930 | 41 | 2.0% | -167 | -8.0% |
| 25 to 34 | 3,329 | 3,394 | 3,448 | 3,114 | 54 | 1.6% | -335 | -9.7% |
| 35 to 44 | 3,495 | 3,523 | 3,399 | 3,464 | -124 | -3.5% | 66 | 1.9% |
| 45 to 54 | 4,779 | 3,371 | 3,408 | 3,235 | 37 | 1.1% | -173 | -5.1% |
| 55 to 64 | 4,217 | 4,618 | 4,461 | 3,871 | -157 | -3.4% | -590 | -13.2% |
| 65 to 74 | 3,036 | 3,825 | 4,079 | 4,271 | 254 | 6.6% | 191 | 4.7% |
| 75 plus | 3,273 | 3,240 | 3,591 | 4,104 | 351 | 10.8% | 513 | 14.3% |
| Total | 31,255 | 30,895 | 30,526 | 30,072 | -369 | -1.2% | -454 | -1.5% |
| Sources: U.S. Census; ESRI; Maxfield Research & Consulting, LLC | | | | | | | | |

Household Income Distribution

Income data is important when considering the ability of households to pay different rent levels. Table 3 presents data on household income by age of householder in 2024 and 2029 for the Primary Market Area. The data is estimated by ESRI Inc., a nationally recognized demographic services firm. The following are key points:

- In 2024, the median household income in the PMA is estimated to be \$60,394. The median household income in the Metro Area is \$80,483 by comparison.
- The PMA median income is expected to increase by 10.4% to \$66,669 over the next five years. The average annual increase between 2024 and 2029 in the PMA (2.1%) is lower than the historical annual inflation rate of 2.6% over the past ten years. Younger Millennials (25 to 34) and have strong incomes that are projected to grow over the next five years.
- Workforce housing is typically affordable to households earning between 60% and 120% of the area median income, (\$37,080 for a one-person household to \$122,880 for six-person household. In 2024, an estimated 6,876 PMA households (53.2% of the total) have incomes within this income band. By 2029, the number of income-qualified households is projected to increase to 8,203 households (62.3% of the total) after accounting for inflation.



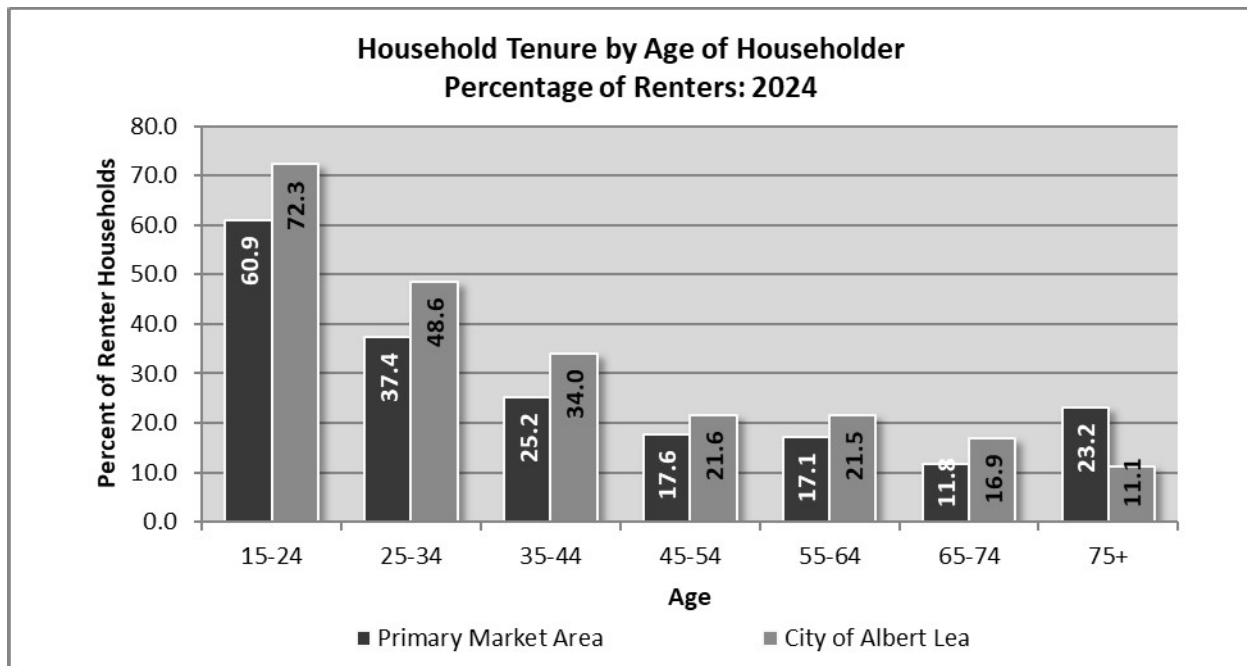
| TABLE 3 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER PRIMARY MARKET AREA 2024 & 2029 | | | | | | | | |
|---|----------|--------------------|----------|-----------|-----------|-----------|----------|----------|
| | Total | Age of Householder | | | | | | |
| | | <25 | 25-34 | 35-44 | 45-54 | 55-64 | 65 -74 | 75+ |
| 2024 | | | | | | | | |
| Less than \$15,000 | 1,194 | 68 | 155 | 124 | 119 | 229 | 210 | 290 |
| \$15,000 to \$24,999 | 1,200 | 64 | 121 | 99 | 86 | 173 | 192 | 467 |
| \$25,000 to \$34,999 | 1,024 | 38 | 118 | 59 | 88 | 135 | 195 | 392 |
| \$35,000 to \$49,999 | 1,813 | 84 | 251 | 210 | 195 | 269 | 389 | 415 |
| \$50,000 to \$74,999 | 2,481 | 91 | 317 | 331 | 356 | 502 | 563 | 321 |
| \$75,000 to \$99,999 | 1,947 | 58 | 249 | 338 | 317 | 454 | 358 | 172 |
| \$100,000 to \$149,999 | 1,938 | 21 | 291 | 366 | 377 | 450 | 271 | 161 |
| \$150,000 to \$199,999 | 787 | 5 | 80 | 188 | 154 | 172 | 115 | 75 |
| \$200,000 or more | 628 | 1 | 53 | 114 | 126 | 143 | 115 | 77 |
| Total | 13,011 | 429 | 1,635 | 1,828 | 1,817 | 2,526 | 2,406 | 2,370 |
| Median Income | \$60,394 | \$41,640 | \$61,175 | \$80,210 | \$78,900 | \$71,877 | \$57,186 | \$35,896 |
| Minnesota | \$80,483 | \$45,534 | \$81,079 | \$103,801 | \$106,744 | \$89,686 | \$65,768 | \$40,198 |
| 2029 | | | | | | | | |
| Less than \$15,000 | 1,016 | 69 | 118 | 107 | 94 | 161 | 173 | 295 |
| \$15,000 to \$24,999 | 1,058 | 53 | 101 | 81 | 73 | 118 | 168 | 464 |
| \$25,000 to \$34,999 | 909 | 35 | 93 | 50 | 63 | 94 | 173 | 402 |
| \$35,000 to \$49,999 | 1,639 | 69 | 212 | 191 | 166 | 206 | 343 | 452 |
| \$50,000 to \$74,999 | 2,442 | 85 | 292 | 320 | 305 | 429 | 607 | 403 |
| \$75,000 to \$99,999 | 2,008 | 59 | 232 | 356 | 301 | 411 | 414 | 235 |
| \$100,000 to \$149,999 | 2,118 | 23 | 295 | 401 | 397 | 440 | 331 | 231 |
| \$150,000 to \$199,999 | 985 | 6 | 85 | 225 | 185 | 197 | 166 | 121 |
| \$200,000 or more | 706 | 1 | 53 | 125 | 138 | 138 | 143 | 107 |
| Total | 12,881 | 399 | 1,480 | 1,857 | 1,722 | 2,194 | 2,518 | 2,711 |
| Median Income | \$66,669 | \$43,061 | \$66,537 | \$85,478 | \$86,377 | \$79,071 | \$64,034 | \$40,191 |
| Minnesota | \$90,958 | \$50,368 | \$91,961 | \$112,376 | \$115,594 | \$104,254 | \$77,005 | \$47,734 |
| Change 2024 - 2029 | | | | | | | | |
| Less than \$15,000 | -179 | 1 | -36 | -17 | -25 | -69 | -37 | 5 |
| \$15,000 to \$24,999 | -142 | -11 | -20 | -18 | -13 | -54 | -24 | -2 |
| \$25,000 to \$34,999 | -114 | -3 | -25 | -9 | -25 | -41 | -22 | 10 |
| \$35,000 to \$49,999 | -174 | -15 | -39 | -18 | -29 | -63 | -46 | 37 |
| \$50,000 to \$74,999 | -40 | -6 | -25 | -11 | -51 | -73 | 45 | 82 |
| \$75,000 to \$99,999 | 61 | 1 | -18 | 18 | -16 | -43 | 56 | 63 |
| \$100,000 to \$149,999 | 181 | 2 | 4 | 35 | 20 | -10 | 60 | 70 |
| \$150,000 to \$199,999 | 198 | 1 | 5 | 37 | 32 | 26 | 51 | 46 |
| \$200,000 or more | 79 | -0 | 0 | 12 | 12 | -5 | 28 | 31 |
| Total | -130 | -30 | -155 | 29 | -95 | -332 | 111 | 341 |
| Median Income | \$6,275 | \$1,421 | \$5,362 | \$5,268 | \$7,477 | \$7,194 | \$6,848 | \$4,295 |
| Minnesota | \$10,475 | \$4,834 | \$10,882 | \$8,575 | \$8,850 | \$14,568 | \$11,237 | \$7,536 |
| Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC | | | | | | | | |

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

Tenure by Age of Householder

Table 4 shows the number of owner and renter households in the PMA and Albert Lea by age cohort in 2010, 2020 and 2024. Data is from the American Community Survey (2018 to 2022), with adjustments made by Maxfield Research to update the figures to 2024. This data shows the propensity of households to own or rent their housing based on their age.

- In the PMA, 24.9% of all households rented in 2020, compared to 32.3% in Albert Lea. In the Under 25 age group, 66.9% of PMA households rented, decreasing to 43.2% in the 25 to 34 age group and before increasing to 28.2% of 35 to 44 age households.
- Renter households are clustered in the youngest and oldest age cohorts. The younger age groups tend to be mobile, are more likely to be single, may not have yet accumulated a down payment for a single-family home or do not want to settle into homeownership. Seniors often no longer need the space of a single-family home, some travel frequently or have a second home in the warmer climates, and others just want/need to rid themselves of the burden of home maintenance.
- The proposed development would be targeting households in prime working years, the under age 65 age groups. In 2024, 23.4% of all households under age 65 rented.



| TABLE 4 TENURE BY AGE OF HOUSEHOLDER PRIMARY MARKET AREA 2010 to 2024 | | | | | | | | | | | | | |
|--|-------|---------------------|-------|--------|-------|--------|-------|--------------------|-------|-------|-------|-------|-------|
| Age | | Primary Market Area | | | | | | City of Albert Lea | | | | | |
| | | 2010 | | 2020 | | 2024 | | 2010 | | 2020 | | 2024 | |
| | | No. | Pct. | No. | Pct. | No. | Pct. | No. | Pct. | No. | Pct. | No. | Pct. |
| 15-24 | Own | 133 | 27.1 | 139 | 33.1 | 100 | 39.1 | 75 | 21.2 | 78 | 26.1 | 43 | 27.7 |
| | Rent | 357 | 72.9 | 281 | 66.9 | 155 | 60.9 | 278 | 78.8 | 221 | 73.9 | 113 | 72.3 |
| | Total | 490 | 100.0 | 420 | 100.0 | 255 | 100.0 | 353 | 100.0 | 299 | 100.0 | 157 | 100.0 |
| 25-34 | Own | 983 | 61.3 | 903 | 56.8 | 899 | 62.6 | 535 | 53.8 | 512 | 48.1 | 432 | 51.4 |
| | Rent | 621 | 38.7 | 686 | 43.2 | 538 | 37.4 | 460 | 46.2 | 552 | 51.9 | 409 | 48.6 |
| | Total | 1,604 | 100.0 | 1,589 | 100.0 | 1,437 | 100.0 | 995 | 100.0 | 1,064 | 100.0 | 841 | 100.0 |
| 35-44 | Own | 1,393 | 73.3 | 1,377 | 71.8 | 1,470 | 74.8 | 703 | 66.4 | 732 | 64.6 | 811 | 66.0 |
| | Rent | 507 | 26.7 | 541 | 28.2 | 496 | 25.2 | 356 | 33.6 | 401 | 35.4 | 418 | 34.0 |
| | Total | 1,900 | 100.0 | 1,918 | 100.0 | 1,965 | 100.0 | 1,059 | 100.0 | 1,133 | 100.0 | 1,229 | 100.0 |
| 45-54 | Own | 2,148 | 81.5 | 1,552 | 78.5 | 1,720 | 82.4 | 1,054 | 74.9 | 805 | 71.3 | 1,003 | 78.4 |
| | Rent | 489 | 18.5 | 424 | 21.5 | 367 | 17.6 | 353 | 25.1 | 324 | 28.7 | 277 | 21.6 |
| | Total | 2,637 | 100.0 | 1,976 | 100.0 | 2,087 | 100.0 | 1,407 | 100.0 | 1,129 | 100.0 | 1,280 | 100.0 |
| 55-64 | Own | 2,130 | 87.1 | 2,219 | 80.6 | 2,335 | 82.9 | 1,120 | 83.1 | 1,130 | 73.4 | 1,231 | 78.5 |
| | Rent | 315 | 12.9 | 535 | 19.4 | 481 | 17.1 | 227 | 16.9 | 409 | 26.6 | 336 | 21.5 |
| | Total | 2,445 | 100.0 | 2,754 | 100.0 | 2,816 | 100.0 | 1,347 | 100.0 | 1,539 | 100.0 | 1,568 | 100.0 |
| 65-74 | Own | 1,609 | 86.7 | 1,983 | 85.8 | 1,964 | 88.2 | 910 | 82.6 | 1,079 | 80.7 | 1,052 | 83.1 |
| | Rent | 246 | 13.3 | 327 | 14.2 | 263 | 11.8 | 192 | 17.4 | 258 | 19.3 | 213 | 16.9 |
| | Total | 1,855 | 100.0 | 2,310 | 100.0 | 2,228 | 100.0 | 1,102 | 100.0 | 1,337 | 100.0 | 1,265 | 100.0 |
| 75-84 | Own | 1,208 | 81.7 | 1,138 | 82.4 | 1,174 | 90.6 | 737 | 76.3 | 714 | 77.9 | 760 | 88.9 |
| | Rent | 270 | 18.3 | 243 | 17.6 | 121 | 9.4 | 229 | 23.7 | 203 | 22.1 | 95 | 11.1 |
| | Total | 1,478 | 100.0 | 1,381 | 100.0 | 1,295 | 100.0 | 966 | 100.0 | 917 | 100.0 | 855 | 100.0 |
| 85+ | Own | 485 | 63.2 | 515 | 70.7 | 533 | 57.5 | 295 | 54.1 | 336 | 63.0 | 374 | 49.7 |
| | Rent | 283 | 36.8 | 213 | 29.3 | 394 | 42.5 | 250 | 45.9 | 197 | 37.0 | 379 | 50.3 |
| | Total | 768 | 100.0 | 728 | 100.0 | 927 | 100.0 | 545 | 100.0 | 533 | 100.0 | 753 | 100.0 |
| TOTAL | Own | 10,089 | 76.6 | 9,826 | 75.1 | 10,195 | 78.4 | 5,429 | 69.8 | 5,386 | 67.7 | 5,706 | 71.8 |
| | Rent | 3,088 | 23.4 | 3,250 | 24.9 | 2,816 | 21.6 | 2,345 | 30.2 | 2,565 | 32.3 | 2,241 | 28.2 |
| | Total | 13,177 | 100.0 | 13,076 | 100.0 | 13,011 | 100.0 | 7,774 | 100.0 | 7,951 | 100.0 | 7,947 | 100.0 |

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

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

Employment Growth Trends

Table 5 presents employment growth trends for the Southeast Minnesota Planning Area. The Table shows employment growth from 2020 to 2030 from data compiled by the Minnesota Department of Employment and Economic Development.

The following are key points from Table 5:

- The Southeast Minnesota Planning Area consists of 11 counties: Freeborn, Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha and Winona Counties.
- Data is not available for Albert Lea, so Maxfield Research estimated Albert Lea 2030 employment based on its proportion of the total employment in Southeast Minnesota in 2020. By 2030, we estimate that Albert Lea will have an employment base of 8,980 jobs.
- The Minnesota Department of Employment and Economic Development makes periodic employment projections that extend 10 years into the future, the most recent of which are from 2020. As of 2020, the Southeast MN Planning Area was estimated to have 261,589 jobs, compared to 2,975,300 in the State of Minnesota. By 2030, Southeast MN is forecast to have 274,824 jobs, an increase of 13,235 jobs, or 5.1%, versus an increase of 5.7% statewide.
- In 2020, Albert Lea accounted for about 3.3% of Southeast Minnesota's employment.

| TABLE 5 EMPLOYMENT PROJECTIONS (TOTAL EMPLOYMENT) SOUTHEAST MINNESOTA PLANNING AREA & STATE OF MINNESOTA 2020-2030 | | | | |
|---|-----------|-----------|------------|-------------|
| Area | 2020 | 2030 | No. Change | Pct. Change |
| Albert Lea | 8,548 | 8,980 | 432 | 5.1% |
| Southeast Minnesota | 261,589 | 274,824 | 13,235 | 5.1% |
| Minnesota | 2,975,300 | 3,145,200 | 169,900 | 5.7% |
| Southeast MN is Dodge County, Fillmore County, Freeborn County, Goodhue County, Houston County, Mower County, Olmsted County, Rice County, Steele County, Wabasha County and Winona County. | | | | |
| Sources: MNDEED, Maxfield Research and Consulting, LLC | | | | |

Resident Employment

Table 6 shows information on the resident labor force and employment in Albert Lea and Freeborn County, with Minnesota and the U.S. The data is sourced from the Minnesota Department of Employment and Economic Development (DEED) is only available for larger cities. The following points summarize key employment trends that will impact the potential for development at the subject Site.

- As of February 2024, the unemployment rate in Albert Lea was 3.5%. Despite business closures and subsequent layoffs due to Covid-19 that forced many people from the workforce, especially in public facing service jobs, such as restaurant, hospitality and retail workers, the unemployment rate is lower early 2024 than it was in 2019, when it was 3.7%. By comparison, the unemployment rate in Minnesota was 3.6% and 4.2% in the United States as of February 2024.
- The labor force in Albert Lea increased from 2022 to 2023, from 8,793 to 8,847 and unemployment increased from 2.9% to 3.0%.

| TABLE 6 RESIDENT EMPLOYMENT (ANNUAL AVERAGE) ALBERT LEA, FREEBORN COUNTY, MINNESOTA, AND THE UNITED STATES 2000 through February 2024 | | | | | | | |
|--|-------------------|----------------|------------------|-------------------|----------------------------|-----------------------------|------------------------|
| Year | Total Labor Force | Total Employed | Total Unemployed | Unemployment Rate | Freeborn Unemployment Rate | Minnesota Unemployment Rate | U.S. Unemployment Rate |
| 2008 | 8,640 | 8,083 | 557 | 6.4% | 5.7% | 5.4% | 5.8% |
| 2009 | 8,792 | 7,921 | 871 | 9.9% | 8.4% | 7.8% | 9.3% |
| 2010 | 9,439 | 8,637 | 802 | 8.5% | 7.7% | 7.4% | 9.6% |
| 2011 | 9,429 | 8,736 | 693 | 7.3% | 6.7% | 6.5% | 8.9% |
| 2012 | 9,222 | 8,609 | 613 | 6.6% | 5.8% | 5.6% | 8.1% |
| 2013 | 9,094 | 8,567 | 527 | 5.8% | 5.1% | 5.0% | 7.4% |
| 2014 | 8,968 | 8,526 | 442 | 4.9% | 4.4% | 4.2% | 6.2% |
| 2015 | 8,992 | 8,625 | 367 | 4.1% | 3.9% | 3.7% | 5.3% |
| 2016 | 8,981 | 8,615 | 366 | 4.1% | 3.8% | 3.9% | 4.9% |
| 2017 | 8,944 | 8,590 | 354 | 4.0% | 3.7% | 3.4% | 4.4% |
| 2018 | 8,840 | 8,530 | 310 | 3.5% | 3.3% | 2.9% | 3.9% |
| 2019 | 8,963 | 8,631 | 332 | 3.7% | 3.5% | 3.2% | 3.7% |
| 2020 | 9,116 | 8,548 | 568 | 6.2% | 5.7% | 6.2% | 8.1% |
| 2021 | 8,769 | 8,397 | 372 | 4.2% | 3.8% | 3.8% | 5.3% |
| 2022 | 8,793 | 8,538 | 255 | 2.9% | 2.7% | 2.7% | 3.6% |
| 2023 | 8,847 | 8,586 | 261 | 3.0% | 2.9% | 3.0% | 3.6% |
| Feb. 2024 | 8,773 | 8,463 | 310 | 3.5% | 3.5% | 3.6% | 4.2% |
| Change 2013-23 | -247 | 19 | -266 | -2.8% | -2.2% | -2.0% | -3.8% |

Sources: Minnesota Department of Employment and Economic Development; Maxfield Research & Consulting, LLC

Covered Employment

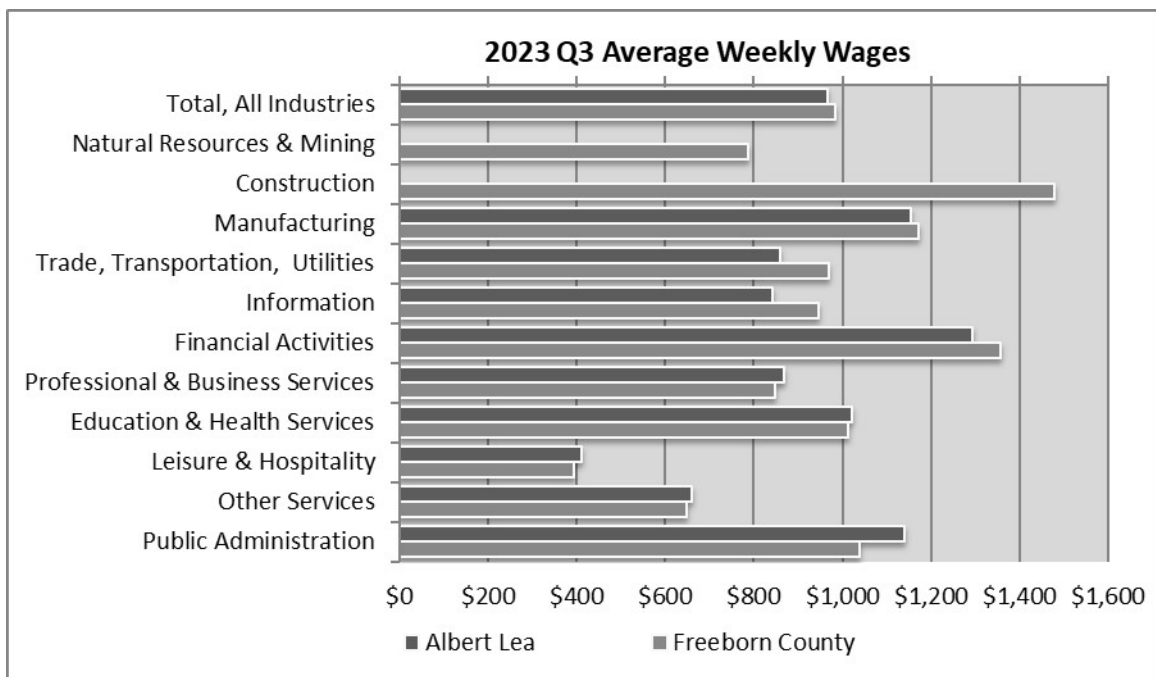
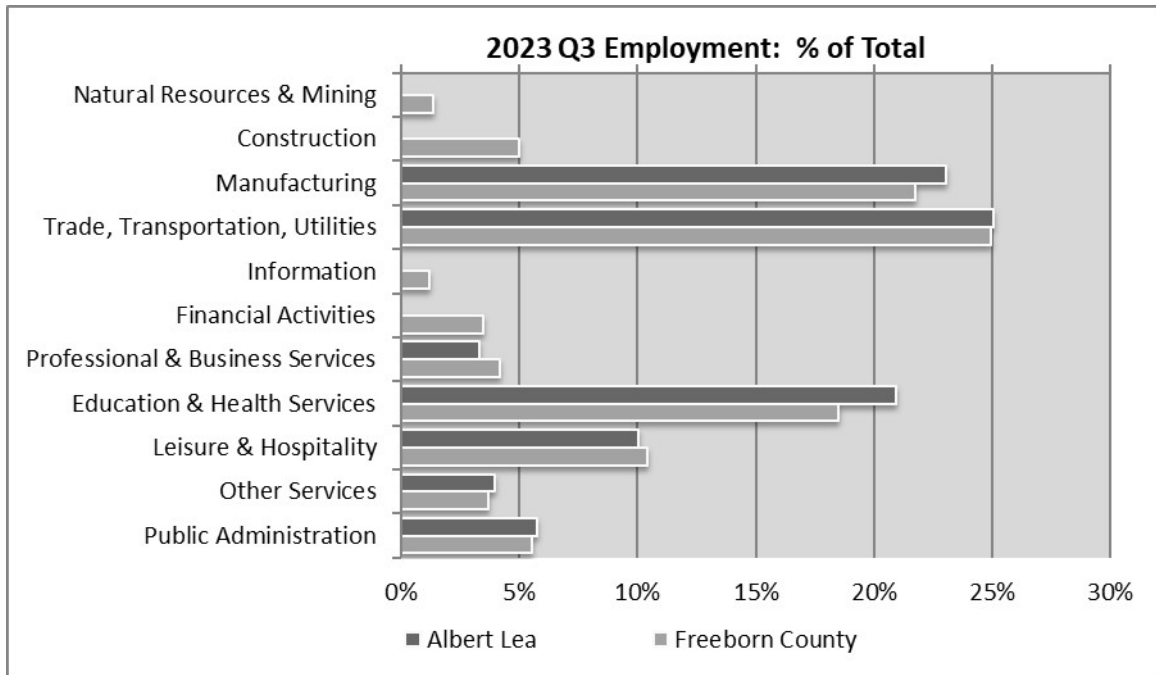
Table 7 on the following page displays information on the employment and wage situation in Albert Lea compared to Freeborn County and the State of Minnesota. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED and represents data for the third quarter of 2022 compared to third quarter of 2023, the most recent data available.

All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics to DEED quarterly. Certain industries in the table may not display any information which means that there is either no reported economic activity for that industry or the data has been suppressed to protect the confidentiality of cooperating employers. This generally occurs when there are too few employers or one employer comprises too much of the employment in that geography.

- In Albert Lea, total employment fell 1.4%, losing 137 jobs between of Q3 2022 and Q3 2023. Freeborn County employment lost 2 jobs, 0.0% during the same time.
- Trade, Transportation and Utilities is the largest employment sector in Albert Lea providing 2,431 jobs (25.0% of total jobs), as well as Freeborn County with 2,915 jobs (25.0% of total jobs). Education and Health Services is the largest employment sector in Minnesota, comprising 24.5% of jobs statewide.
- The number of business establishments in Albert Lea declined by 1.5% over the year, losing 8 businesses, with the largest decline occurring in the Trade, Transportation and Utilities sector and Education and Health Services sector, which saw decreases of 5 and 2 firms, respectively. Professional and Business Services and Public Administration added 1 firm each.
- Average weekly wages in Albert Lea (\$967) are 1.8% lower than Freeborn County (\$985) and 27.2% lower than Minnesota (\$1,328).
- In Albert Lea, highest average wages are found in the Financial Activities sector (\$1,294) and Manufacturing (\$1,156) sectors, while highest wages in the Freeborn County are in the Construction sector (\$1,480) and Financial Activities sector (\$1357).
- A household earning the average weekly wage in Freeborn County (\$985) would be able to afford a home renting for an estimated \$1,182 per month to not exceed 30% of its monthly income on housing costs. According to the most recent ACS data (2022 survey), approximately 38.2% of renter households in the PMA are paying more than 30% of their income towards rent, and are considered to be cost-burdened households.

| TABLE 7 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES ALBERT LEA AND FREEBORN COUNTY AND MINNESOTA Q3 2022 AND Q3 2023 | | | | | | | | | | |
|--|-----------------|-------------|-------------|-----------------|-------------|-------------|--------------------|-------|---------|--------|
| Industry | Q3 2022 | | | Q3 2023 | | | Change 2022 - 2023 | | | |
| | Establish-ments | Employ-ment | Weekly Wage | Establish-ments | Employ-ment | Weekly Wage | Employment | | Wage | |
| | | | | | | | # | % | # | % |
| Albert Lea | | | | | | | | | | |
| Total, All Industries | 524 | 9,839 | \$973 | 516 | 9,702 | \$967 | -137 | -1.4% | (\$6) | -0.6% |
| Natural Resources & Mining | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Construction | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Manufacturing | 34 | 2,234 | \$1,243 | 34 | 2,236 | \$1,156 | 2 | 0.1% | (\$87) | -7.0% |
| Trade, Transportation, Utilities | 142 | 2,606 | \$833 | 137 | 2,431 | \$859 | -175 | -6.7% | \$26 | 3.1% |
| Information | 8 | 98 | \$854 | 7 | 107 | \$842 | 9 | 9.2% | -12 | -1.4% |
| Financial Activities* | 56 | 321 | \$1,301 | 56 | 316 | \$1,294 | -5 | -1.6% | (\$7) | -0.5% |
| Professional & Business Services | 49 | 256 | \$793 | 50 | 322 | \$867 | 66 | 25.8% | \$74 | 9.3% |
| Education & Health Services | 65 | 2,058 | \$996 | 63 | 2,033 | \$1,023 | -25 | -1.2% | \$27 | 2.7% |
| Leisure & Hospitality | 60 | 980 | \$405 | 59 | 976 | \$412 | -4 | -0.4% | \$7 | 1.7% |
| Other Services | 58 | 382 | \$627 | 58 | 382 | \$661 | 0 | 0.0% | \$34 | 5.4% |
| Public Administration | 14 | 562 | \$1,275 | 15 | 558 | \$1,141 | -4 | -0.7% | (\$134) | -10.5% |
| Freeborn County | | | | | | | | | | |
| Total, All Industries | 823 | 11,678 | \$980 | 823 | 11,676 | \$985 | -2 | 0.0% | \$5 | 0.5% |
| Natural Resources & Mining | 33 | 165 | \$744 | 34 | 156 | \$788 | -9 | -5.5% | \$44 | 5.9% |
| Construction | 86 | 579 | \$1,389 | 85 | 585 | \$1,480 | 6 | 1.0% | \$91 | 6.6% |
| Manufacturing | 51 | 2,451 | \$1,232 | 52 | 2,539 | \$1,173 | 88 | 3.6% | (\$59) | -4.8% |
| Trade, Transportation, Utilities | 227 | 3,089 | \$927 | 222 | 2,915 | \$970 | -174 | -5.6% | \$43 | 4.6% |
| Information | 12 | 123 | \$901 | 12 | 137 | \$945 | 14 | 11.4% | \$44 | 4.9% |
| Financial Activities | 69 | 407 | \$1,357 | 71 | 404 | \$1,357 | -3 | -0.7% | \$0 | 0.0% |
| Professional & Business Services | 66 | 418 | \$820 | 68 | 488 | \$847 | 70 | 16.7% | \$27 | 3.3% |
| Education & Health Services | 88 | 2,182 | \$989 | 83 | 2,158 | \$1,013 | -24 | -1.1% | \$24 | 2.4% |
| Leisure & Hospitality | 84 | 1,204 | \$388 | 87 | 1,216 | \$393 | 12 | 1.0% | \$5 | 1.3% |
| Other Services | 73 | 425 | \$613 | 74 | 430 | \$648 | 5 | 1.2% | \$35 | 5.7% |
| Public Administration | 34 | 632 | \$1,183 | 35 | 644 | \$1,039 | 12 | 1.9% | (\$144) | -12.2% |
| Minnesota | | | | | | | | | | |
| Total, All Industries | 202,344 | 2,883,171 | \$1,346 | 206,333 | 2,919,978 | \$1,328 | 36,807 | 1.3% | (\$18) | -1.3% |
| Natural Resources & Mining | 3,415 | 30,315 | \$1,160 | 3,458 | 30,610 | \$1,141 | 295 | 1.0% | (\$19) | -1.6% |
| Construction | 18,086 | 154,692 | \$1,574 | 18,261 | 156,303 | \$1,583 | 1,611 | 1.0% | \$9 | 0.6% |
| Manufacturing | 8,624 | 328,554 | \$1,520 | 8,581 | 328,800 | \$1,489 | 246 | 0.1% | (\$31) | -2.0% |
| Trade, Transportation, Utilities | 39,414 | 540,606 | \$1,183 | 39,732 | 544,690 | \$1,177 | 4,084 | 0.8% | (\$6) | -0.5% |
| Information | N/A | N/A | N/A | 6,819 | 47,994 | \$1,939 | N/A | N/A | N/A | N/A |
| Financial Activities | 17,593 | 180,145 | \$1,946 | 17,857 | 177,397 | \$1,935 | -2,748 | -1.5% | (\$11) | -0.6% |
| Professional & Business Services | 40,040 | 395,719 | \$1,899 | 41,403 | 389,040 | \$1,884 | -6,679 | -1.7% | (\$15) | -0.8% |
| Education & Health Services | 28,738 | 691,255 | \$1,212 | 29,603 | 715,591 | \$1,198 | 24,336 | 3.5% | (\$14) | -1.2% |
| Leisure & Hospitality | 16,430 | 285,274 | \$578 | 16,640 | 295,632 | \$576 | 10,358 | 3.6% | (\$2) | -0.3% |
| Other Services | 20,256 | 88,788 | \$869 | 20,568 | 91,911 | \$869 | 3,123 | 3.5% | \$0 | 0.0% |
| Public Administration | N/A | N/A | N/A | 3,411 | 142,007 | \$1,333 | N/A | N/A | N/A | N/A |

Sources: Minnesota Department of Employment and Economic Development; Maxfield Research and Consulting LLC



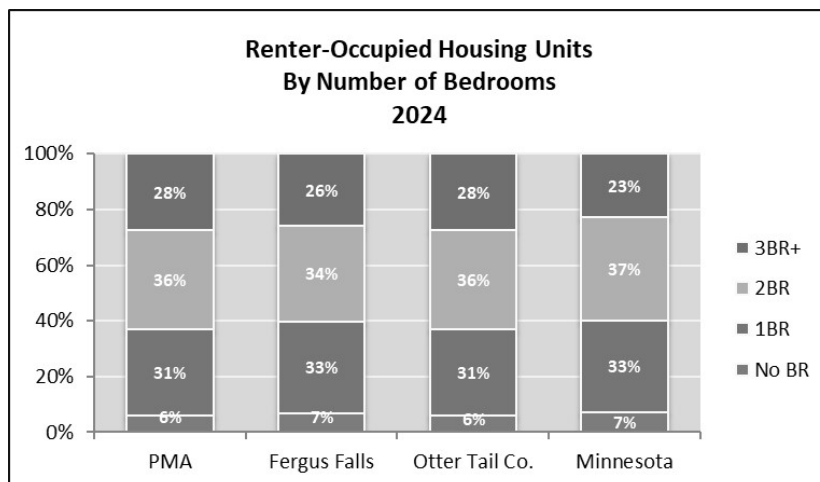
Introduction

The following section of the report analyzes current market conditions for general occupancy rental housing in the Primary Market Area. Topics covered include an overview of rental housing market conditions in the Market Area, detailed information on market rate and income-restricted rental developments in the PMA and information on new rental housing developments planned or under construction in the PMA.

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize rental market conditions in the PMA and Albert Lea compared to Minnesota. The ACS is an ongoing survey conducted by the U.S. Census Bureau that provides data every year rather than every ten years as presented by the Decennial Census. ACS data however, is an estimate.

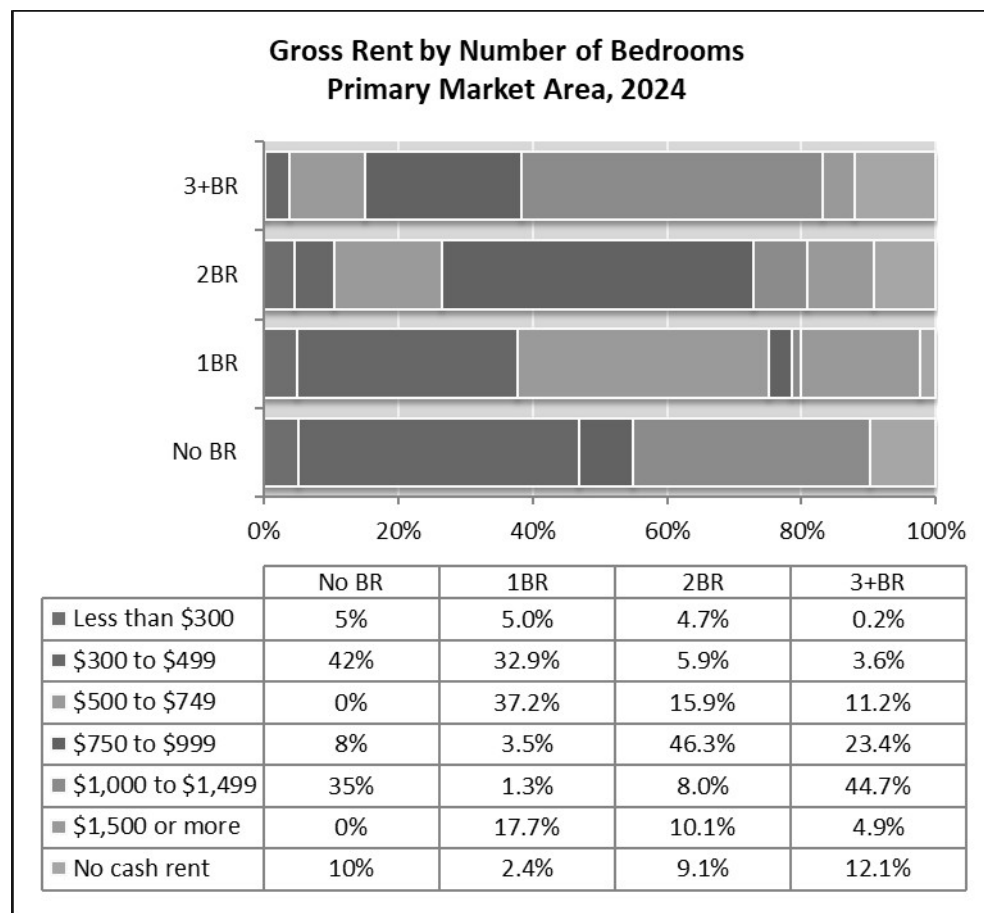
Table 8 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied units from the 2017-2022 ACS in the PMA, Albert Lea compared to Minnesota, with figures brought forward to 2024 by Maxfield Research.



- There were an estimated 2,816 rental units in the PMA in 2024, of which 2,241 units are located in Albert Lea.
- As depicted in the following chart, the PMA has a higher proportion of three-bedroom units than Albert Lea and Minnesota. An estimated 29% of the units in the PMA have three bedrooms compared to 22% in Albert Lea and 23% in Minnesota. It is likely that many of these units are single family homes.

| TABLE 8 BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS PRIMARY MARKET AREA 2024 | | | | | |
|---|--------------|-------------------|-------------------|-------------------|-------------------|
| | PMA | | Albert Lea | | Minnesota |
| | No. | % of Total | No. | % of Total | % of Total |
| Total: | 2,816 | 100% | 2,241 | 100% | 100% |
| Median Gross Rent | \$803 | | \$814 | | \$1,178 |
| No Bedroom | 114 | 4% | 108 | 5% | 7% |
| Less than \$300 | 6 | 0% | 0 | 0% | 0% |
| \$300 to \$499 | 47 | 2% | 47 | 2% | 1% |
| \$500 to \$749 | 0 | 0% | 0 | 0% | 1% |
| \$750 to \$999 | 9 | 0% | 9 | 0% | 2% |
| \$1,000 to \$1,499 | 40 | 1% | 40 | 2% | 2% |
| \$1,500 or more | 0 | 0% | 0 | 0% | 1% |
| No cash rent | 11 | 0% | 11 | 0% | 0% |
| 1 Bedroom | 786 | 28% | 664 | 30% | 33% |
| Less than \$300 | 39 | 1% | 24 | 1% | 2% |
| \$300 to \$499 | 258 | 9% | 199 | 9% | 3% |
| \$500 to \$749 | 293 | 10% | 264 | 12% | 4% |
| \$750 to \$999 | 27 | 1% | 12 | 1% | 6% |
| \$1,000 to \$1,499 | 10 | 0% | 10 | 0% | 12% |
| \$1,500 or more | 139 | 5% | 135 | 6% | 6% |
| No cash rent | 19 | 1% | 19 | 1% | 0% |
| 2 Bedrooms | 1,104 | 39% | 967 | 43% | 37% |
| Less than \$300 | 51 | 2% | 38 | 2% | 1% |
| \$300 to \$499 | 66 | 2% | 55 | 2% | 1% |
| \$500 to \$749 | 176 | 6% | 152 | 7% | 3% |
| \$750 to \$999 | 512 | 18% | 477 | 21% | 6% |
| \$1,000 to \$1,499 | 88 | 3% | 73 | 3% | 14% |
| \$1,500 or more | 111 | 4% | 104 | 5% | 11% |
| No cash rent | 101 | 4% | 69 | 3% | 1% |
| 3 or More Bedrooms | 811 | 29% | 502 | 22% | 23% |
| Less than \$300 | 2 | 0% | 0 | 0% | 0% |
| \$300 to \$499 | 29 | 1% | 18 | 1% | 1% |
| \$500 to \$749 | 91 | 3% | 33 | 1% | 1% |
| \$750 to \$999 | 190 | 7% | 119 | 5% | 2% |
| \$1,000 to \$1,499 | 362 | 13% | 295 | 13% | 6% |
| \$1,500 or more | 39 | 1% | 36 | 2% | 10% |
| No cash rent | 98 | 3% | 0 | 0% | 2% |
| Sources: American Community Survey; Maxfield Research & Consulting, LLC | | | | | |

- As illustrated below, units with rents of \$749 to \$999 represented the largest proportion of rental units in the PMA (26.2% of all units), followed by units with monthly rents between \$500 and \$749 (19.9%).
 - Among units without a bedroom in the PMA, the largest proportion (42%) had monthly rents in the \$300 to \$499 range.
 - The highest proportion of one-bedroom units had rental rates between \$500 and \$749 per month (37.2% of one-bedroom units).
 - The largest proportion of two-bedroom units had monthly rents in the \$750 to \$999 range (46.3%).
 - An estimated 44.7% of units with three or more bedrooms in the PMA rent for between \$1,000 and \$1,499 per month while 4.9% have monthly rents of \$1,500 or higher.



- An estimated 8.1% of renter-occupied units in the PMA, including 4.4% in Albert Lea were reported as having no cash rent. These units may be owned by friends or relatives who live elsewhere and who allow occupancy at no charge. Rent-free houses or apartment units may be provided to compensate caretakers, ministers, tenant farmers, or others.

Selected Rental Developments in the PMA

Maxfield Research compiled detailed information for a group of the newest market rate and affordable apartment properties that would compete either directly or indirectly with new workforce housing units on the subject property. Workforce housing targets households with incomes between 60% to 120% AMI, which is often times more expensive than older, naturally occurring affordable housing that exists in the market area.

Data on market rate and shallow subsidy properties is presented in Table 9 and summarized in Table 10 on the following pages. The rents shown represent quoted rental rates and have not been adjusted to include or exclude utilities.

Market Rate Properties

- There are two newer market rate properties in the PMA, built after 2015, with 74 units, of which three were vacant for a vacancy rate of 4.1%, which is below the equilibrium rate of 5.0% and suggests that there is pent up demand in the marketplace.
- The newest property, Lakeview, a mixed income property, was built in 2022 and features amenities such as stainless steel appliance packages, in-unit laundry, vinyl wood look flooring, and detached garages. Wedgewood Cove Townhomes, built in 2015, features attached one-car garages, wood look flooring and is close to many local amenities, including Wedgewood Cove Golf Club and Pickerel Lake.

Shallow Subsidy Properties

- In total, 160 shallow subsidy units were surveyed, of which three were vacant for an overall vacancy rate of 1.9%, which is below the 5.0% vacancy rate and suggests that there is pent up demand in the marketplace.
- The newest shallow subsidy property in the PMA is Lakeview, which has 10 affordable units and was built in 2022. The next newest shallow subsidy property in the PMA is the Lofts at Lea Center, which was renovated in 2005.
- Common amenities among shallow subsidy properties in the PMA include community rooms, laundry facilities, off street parking, and detached garages.

| TABLE 9 SELECT GENERAL OCCUPANCY NEWER MARKET RATE RENTAL PROJECTS PRIMARY MARKET AREA MARCH 2024 | | | | | | | | | | | |
|---|---------------|-----------------|-----------------|------------------|-----|------|-------|-------------------|-----|-----------------|-----|
| Project Name/Location | Occp. Date | No. of Units | Total Vacant | Unit Description | | | | Monthly Rent | | Rent/sq. ft. | |
| Project Name/Location | | | | Type | No. | Vac. | Size | Min | Max | Min | Max |
| Newer Market Rate Properties | | | | | | | | | | | |
| Lakeview | 2022 | 38 | 3 | 1BR | 19 | 0 | 700 | \$1,150 | | \$1.64 | |
| 750 E Front St | | vacancy rate: | 7.9% | 2BR | 19 | 2 | 939 | \$1,350 | | \$1.44 | |
| Albert Lea, MN | | | | | | | | | | | |
| <u>Notes:</u> Amenities include the following: pet play area, stainless steel appliances, vinyl plank flooring, balcony, in unit washer/dryer, detached garages (\$75 per month) and surface parking, and EV charging. Tenants pay electric and cable/internet/phone. | | | | | | | | | | | |
| Wedgewood Cove Townhomes | 2015 | 36 | 0 | 2BR | 18 | 0 | 1,200 | \$1,200 - \$1,325 | | \$1.00 - \$1.10 | |
| 1458 Wedgewood Rd | | vacancy rate: | 0.0% | 3BR | 18 | 0 | 1,200 | \$1,260 - \$1,325 | | \$1.05 - \$1.10 | |
| Albert Lea, MN | | | | | | | | | | | |
| <u>Notes:</u> Amenities include a patio/balcony, laundry room, bike path, and an attached one car garage. Trash, water/sewer, and lawn maintenance are included in rent. The unit mix is estimated. | | | | | | | | | | | |
| Newer Market Rate Total | | 74 | 3 | 4.1% vacant | | | | | | | |
| Shallow Subsidy Properties | | | | | | | | | | | |
| Front Street Apartments | 2022 | 10 | 0 | 1BR | 5 | 0 | 700 | \$827 | | \$1.18 | |
| 750 E Font St | | vacancy rate: | 0.0% | 2BR | 5 | 0 | 939 | \$992 | | \$1.06 | |
| Albert Lea, MN | | | | | | | | | | | |
| <u>Notes:</u> Amenities include the following: pet play area, stainless steel appliances, vinyl plank flooring, balcony, in unit washer/dryer, detached garages (\$75 per month) and surface parking, and EV charging. Tenants pay electric and cable/internet/phone. Note that the listed rents are the maximim allowable rents for one and two bedroom units at 50% AMI in Freeborn County. | | | | | | | | | | | |
| The Lofts at Lea Center | 2005 | 37 | 0 | 1BR | 22 | 0 | 656 | \$640 | | \$0.98 | |
| 133 W William St | (Renovated) | vacancy rate: | 0.0% | 2BR | 15 | 0 | 1,076 | \$810 | | \$0.75 | |
| Albert Lea, MN | | | | | | | | | | | |
| <u>Notes:</u> The Lofts at Lea Center includes the following amenities: a community room, laundry facilities, and garages and off street parking. Landlord covers trash/sewer and water. | | | | | | | | | | | |
| Pickerel Park Townhomes | 2000 | 20 | 0 | 2BR | 10 | 0 | 1,005 | \$825 | | \$0.82 | |
| 1825 W 9th St | | vacancy rate: | 0.0% | 3BR | 10 | 0 | 1,238 | \$945 | | \$0.76 | |
| Albert Lea, MN | | | | | | | | | | | |
| <u>Notes:</u> Pickerel Park Townhomes features a playground, basketball court, in unit washer/dryer, on ste management, and detached garages. | | | | | | | | | | | |
| Gray Gables Apartments | 1996 | 45 | 2 | 1BR | 3 | 0 | 657 | \$635 | | \$0.97 | |
| 1908 Bridge Ave | | vacancy rate: | 4.4% | 2BR | 20 | 1 | 827 | \$765 | | \$0.93 | |
| Albert Lea, MN | | | | 3BR | 22 | 1 | 1,092 | \$835 | | \$0.76 | |
| <u>Notes:</u> Features the following amenities: balconies/patios, walk in closets, a playground, laundry facilities, on site property manager, and detached garages. | | | | | | | | | | | |
| Northbridge Apartments | 1989 | 48 | 1 | 2BR | 24 | 1 | 768 | \$665 - \$710 | | \$0.87 - \$0.92 | |
| 802-810 Troy Rd | | vacancy rate: | 2.1% | 3BR | 24 | 0 | 950 | \$680 - \$725 | | \$0.72 - \$0.76 | |
| Albert Lea, MN | | | | | | | | | | | |
| <u>Notes:</u> Northbridge Apartments features a playground, laundry facilities, and off street parking. Heat, water, and trash/sewer are included in rent. | | | | | | | | | | | |
| Shallow Subsidy Properties | | 160 | 3 | 1.9% vacant | | | | | | | |
| Sources: Apartment listing & property management/development sites, local news sources, HUD; Freeborn County; & Maxfield Research & Consulting, LLC. | | | | | | | | | | | |

| TABLE 10 SUMMARY OF NEWER MARKET RATE AND SHALLOW SUBSIDY RENTAL UNITS PRIMARY MARKET AREA MARCH 2023 | | | | | |
|--|------------|---------------|-------------------------|-------------------------|-----------------------------|
| Unit Type | No. | Pct. | Average Size | Average Rent | Average Rent PSF |
| Newer Market Rate Units | | | | | |
| 1BR | 19 | 25.7% | 700 | \$1,150 | \$1.64 |
| 2BR | 37 | 50.0% | 1,066 | \$1,307 | \$1.23 |
| 3BR | 18 | 24.3% | 1,200 | \$1,293 | \$1.08 |
| Total | 74 | 100.0% | 1,005 | \$1,263 | \$1.26 |
| Shallow Subsidy Units | | | | | |
| 1BR | 30 | 18.8% | 663 | \$671 | \$1.01 |
| 2BR | 74 | 46.3% | 890 | \$772 | \$0.87 |
| 3BR | 56 | 35.0% | 1,057 | \$798 | \$0.75 |
| Total | 160 | 100.0% | 906 | \$762 | \$0.84 |
| Sources: Maxfield Research and Consulting, LLC. | | | | | |

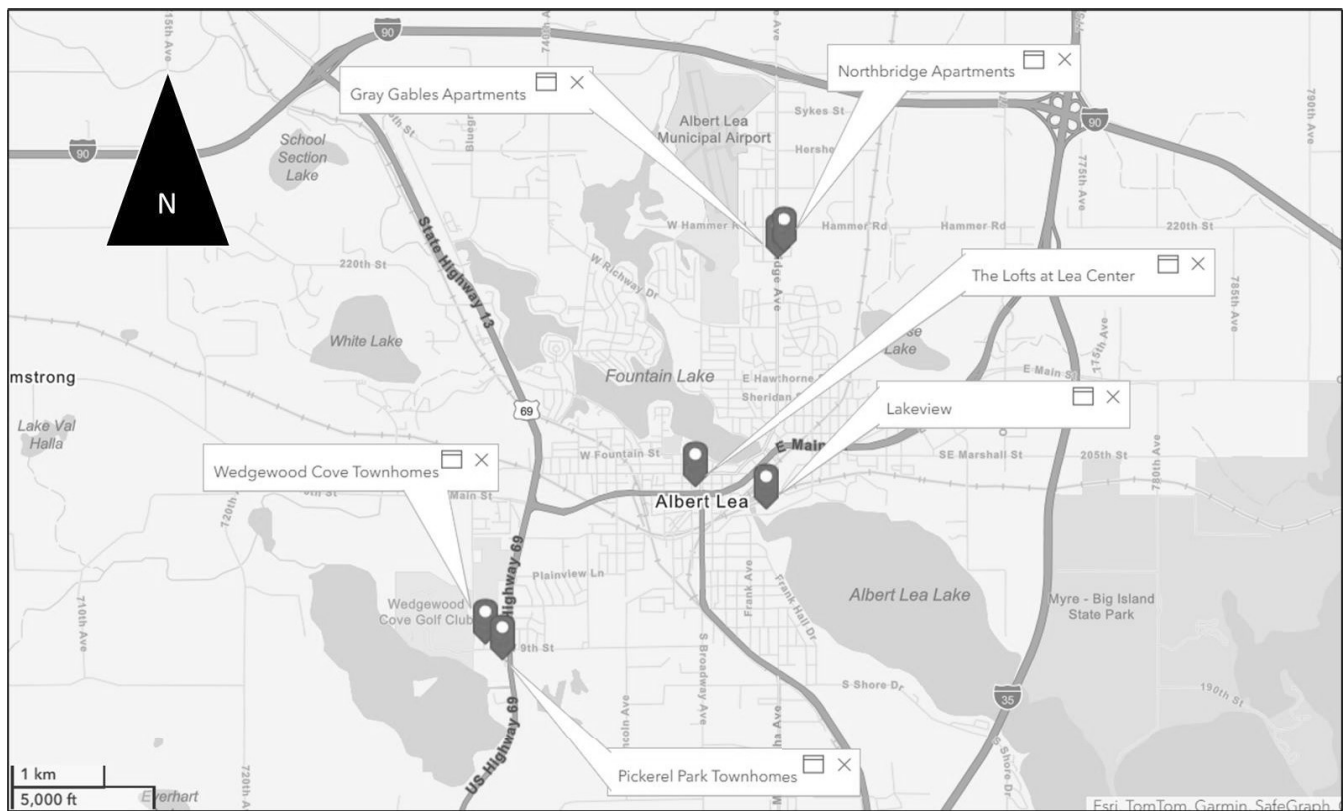
Market Rate Properties Summary

- Among the newest market rate properties in the PMA, the most common unit type was two-bedroom units, which comprised 50% of newer market rate units, while one-bedroom units were the next most common followed by three-bedroom units, each accounting for about 25% of the remaining units.
- Market rate units have an average size of 1,006 square feet, and an average rent of \$1,263, for an average rent per square foot of \$1.26. Rents ranged from an average of \$1,150 for one-bedroom units, \$1,307 for two-bedroom units, and \$1,293 for three-bedroom units.
- Rents per square foot among the newer market rate properties were \$1.64 for one-bedroom units, \$1.23 for two-bedroom units and \$1.08 for three-bedroom units.

Shallow Subsidy Properties Summary

- Units in affordable properties averaged 906 square feet and had an average rent of \$762, for an average rent per square foot of \$0.84. Two-bedroom units are the most common, comprising 46.2% of units, followed by three-bedrooms, which comprised 35.0% of units and then one-bedroom units accounted for 18.8% of units.
- The average rents at these properties ranged from \$671 for one-bedroom units to \$798 for three-bedroom units, while two-bedroom units averaged \$772. Rents per square foot are \$1.01 for one-bedroom units, \$0.87 for two-bedroom units, and \$0.75 for three-bedroom units.
- Units at the proposed development would have significantly higher rents than the surveyed affordable units in the PMA and would likely have more attractive floor plans and amenities, which would likely make them well-received by the market.
- Workforce housing has higher rents than the 50% to 60% AMI affordable units because workforce housing units target households that have higher incomes, typically in the 60% to 120% AMI income ranges.

Newer Market Rate and Shallow Subsidy Properties in the PMA



Pending Rental Developments

Maxfield interviewed staff from cities and conducted research via staff reports in the PMA to inventory new market rate and income-restricted general occupancy developments that are planned, pending, or under construction.

There are several projects in the development pipeline in Albert Lea:

Sky Flats Apartments is located at the former Marketplace Foods building on Skyline Plaza, and will have 50 units of market rate rental housing. The developer is Northwest Development Group. These units are currently under construction and are anticipated to open in spring of 2024.

Front Street Apartments second phase includes an additional 48 units to bring the total to 96 units. The developer is Unique Opportunities, LLC, and construction is anticipated to begin in spring of 2026. The project is located on the Blazing Star Landing site.

Tapestry Companies is pursuing a development that will include 120-units of housing, split into 60-units of senior apartments and 60-units of low- to moderate-income apartments, also located at the Blazing Star Landing Site. The project is pursuing Minnesota Housing and Finance Agency tax credit financing for general occupancy portion of the project in 2024 and the senior portions in 2025 or 2026.

None of the units above would be directly competitive with a new workforce housing project, and are not included in demand calculations.

Calculation of Rental Demand

This section of the report calculates demand for workforce general occupancy rental housing in the PMA and assesses the potential for the proposed development to capture a portion of demand. Factors considered include characteristics of the subject Site (location, adjacent land uses, etc.), competitiveness of existing rental properties, pending developments, demographic trends and population shifts, and the overall image and popularity of the neighborhood as a residential location.

Table 11 presents the calculation of workforce rental housing demand for the proposed development in Albert Lea. This analysis identifies potential demand for rental housing that is generated from new households and turnover households.

Potential demand is first calculated from new household growth by age group based on income qualified household growth. Then income qualified households are multiplied by propensity to rent or own is based on the 2020 U.S. Census figures by age cohort. For workforce housing, households will most likely need to earn between 60% and 120% of the Area Median Income (Between \$37,080 for a one-person household at 60% AMI to \$122,880 for a six-person household at 120% AMI) to be income qualified to live at the proposed development.

Demand is then calculated from existing households in the PMA that would turn over. Younger households tend to be more highly mobile than older households, but generally the youngest are unable to afford new construction rents unless they receive assistance from parents or desire a roommate.

Next, the proportion of households seeking new general occupancy multifamily housing is applied to the income-qualified renter household base turning over. Households between the ages of 18 and 64 will account for most of the rental demand at the subject property. A portion of the demand generated by households age 65 and older (20%) is included from those that can live independently and may be drawn to a new rental property at the Site.

From the household who would turnover over the next five years, we calculate the proportion of households at would have incomes between 80% and 120% AMI, and then multiply them by the proportion of renter households who are likely to be size qualified (under seven-person households). Of these households, we estimate that 25% to 30% desire new rental housing, which comes to 80 to 96 households in the PMA over the next five years.

All developments draw a portion of their residents from outside of the PMA. We estimate that 25% of the demand for new housing in the PMA would come from people residing outside of it, who would be interested in relocating for new workforce rental units. Applying a 25% multiplier to the demand generated via household growth and turnover brings the demand to 106 to 127 units over the next five years.

Next, we subtract units that are either under construction or approved in the PMA, but there are none that would be directly competitive with the proposed units.

In order for the proposed 62-unit project to reach equilibrium occupancy (95%, or 59 units) it would need to capture between 43.9% and 52.7% of excess demand in the PMA between 2024 and 2029.

| TABLE 11 ESTIMATED DEMAND FOR WORKFORCE RENTAL HOUSING PRIMARY MARKET AREA 2024 to 2029 | | | |
|--|----------|---------------|----------------------|
| Demand from Projected Household Growth | | | |
| Projected new housing unit demand from household growth (including 20% of age 65+), 2024 to 2029 | = | | 0 |
| (times) Estimated rental demand | x | 21.6% | |
| (equals) Projected PMA demand for rental housing units | = | | 0 |
| (times) % of Renter Households Size & Income Qualified ¹ | x | 52.5% | |
| (equals) Projected PMA demand for rental housing units | = | | 0 |
| Demand from Existing Renter Households | | | |
| Number of renter households (including 20% of age 65+) in PMA in 2024 | = | | 1,698 |
| (times) Estimated % Renter Turnover between 2024 and 2029 ² | x | 35.7% | |
| (equals) Total existing households projected to turnover | = | | 606 |
| (times) % of Renter Households Size and Income Qualified ¹ | x | 52.5% | |
| (equals) Demand for Affordable Rental Housing, 2024 - 2029 | = | | 318 |
| (times) Estimated % desiring new rental housing | x | 25.0% - 30.0% | |
| (equals) Demand from existing households | = | | 80 - 96 |
| Total Demand from Household Growth and Existing Households in PMA 2024 to 2029 | | | 80 - 96 |
| (plus) Additional demand from outside PMA ³ | + | 27 - 32 | |
| (equals) Projected PMA demand for new rental housing units | = | | 106 - 127 |
| (minus) Workforce units proposed for development ⁴ | - | 0 | |
| (equals) Excess demand for workforce rental housing units in PMA | = | | 106 - 127 |
| Number of affordable housing units proposed at Site | | | 59 |
| (equals) Percent capture rate of PMA excess affordable rental demand on subject Site | = | | 43.9% - 52.7% |
| ¹ Affordable to workforce households with incomes between \$37,080 (60% AMI for a one-person household) and \$122,880 (120% AMI for a six-person household). ² This figure is based on data from the American Community Survey. ³ 25% of total units to be captured from outside the PMA. ⁴ At stabilized occupancy (95%). ⁵ Total existing units, pending units, and units at subject development. | | | |
| Source: Maxfield Research & Consulting, LLC. | | | |

Recommended Development Concept

Based on the assessment of income restricted and market rate rental housing in the PMA, including occupancy rates and the overall performance of comparable properties, we find market support for additional workforce rental units in the PMA.

The subject property would be the newest affordable rental property in the area and while the rents are higher than all of the other income restricted properties, they are similar to the newest market rate units in the area.

Table 12 presents Maxfield Research's recommendations for a 62-unit workforce housing development. The unit mix will be attractive to working households in the PMA, although any income-qualified household would be able to move in, not just workers.

Given that the proposed development would be new construction rental housing, its rents will necessarily be higher, and it will compete more directly with units at market rate properties. It is also serving a segment of the market that is not able to be served by LIHTC housing units, as these workforce households have incomes that are at 60% to 120% of the Area Median Income. It is likely that most of the households that will rent at the proposed development will have incomes between 80% and 100% of AMI. Households with vouchers will be able to rent in the proposed development if rents meet the rental standards for household vouchers, but they may not.

Estimated rents in Table 12 are quoted in 2024 dollars. Maxfield Research recommends monthly rents range of \$925 for studio units, \$990 for one-bedroom units, \$1,190 for two-bedroom units and \$1,375 for three-bedroom units. Overall, rents PSF average \$1.42. Rents are based on the maximum allowable rents from Minnesota Housing, shown in Figure 1 below.

| Figure 1 Workforce Housing Rent Limits Effective May 15, 2023 | | | | |
|---|-------|-------|---------|---------|
| Unit Size | OBR | 1BR | 2BR | 3BR |
| Freeborn County | \$927 | \$993 | \$1,191 | \$1,376 |
| Source: 2023 Affordable to Local Workforce Rent Limits, Minnesota Housing | | | | |

Rent premiums should be reviewed at the time of occupancy to ensure competitiveness with current market conditions. Finally, the recommended rents can be revised annually prior to occupancy to account for inflation depending on overall market conditions and MHFA Workforce Housing rent limits.

We recommend the landlord include heat, water, sewer and trash as well as provide professional management and grounds/common area maintenance. The tenant should be responsible for electricity and the following optional fees: telephone, cable or satellite television and Internet.

| TABLE 12 UNIT SIZE/MIX/RENT RECOMMENDATIONS ALBERT LEA PRIMARY MARKET AREA MARCH 2024 | | | | | |
|---|--------------|-------------|---------------------|--------------------|--------------------------|
| Unit Type | No. of Units | % of Total | Average Square Feet | Average Rent Range | Average Rent Per Sq. Ft. |
| Studio | 10 | 16% | 500 | \$925 | \$1.85 |
| 1BR | 22 | 35% | 650 | \$990 | \$1.52 |
| 2BR | 22 | 35% | 900 | \$1,190 | \$1.32 |
| 3BR | 8 | 13% | 1,100 | \$1,375 | \$1.25 |
| Totals/Avg. | 62 | 100% | 773 | \$1,100 | \$1.42 |
| Note: Rents are based on the 2023 Affordable to Local Workforce Rent Limits from Minnesota Housing and Finance Agency. We recommend that landlord include heat, water, sewer and trash in rent. | | | | | |
| Source: Maxfield Research & Consulting, LLC | | | | | |

Projected Absorption

Based on current and projected market conditions and vacancy rates among the existing competitive properties in the PMA, we estimate that a 55-unit rental development starting construction in late spring 2024 and coming on-line in spring 2025 would have approximately 30% of its units pre-leased with the remaining units leasing at a rate of eight to ten units per month, on average. At this absorption rate, stabilized occupancy (95%) would be reached in roughly four to five months.

The estimated absorption rate assumes that the project would open for occupancy during the peak leasing season between early spring and mid-fall to allow for the maximum exposure to prospective renters and that an effective marketing campaign will be undertaken to generate awareness of the project. If the development comes on-line during the late fall or winter months, absorption will be slower, resulting in a slightly extended period from lease-up to stabilized occupancy.

Additionally, should other proposed projects come on-line ahead of, or at the same time as, the project addressed in this report the lease-up period would likely be extended.

These conclusions are preliminary and do not consider the historical performance of other senior housing developments in the Market Area, price and positioning of the proposed development, or other important factors (i.e., architectural, marketing and management issues) that would likely impact the potential success of the subject development. A *Full Feasibility Study* would provide more specific factors that might impact demand, as well as detailed recommendations and concepts.