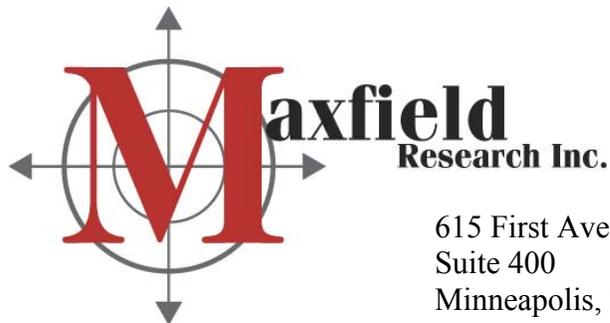




An Update of a Market Potential Analysis for Downtown Rosemount, Minnesota

Prepared for:
City of Rosemount
Rosemount, Minnesota

November 2003



615 First Avenue NE
Suite 400
Minneapolis, MN 55413
612.338.0012



November 12, 2003

Mr. Jamie Verbruegge
City Administrator
City of Rosemount
2875 145th Street West
Rosemount, Minnesota 55068-4997

Dear Mr. Verbruegge:

Attached is the study *An Update of a Market Potential Analysis for Downtown Rosemount, Minnesota*. The study includes an analysis of the market conditions for retail, office and multi-family housing in Downtown Rosemount. We also analyzed growth trends and demographic characteristics and the impact of these trends on the potential to develop various land uses in Downtown.

Rosemount is located on the fringe of the Metropolitan Area and is poised for strong household and employment growth, as suburbs closer to the core of the Metro Area have begun to exhaust their supply of available land. This growth will create demand for additional housing units, retail and office space in Rosemount, a portion of which can be supported in the Downtown.

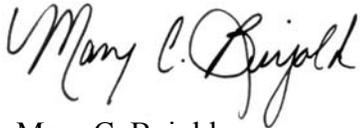
We find that Downtown Rosemount can support a variety of housing products including independent senior housing, rental apartments and condominiums. Our calculations show demand for 515 to 535 additional multifamily housing units, or more than Downtown can likely accommodate this decade. Our calculations also indicate that the Downtown can support 33,000 to 60,000 additional square feet of retail space through 2008 and 20,000 to 27,000 additional square feet of office space through 2010.

Detailed findings and recommendations for each land use can be found in the *Conclusions and Recommendations* at the end of each section.

We have enjoyed performing this study and are available if you need additional information.

Sincerely,

MAXFIELD RESEARCH INC.



Mary C. Bujold
President



Jay Thompson
Senior Research Analyst



Matt Mullins
Research Analyst



Merrie A. Sjogren
Research Analyst

Attachment

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
Purpose and Scope of Study.....	1
Downtown Overview	1
Demand Summary.....	2
DOWNTOWN OVERVIEW	10
Rosemount Regional Location.....	10
Downtown Rosemount Overview	11
Appropriateness of Additional Retail/Office and Multifamily Housing in Downtown Rosemount	18
HOUSING MARKET ANALYSIS	19
Introduction.....	19
Market Area Definition.....	19
Demographic Overview	20
Rental Market Analysis.....	37
For-Sale Housing Market Situation	43
Independent Senior Housing Analysis.....	54
Housing Demand Analysis.....	60
Downtown Housing Conclusions and Recommendations	63
RETAIL OFFICE DEMOGRAPHIC ANALYSIS	66
Introduction.....	66
Market Area Definition.....	66
Population and Household Growth Trends and Projections	68
Daytime Population.....	69
RETAIL MARKET ANALYSIS	71
Introduction.....	71
Categories of Goods.....	71
Consumer Expenditure Patterns.....	72
Regional Retail Development Trends	76
Retail Sales Growth	80
Competitive Retail Centers in the PMA.....	82
Planned and Pending Retail Developments	85
Projected Demand for Retail Space	86
Downtown Retail Conclusions and Recommendations	90

TABLE OF CONTENTS (Continued)

OFFICE MARKET ANALYSIS	95
Introduction	95
Market Area Definition	95
Employment and Business Growth	95
Current Office Market Situation in the Rosemount Market Area	100
Planned and Pending Office Developments	102
Projected Demand for Office Space	102
Downtown Office Conclusions and Recommendations	103

LIST OF TABLES

<u>Table Number and Title</u>	<u>Page</u>
I. Total Demand Potential Summary, Downtown Rosemount.....	2
II. Example of Potential Retail, Downtown Rosemount	6
III. Example of Potential Office, Downtown Rosemount.....	8
1. Businesses by Type, Downtown Rosemount, October 2003	14
H-1 Population and Household Growth Trends and Projections, Rosemount Housing Market Area, 1990 to 2020	21
H-2 Employment Growth Trends and Projections, Rosemount Housing Market Area, 1990 to 2020	23
H-3 Projected Age Distribution, Rosemount Housing Market Area, 1990 to 2010	24
H-4 Household Income by Age of Householder, Rosemount Housing Market Area, 2003.....	27
H-5 Household Income By Age of Householder, Rosemount Housing Market Area, 2008.....	28
H-6 Tenure by Age of Householder, Rosemount Housing Market Area, 1990 & 2000.	29
H-7 Household Type, Rosemount Housing Market Area, 1990 & 2000.....	32
H-8 Building Permit Trends, Rosemount Housing Market Area, 1990s and 2000-2002	34
H-9 Average Rents/Vacancies Among Market Area Submarkets, 2 nd Quarter 2003	37
H-10 Vacancy Rate Comparison, Selected Market Rate Apartment Buildings, Rosemount Market Area, October 2003	39
H-11 Monthly Rent Comparison, Selected Market Rate Apartment Buildings, Rosemount Market Area, October 2003	40
H-12 Multifamily Home Resales, Rosemount Housing Market Area, 1999 - 2003	44
H-13 Single-Family Home Resales, Rosemount Housing Market Area, 1999 - 2003	46
H-14 Selected Active & Pending For-Sale Multifamily Developments, Rosemount Market Area, October 2003	48
H-15 Selected For-Sale Multifamily Developments, Twin Cities Area, October 2003 ...	51
H-16 Market Rate Senior Housing Supply, Rosemount Housing Market Area, October 2003.....	55
H-17 Independent Senior Housing Developments, Rosemount Market Area, October 2003.....	58
H-18 Projected Demand for Multifamily Housing, Downtown Rosemount, 2003 to 2010.....	60
H-19 Independent Senior Rental Housing Demand, Downtown Rosemount, 2003 and 2008.....	62

LIST OF TABLES (continued)

<u>Table Number and Title</u>	<u>Page</u>
R-1 Population and Household Growth Trends and Projections, Rosemount Retail/ Office Market Area, 1990 to 2020	69
R-2 Daytime Population, Rosemount Retail Market Area, 2001	70
R-3 Household Expenditures by Selected Product Type, Rosemount Primary Market Area, 2002	74
R-4 Household Expenditures by Selected Product Type, Rosemount Secondary Market Area, 2002	75
R-5 Historical Retail Vacancy and Absorption, Dakota County, 1994 to 2003	77
R-6 Retail Space Vacancy and Absorption, Dakota County, 2000-2003 (1st Qtr)	78
R-7 Stated Net Rental Rates by Market Sector, 2003 (1st Qtr)	79
R-8 Retail Sales Growth, Rosemount, Apple Valley, Eagan and Dakota County, 1990 - 2000	81
R-9 Selected Retail Centers, Rosemount Primary Market Area, October 2003	83
R-10 Demand for Neighborhood Retail Space, Downtown Rosemount, 2003 to 2008 ...	88
R-11 Demand for Specialty Retail Space, Downtown Rosemount, 2003 to 2008	89
R-12 Retail Uses by Median Size of Store, Potential Retailers for Downtown Rosemount, October 2003	92
O-1 Employment Growth Trends and Projections, Rosemount Office Market Area, 1990 to 2010	96
O-2 Businesses by Industry and Size of Business, Rosemount Primary Market Area, 2000	97
O-3 Selected Office Buildings, Rosemount Primary & Secondary Market Area, October 2003	100
O-4 Projected Demand for Office Space, Rosemount Primary Market Area, 2000 to 2010	103
O-5 Office Uses by Median Size, Potential Office Users, Downtown Rosemount, October 2003	104

Purpose and Scope of Study

Maxfield Research Inc. was retained by the City of Rosemount to conduct an analysis of the market potential for the redevelopment of Rosemount's Downtown. Our research includes an analysis of the existing supply of and market conditions for retail, office and multifamily housing in the area. We also analyzed growth trends and demographic characteristics and the impact of these trends on the potential to develop various land uses in Downtown Rosemount. This market analysis is an update of a previous market analysis conducted by our firm in May 2002 that focused on the retail and office potential.

Based on growth trends and market conditions in the area, we quantified demand for additional retail, office and multifamily housing units through 2010 in the Rosemount Market Area. Moreover, we estimated the amount of development that could be captured by Downtown Rosemount for each component. Our demand calculations and recommendations are intended to serve as a guide in developing a strategic plan for the Downtown.

Downtown Overview

- ▶ Rosemount is a suburban community of approximately 17,000 people (in 2003) located on the southeastern fringe of the Twin Cities Metro Area. As Rosemount's neighbors to the north and west (Apple Valley, Eagan, and Inver Grove Heights) exhaust their supply of vacant residential land over this decade, Rosemount will capture a greater amount of new housing growth. This new residential growth, along with employment growth will fuel increased demand for additional housing units and retail and office space in the community.
- ▶ Downtown Rosemount is situated north of County Road 42 along Highway 3 (South Robert Trail) and 145th Street. Though no gateway or physical boundary defines the core of Downtown Rosemount, Downtown is approximately three blocks long and encompasses about 40 acres.
- ▶ As Rosemount has transformed from a freestanding community into a suburb over the past two decades, new shopping centers and other businesses serving the growing population and household base have been built along 150th Street (County Road 42), west of Downtown. Meanwhile, the Downtown has not added a proportionate amount of new businesses and has roughly maintained the same number of businesses over the past two decades.
- ▶ The strengths of the Downtown are: 1) its access and visibility from Highway 3 (South Robert Trail), 2) its existing infrastructure, 3) the existing and growing adjacent residential base, 4) the growing employment base near Downtown, and 5) the existing non-retail uses that draw people (potential shoppers) to the Downtown, such as City Hall, the American Legion and the Post Office.
- ▶ While the Downtown has strengths, it also has some weaknesses. Its primary weakness is its small size. This makes it difficult to create a critical mass of retail that would enable the Downtown to become a major draw. Also, the Downtown core does not have the physical land area to accommodate retail uses such as a grocery store or discount merchandiser that

EXECUTIVE SUMMARY

could anchor smaller retail stores. Thus, smaller stores will have to survive without the spin-off traffic generated from these larger stores. We discuss alternate ways of creating commercial synergies later in the report. Rosemount's close proximity to retail developments in Apple Valley can also be a weakness as they draw from Rosemount's Market Area.

Demand Summary

Based on our demographic and market analysis and our assessment of Downtown Rosemount, we calculated the amount of additional housing, office and retail that can be supported in the Downtown within this decade.

Table I summarizes our total demand calculations for the amount of each use that could be captured by Downtown Rosemount during the decade. Detailed recommendations, including timing and appropriate lease rates/pricing are found in the *Conclusions and Recommendations* at the end of each section.

TABLE I TOTAL DEMAND POTENTIAL SUMMARY DOWNTOWN ROSEMOUNT		
Housing		
	2003 to 2010	
For-Sale Townhomes/Condominiums	215 to	220
Market Rate Apartments	210 to	215
	2003 to 2008	
Senior Housing	90 to	100
Total Units	515 to	535
Commercial		
	2003 to 2008	
Neighborhood Retail	21,000 to	37,000
Specialty Retail	12,000 to	22,000
	2003 to 2010	
Office	20,000 to	27,000
Total Square Feet of Commercial Space	53,000	86,000
Source: Maxfield Research, Inc.		

The following is a summary of key demographic and market findings, demand and recommendations for redevelopment in Downtown Rosemount for housing, retail and office.

Housing Market Findings

Key Demographic and Market Findings

- ▶ The Rosemount Housing Market Area includes the Cities of Rosemount, Apple Valley, Coates, Eagan, Farmington, Inver Grove Heights, Hastings, Lakeville, Vermillion and the Townships of Empire, Nininger and Vermillion.

EXECUTIVE SUMMARY

- ▶ According to Metropolitan Council projections, this area is projected to add close to 34,500 households between 2000 and 2010. Since the supply of available land is decreasing in the northern and western portions of the Market Area and much of the southeastern portion is zoned for low-density developments, multifamily in-fill on redevelopment sites has an increased potential to fulfill housing demand this decade. Consequently, the number of multifamily housing units constructed is surpassing the number of single-family units, due to higher land costs. These factors present Downtown Rosemount with an increased opportunity to fulfill housing demand by providing multifamily housing.
- ▶ Several types of multifamily products have come on-line in the Housing Market Area during the past few years, including for-sale townhomes, condominiums, independent senior housing and market rate rental. Overall, these housing projects have been successful, indicating the strong demand for these types of products. Our research indicates that these housing products would also be successful in Downtown Rosemount.

Target Markets

We have identified three primary target markets for housing in Downtown Rosemount based on our review of demographic growth trends and current housing conditions and trends. Each of these target markets will be attracted to living in a unique Downtown setting. They are:

- ▶ Empty-nesters and independent seniors currently living in the area who are seeking multifamily housing as an alternative to their single-family homes (for reasons such as downsizing, shedding home maintenance responsibilities to increase time for traveling and other activities and to increase socialization);
- ▶ Younger and middle-aged singles and couples without children who work in the southeast Metro Area and are seeking an affordable owned housing option to single-family homes and/or a lifestyle choice in an environment that offers retail, restaurants, and other entertainment within walking distance from their home;
- ▶ Singles and couples without children (including lower- to moderate-income households) who are or will be employed in the southeast Metro Area and are seeking rental housing.

Recommendations

The housing types that we believe would satisfy housing demand from the target markets and that are most appropriate in the Downtown in the next decade are listed below, along with the recommended number of units.

- ▶ Market Rate Independent Senior Housing –We recommend 70 to 80 market rate units that are age-restricted to residents 55 years and older. A rental project with monthly rents of \$850 to \$875 for one-bedroom units and \$1,100 to \$1,150 for two-bedroom units would be appropriate. Though an ownership project, such as a condominium or cooperative, would also be successful, its demand may overlap with demand for general-occupancy for-sale

EXECUTIVE SUMMARY

multifamily housing. Thus, we do not recommend the development of an age-restricted for-sale project and a general-occupancy for-sale project at the same time.

- ▶ General-Occupancy Condominium – We recommend a condominium with 50 to 60 units be built initially, with the potential for a future second building of similar size. We recommend base prices of about \$170,000 to \$180,000 for one-bedroom units, \$200,000 to \$215,000 for two-bedroom units, and \$220,000 to \$240,000 for two-bedroom plus den units.
- ▶ Market Rate Rental Apartment – Up to 80 market rate rental units could be supported Downtown. We recommend one-bedroom units with monthly rents in the range of \$800 to \$850. Two-bedroom units should have monthly rents in the range of \$1,100 to \$1,300 per unit. A portion of these units could be affordable for moderate-income households.

We believe that adding housing should be a high priority of the City as it proceeds with redevelopment in the Downtown. Our research finds that strong housing demand in the area creates the potential to develop the housing products described above immediately. Also, the addition of housing in Downtown Rosemount would be a catalyst for commercial development.

Retail Market Findings

Key Demographic and Market Findings

- ▶ We defined the “Primary Market Area” (PMA), which will account for the majority of shoppers and potential office tenants in Downtown Rosemount, as the City of Rosemount and the eastern one-third of Apple Valley (east of Johnny Cake Ridge Road). PMA residents will find the Downtown to be a convenient location for neighborhood goods and services (goods and services purchased daily or weekly). A more thorough description and map of the PMA is given on page 66.
- ▶ The PMA grew by approximately 8,950 people during the 1990s, to a total of 27,971 people in 2000. The PMA is projected to grow by another 9,438 people during this decade, with a greater percentage of growth occurring east of Downtown. This is significant because people living east of Downtown will more regularly travel through the Downtown and retailers there will have a greater chance of capturing their businesses. People living west of Downtown often do not travel through Downtown on their daily commutes to and from work, and thus, are less inclined to shop there.
- ▶ The Downtown will be able to support some retailers of specialty goods (goods purchased less often and for which customers travel further distances to purchase), which will draw customers from the PMA and the “Secondary Market Area” (SMA). The SMA consists of portions of southern Eagan and Inver Grove Heights, plus Farmington and rural areas south and east of Rosemount. The SMA grew by 13,841 people during the 1990s, to 35,763 people in 2000, and is projected to grow by 11,627 people this decade. Much of this growth will occur in Farmington, which has the most land available for residential growth in the SMA. Specialty retailers in Downtown Rosemount will have a greater opportunity to capture demand from new households in Farmington, than neighborhood retailers

EXECUTIVE SUMMARY

- ▶ According to consumer expenditure data provided by Claritas Inc, a national demographics firm, Market Area (PMA and SMA) consumers spent \$1 billion in 2002 on the retail goods and services. Average annual expenditures were estimated to be about \$43,027 per household in the PMA and \$44,519 per household in the SMA.
- ▶ According to data from the Minnesota Department of Revenue, Rosemount had \$57.5 million in retail sales in 2000. In comparison, neighboring Apple Valley and Eagan had retail sales of \$703 million and \$737 million, respectively. Retail sales in Apple Valley and Eagan are boosted by sales generated from Rosemount residents.
- ▶ The two largest shopping centers in Rosemount are *Rosemount Village*, built in 2001, and *Rosemount Market Square*, built in 1994. Both are located on the south side of 150th Street, between Shannon and Chippendale Avenues, and combine for 138,000 square feet, almost approaching the total amount of retail space in Downtown Rosemount. The retail tenants of these two centers (and in all of the PMA shopping centers) are neighborhood oriented. They contain stores such as grocery, beauty/barber salon, and eating establishments, which provide goods and services primarily to local people daily or weekly. Net lease rates range from \$7.00 to \$12.00 per square foot in *Rosemount Market Square* to \$20.00 per square foot at *Rosemount Village*.
- ▶ Shopping centers concentrated near the 150th Street and Cedar Avenue intersection in Apple Valley combine for over one million square feet of space. The drawing power of this concentration of stores reduces the overall retail potential in Rosemount, because it captures such a large portion of the Market Area's overall retail expenditures (for both neighborhood and community goods).

Demand Summary

- ▶ Based on our demographic and market analysis and our assessment of the Downtown, we have calculated that, overall, Downtown Rosemount can support 33,000 to 60,000 square feet of additional retail space through 2008. It should be noted that the demand calculation does not take into account displaced existing space which is lost to make way for redevelopments. Therefore, the Downtown's net increase in retail space may be somewhat less than the calculated amount.
- ▶ We estimate that two-thirds of the new retail demand will be for neighborhood retail serving the local population base, with the remaining demand for specialty goods.
- ▶ Downtown Rosemount currently has about 173,000 square feet of retail space. Therefore, our demand calculations project about a 20 to 35 percent increase in the amount of retail space that can be supported through 2008.

Recommendations

- ▶ To reach maximum demand potential, a variety of spaces (sizes and rent ranges) must be provided. Many of the Downtown's current retail tenants are paying gross rents of \$8.00

EXECUTIVE SUMMARY

per square foot, and would not be able to afford net rents of \$14.00 or more, which is about the minimum rent for new space in the area

- ▶ Redevelopment of existing commercial properties likely will not happen without a public/private partnership. The rents necessary to make redevelopment feasible would be much higher than what potential retail and office tenants could or would be willing to pay initially. Public assistance to help reduce the cost of redevelopment to the private sector will almost certainly be necessary for the commercial portion of the redevelopment to be successful.
- ▶ Demand is not sufficient to redevelop the entire Downtown with its full commercial potential all at once. Redevelopment will have to be incremental through this decade. Additionally, properties with high visibility and sufficient vehicular access such as the intersection of Robert Trail and 145th Street should be considered a high priority for redevelopment.
- ▶ Table II lists potential new neighborhood and specialty retail tenants that could be attracted to the Downtown, with average store sizes.

Neighborhood Retail	Sq. Ft.	Specialty Retail	Sq. Ft.
Cards & Gifts	2,400	Apparel: Family wear	5,000
Coffee/Tea	1,250	Art Gallery	2,400
Cosmetics/Beauty Supplies	1,250	Arts & Crafts	2,200
Deli/Specialty food	1,950	Athletic Footwear	2,100
Donut/Muffin shop	1,100	Computer/Software	1,250
Drugstore/Pharmacy	8,450	Day Spa	2,000
Dry Cleaner	1,450	Decorative accessories	1,650
Film Processing	1,000	Dollar Store/novelties	3,500
Floral	1,200	Eyeglasses-optician	1,400
Hardware	8,500	Fabrics	1,500
Ice Cream Parlor	1,200	Hobby	2,500
Liquor/wine	2,400	Home accessories	2,800
Mailing/Packaging	1,200	Home improvement	1,200
Nail Salon	1,050	Jewelry	1,300
Restaurant with liquor	4,000	Paint and Wallpaper/Flooring	3,200
Sandwich shop/Café	1,250	Pet Supplies	1,500
Tailor	900	Photographer	1,380
Tanning Salon	1,250	Picture Framing	1,000
Travel agent	1,000	Radio, Video, Stereo	2,100
Unisex hair	1,300	Sporting goods/bike shop	3,100
Videotape Rental	2,800	Telephone Store/Telecom	1,000

Sources: Urban Land Institute; Maxfield Research, Inc.

Office Market Findings

Key Demographic and Market Findings

- ▶ The PMA added 2,397 jobs between 1990 and 2000 (a 51 percent increase), to a total of 7,126 jobs in 2000. During this decade, the PMA is forecast to add 2,752 jobs (a 39 percent increase). In 1990, 13 percent of the jobs in the Market Area were estimated to be jobs that required office space, or about 615 jobs. That percentage increased only slightly, to 14 percent, in 2000, and is projected to increase to 17 percent in 2010. The result is that the Market Area added an estimated 480 office jobs during the 1990s and is projected to add 680 office jobs between 2000 and 2010.
- ▶ Increased demand for office space in the PMA from employment growth will require developing additional office buildings, since there is very little vacant office space in the PMA. However, the office market in the Twin Cities Metro area is experiencing high vacancies, yet is expected to rebound in the next year or two. Many of the office jobs created will be in businesses occupying office/warehouse space, which is not appropriate for a downtown location. Business parks in Apple Valley and Rosemount will accommodate these buildings.
- ▶ Because of Downtown Rosemount's distance from a major freeway and from the core of the Twin Cities, the majority of office-oriented businesses in Rosemount are those serving the local household and business base, such as medical/dental offices, attorneys, insurance agents, accountants, architects, and finance related businesses. Most of these businesses have fewer than ten employees and require relatively small spaces.

Demand Summary

- ▶ Based on our demographic and market analysis and our assessment of the Downtown, we have calculated that, overall, Downtown Rosemount can support 20,000 to 27,000 square feet of office space through 2010.
- ▶ Most potential Downtown office tenants will be smaller businesses (two to ten employees needing 200 to 2,000 square feet, on average) serving the local population and business base. Larger office users that have a customer base not tied to a local population generally locate along major transportation arteries closer to the core of the Twin Cities to have greater access to a larger labor pool. Therefore, it will be difficult to attract these types of users to Downtown Rosemount.
- ▶ Downtown Rosemount currently has about 60,000 square feet of space occupied by offices. Most of this space is professional service-based businesses such as attorneys, insurance agents and medical services. Combined with the additional demand that will be generated over this decade, we find a potential for a total of about 80,000 to 87,000 square feet in the Downtown through the remainder of this decade. Like retail space, a variety of spaces will need to be provided for the Downtown to reach its potential.

EXECUTIVE SUMMARY

- ▶ Office demand will primarily be additional professional service-based businesses. Table III lists potential new office tenants that could be attracted to the Downtown, with average office sizes. As evident from the table, the majority of tenants will require less than 1,500 square feet and have less than five employees.

Office Uses	Sq. Ft.
Accounting	950
Architect/Other Consultants	850
Banks	3,000
Chiropractor	1,200
Dental	1,500
Finance	1,400
Insurance	850
Legal	1,200
Medical	1,500
Optometrist	1,500
Real Estate	2,500

Sources: Urban Land Institute: Dollars and Cents of Shopping Centers, 2000; Maxfield Research Inc.

Recommendations

Although there is demand for between 20,000 to 27,000 square feet of office space through this decade, we do not recommend all of this space to come online at one time. Therefore, we recommend that 15,000 square feet be developed in the short-term, with subsequent phasing for future office space in Downtown. We recommend that over two-thirds of this space be leased office space and the remainder office suites. The office types as summarized below could be successful in Downtown Rosemount's redevelopment plan.

- ▶ Leased office space: The majority of potential office users will be attracted to leased office space (excluding office suites) in either a stand-alone building or as a component of a mixed-use building. Nearly all of the medical offices will seek this type of space, as will many of the service businesses, such as attorneys, accountants, financial planners, etc.
- ▶ Office Suites: A portion of the demand for office space will be from small professional businesses who desire office space near their home in the southeast Metro Area. Office suites are ideally suited for small businesses of five or less employees. Suites generally range in size from about 120 to 400 square feet and also provide shared space and services. Standard amenities and service packages provide utilities, janitorial/maintenance, 24-hour access and receptionist. Conference rooms and break rooms are often included. Standard optional features include use of fax and copy machines on a per page basis, voice mail and administrative support services.

EXECUTIVE SUMMARY

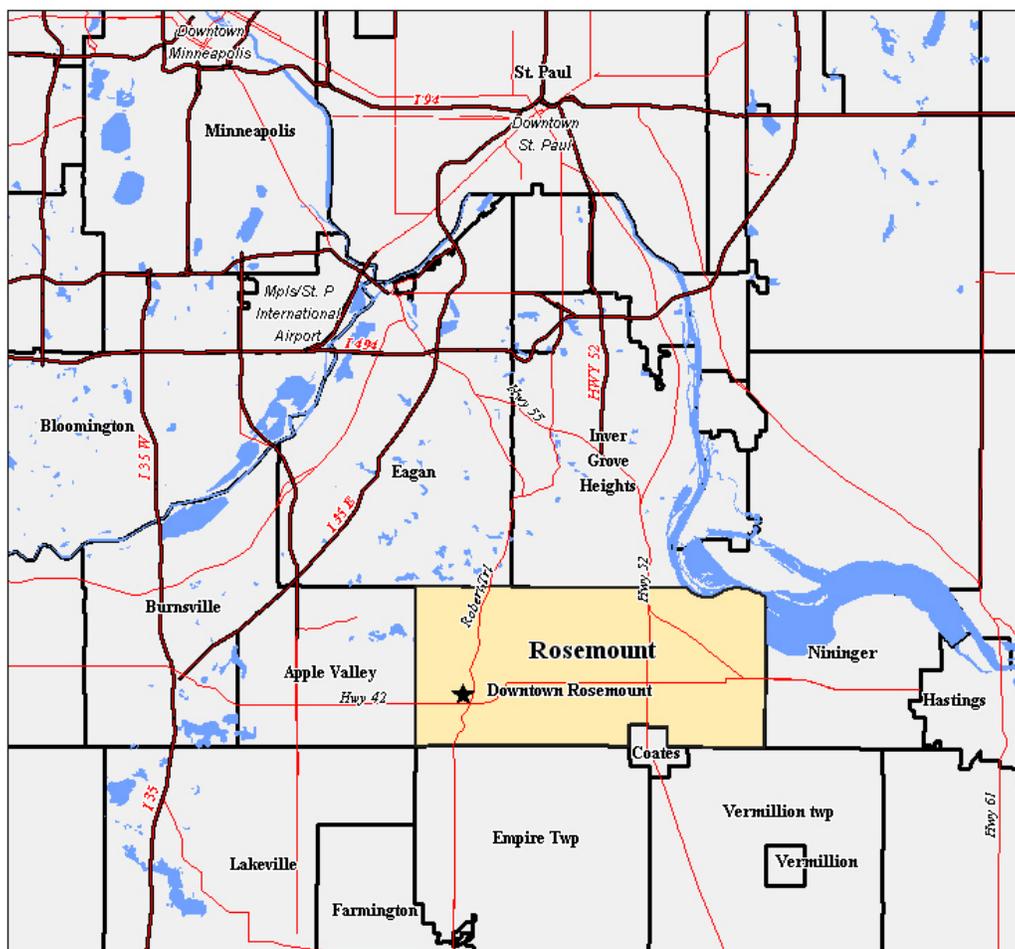
- ▶ Retail Space: Some businesses that are traditionally considered users of office space will seek first-floor retail space. These include personal service businesses that sometimes prefer the higher visibility that retail space provides. While not all of these potential types of businesses in the Downtown will seek retail space, some will prefer to be in higher visibility locations where walk-in traffic is important.
- ▶ Office Condominiums: Some office users will prefer to own their space versus leasing. While these could be businesses of various types, most businesses seeking ownership space will be smaller businesses requiring less than 2,000 square feet. Common space in an office condominium should be minimal. An amenity that should be included to attract the target market, however, is underground parking. As most office condominiums are stand-alone, low-density developments, we believe that a potential office condominium would be best located on the fringe of the Downtown.

Rosemount Regional Location

Rosemount is a suburban community of approximately 17,000 people located on the southeastern fringe of the Twin Cities Metro Area, which encompasses 13 counties and includes about three million people. While on the fringe, Downtown Rosemount is only about a 15-mile drive to Downtown St. Paul and a 20-mile drive to Downtown Minneapolis. The map below shows Rosemount's orientation in the Metro Area.

Rosemount's neighbors are Apple Valley (45,500 people in 2000) to the west and Eagan (63,500 people in 2000) and Inver Grove Heights (29,700 people in 2000) to the north. Eagan is almost completely built out while Apple Valley and Inver Grove Heights have only small amounts of land remaining for development. As these communities exhaust their supply of available land for new housing development over this decade, Rosemount will capture a greater amount of new housing growth in the southeastern Metro Area.

REGIONAL LOCATION DOWNTOWN ROSEMOUNT



Maxfield Research, Inc.

DOWNTOWN OVERVIEW

Most of the vacant land available for residential development in Rosemount is located east of Downtown. This land will see a large number of housing projects developed over the next several years, adding hundreds of housing units and thereby boosting the retail potential in Downtown Rosemount. While most of eastern Rosemount is vacant land, the new housing will be limited to land within about two miles east of Downtown (west of Akron Avenue).

None of the land east of Akron Avenue, which roughly divides the City in half, is zoned for residential. The location of the Flint Hills Resources (Koch Refinery) at Highway 52 and 140th Street makes housing in this area undesirable. In addition, the *University of Minnesota Rosemount Research Center*, which conducts agricultural research, covers a large portion of south central Rosemount, and thus, is not likely to be available for housing development in the foreseeable future.

Dakota County falls under the jurisdiction of the Metropolitan Council, which has the ability to control development in the Twin Cities Seven-County Metropolitan Area by managing the availability of water and sewer services. Metropolitan Council's "framework" for Dakota County designates the rural townships directly south and east of Rosemount (Empire, Vermillion, and Nininger Townships) as agricultural, rural planning areas. For this reason, Rosemount will remain on the fringe of the Metro Area for the foreseeable future.

Most of southern Inver Grove Heights and the eastern portion of Rosemount are not serviced by the Metropolitan Area's water and sewer system. Thus, southern Inver Grove Heights is being developed primarily with lower-density, large lot single-family homes, designated rural residential in the regional framework. In addition, the commercially zoned land along Highway 52 is being developed with uses such as outdoor storage and truck terminals because there is no water and sewer service.

Downtown Rosemount Overview

Physical Characteristics/Community Orientation

Downtown Rosemount is approximately three blocks long and it encompasses about 40 acres. Rosemount was a small freestanding community that, like many other small communities, contained businesses that serviced the surrounding agricultural economy. The small town character of Rosemount's Downtown remains today, despite the fact that Rosemount has transformed into a suburban community with over 17,000 people (in 2003). New shopping centers and other businesses serving the growing population and household base have primarily located along 150th Street, west of Highway 3 (Robert Trail). Meanwhile, the Downtown has not added a proportionate amount of new businesses and remains largely unchanged over the past two decades in terms of the number of businesses.

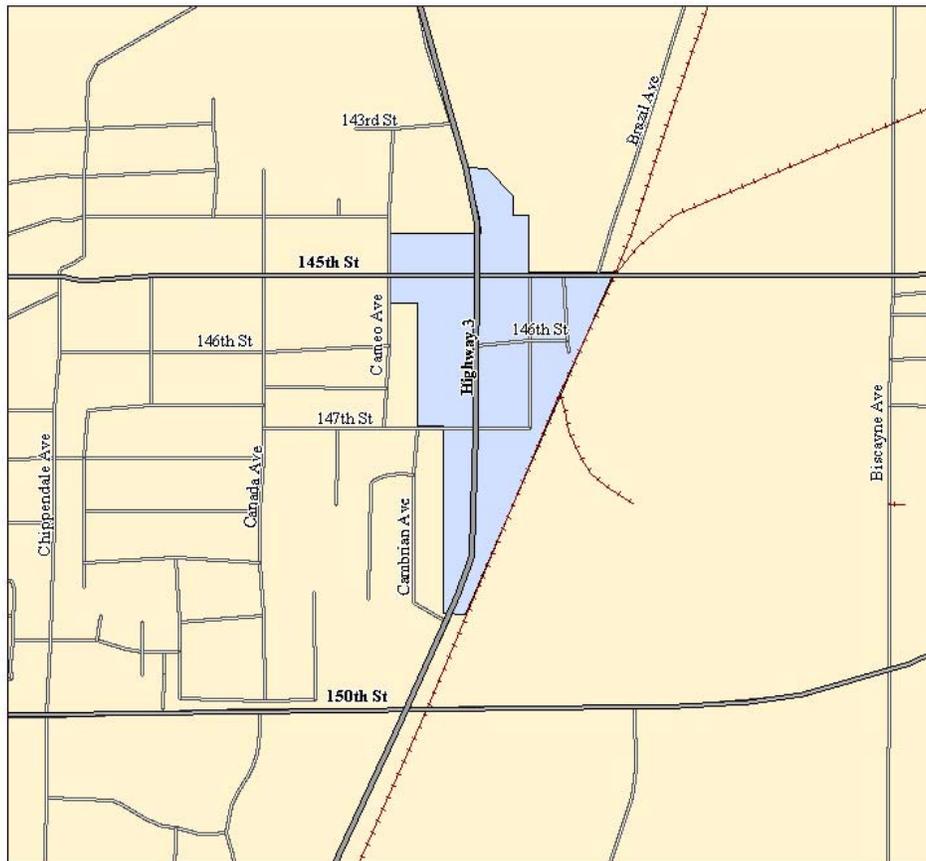
Despite the community's age, Downtown Rosemount does not contain many older historic buildings that are characteristic of many Midwestern small towns. Not including three single-family homes along Highway 3 that house retail businesses, only six of the Downtown's 37 buildings were built before 1930. One of those buildings, located on the southwest corner of

DOWNTOWN OVERVIEW

Highway 3 and 145th Street, was built in 1882. That building, along with the buildings directly to the south (built in 1925) and to the west (built in 1915), are the only buildings with “main street” characteristics.

Downtown Rosemount is dominated by 1950s and 1960s era buildings that were designed around the automobile as the main mode of transportation. Thus, the Downtown does not have a strong pedestrian orientation. The block on the southeast corner of 145th Street and Robert Trail is somewhat the exception, as it was redeveloped in the mid-1980s and contains two multifamily structures connected to retail buildings by walking paths. The southern end of Downtown (south of 147th Street), in particular, is highway commercial in nature. Genz-Ryan Plumbing and Heating is located along the west side of Highway 3 and contains a significant amount of outside storage. A trailer and boat storage business and a transmission shop are also located along the west side of Highway 3. The east side of the Highway, south of 147th Street, contains a farm, garden, and pet supply business and a gas station. This portion of Downtown does not have the feel of a main street or downtown.

DOWNTOWN ROSEMOUNT



Providing a somewhat unique characteristic to Downtown Rosemount is the block southeast of 145th Street and Robert Trail that was redeveloped in the mid-1980s with three retail/office buildings along the Highway and two multifamily buildings located behind them, along Burma

DOWNTOWN OVERVIEW

Avenue. Also, on the northwest corner of the intersection is a 20,000 square foot retail center built in 1988. These buildings, along with the 1882 building on the southwest corner, make this intersection the primary focal point of Downtown Rosemount.

The Downtown is bisected by Highway 3 (South Robert Trail), which is the major highway connecting Rosemount to Northfield and Farmington to the south and to Downtown St. Paul to the north. 145th Street crosses Robert Trail on the northern end of the Downtown. 145th Street connects the Downtown to residential neighborhoods directly to the west and to Highway 42 to the east; Highway 42 then intersects with Highway 52/55 to the east. Highway 42 bypasses the Downtown to the south by just two blocks, and turns into 150th Street, which carries most of the through traffic that once traveled on 145th Street through Downtown, and which now is home to the newest shopping centers in the Community.

Currently, the Downtown sits along the eastern edge of the residentially developed area of Rosemount. However, a growing amount of housing is being developed east of Robert Trail, as available land west of Robert Trail is diminishing. Downtown businesses will be able to capture a greater portion of sales from these new households than new households added in western Rosemount, because many of those households pass shopping centers in Apple Valley and Eagan on their way to and from work, and thus are less inclined to shop in Downtown Rosemount.

As mentioned earlier, none of the land east of Akron Avenue is zoned for residential. However, commercial development in this area will create a daytime population that will contribute to spending in Downtown Rosemount. Dakota County Technical College (DCTC), for example, is located along Highway 42, just east of Akron Avenue. DCTC is a two-year technical college and a member of the Minnesota State Colleges and Universities system. The main campus is located in Rosemount, and four other sites are located in Bloomington at the Mall of America, South St. Paul, Burnsville, and Eagan. Overall, the DCTC serves almost 15,000 students per year, with nearly 5,000 students enrolled in regular credit courses and almost 10,000 students enrolled in customized training hour-based courses. In Rosemount, the DCTC employs 775 people. Downtown has the ability to capture a portion of the retail expenditures made by both students and employees, particularly eating establishments.

Traffic Volumes

According to data from the Minnesota Department of Transportation, the traffic counts in and near the Downtown in 2001 (the most current year available) were as follows:

Robert Trail through Downtown	13,700 vehicle trips per day
150 th Street west of Robert Trail	17,800 vehicle trips per day
150 th Street east of Robert Trail	14,100 vehicle trips per day
145 th Street west of Robert Trail	2,850 vehicle trips per day
145 th Street east of Robert Trail	1,850 vehicle trips per day

In comparison, the 2001 traffic count on 150th Street west of Shannon Parkway was 20,700 vehicle trips per day, while the traffic count on 150th Street between Flagstaff Avenue and

DOWNTOWN OVERVIEW

Johnny Cake Ridge Road in Apple Valley was 29,100 vehicle trips per day. There is an orientation of many Rosemount residents to shopping and employment in Apple Valley.

Existing Business Mix

Table 1 shows the mix of businesses by type in Downtown Rosemount. The Downtown contains a total of about 266,200 square feet of commercial space occupied by 62 businesses. Specialty retailers account for over 89,000 square feet of occupied space, accounting for over one-third of total retail space.

TABLE 1 BUSINESSES BY TYPE DOWNTOWN ROSEMOUNT October 2003		
Business Type	Total Businesses	Total Square Feet
Retail		
Auto Stations	4	10,213
Automotive Uses	5	26,972
Bakery	1	3,500
Hardware Store	1	12,420
Restaurants/Bars	5	26,530
Specialty Retail	15	56,239
Subtotal	31	135,874
Services		
Business/Professional Services		
Accounting	1	2,628
Attorneys	1	2,627
Finance	1	6,746
Insurance	1	2,627
Real Estate	2	7,467
Miscellaneous	2	4,447
Personal Services		
Barber/Beauty Salon	2	5,910
Medical Services	7	22,340
Miscellaneous	1	3,800
Specialty Service	10	33,078
Subtotal	28	91,670
U.S. Post Office	1	5,130
American Legion	1	9,890
Genz-Ryan Plumbing & Heating	1	23,640
Total Businesses	62	266,204
Source: Maxfield Research Inc.		

The retail businesses contain a mix of “convenience businesses” – or neighborhood retailers – that serve the surrounding neighborhoods with items that are purchased on a daily or weekly

DOWNTOWN OVERVIEW

basis, and “specialty businesses” which carry items that are purchased less often. Specialty businesses draw customers from a larger area than neighborhood businesses and are spaced farther apart (there are fewer such businesses). We identified 16 neighborhood retailers, including four gas stations, five automotive/implement businesses, five restaurants and bars, a bakery, and a hardware store. Some of the specialty retailers include the following: Stampawampa, Music Magic, Lady Reiner Design Studio/Quilting, Rosemount Saw & Tool, Dakota Engraving & Golf, and All Valley Vacuum. The high number of specialty businesses in Downtown Rosemount is somewhat unique for a Downtown as small as Rosemount’s. These specialty businesses are supported by the larger population base in Rosemount compared to most small towns with Downtowns of similar size to Rosemount.

Service businesses are classified as either Business/Professional or Personal. Business and professional services include banks, attorneys, accountants, insurance agents, etc., and typically occupy office space. Personal services include beauty/barber shops, medical offices (dentist, chiropractor, etc.), and specialty services. The specialty services in the Downtown include, among other, a dance studio, dog grooming, photography studio, and self-defense institute. We estimate that service businesses occupy 60,000 square feet of office space and 38,000 square feet of retail space in Downtown.

It should be noted that all of the businesses in the Downtown are local businesses. That is, they are independently owned, versus national chains or franchises. In comparison, most of the businesses in the shopping centers located along 150th Street are national chains or franchises, such as Cub Foods, Blockbuster Video, and Great Clips.

In addition to the retail and service businesses, Downtown Rosemount also is home to two multifamily developments; a low-income senior high-rise and a condominium, a U.S. Post Office and an American Legion hall. While the multifamily housing in the Downtown provides a base of residents who patronize Downtown businesses regularly, the Post Office and American Legion draw people to the Downtown who will occasionally patronize businesses. Two adjacent land uses that draw people to the Downtown are the St. Joseph School (on the north end of Downtown) and Rosemount City Hall, located north of 145th Street, on the east of the Downtown.

Strengths/Weaknesses

Based on our visual analysis of the existing physical structures and layout of the Downtown and its community orientation, we identified key characteristics of the Downtown and classified them as strengths and weaknesses, as they pertain to the potential to support additional housing units and retail/office space in the Downtown. They are as follows:

Downtown Strengths

1. Existing Downtown Infrastructure

To provide an alternative to the traditional suburban subdivisions, shopping centers and office parks, many suburban communities are attempting to create a focal point in a Downtown that offers a unique environment to foster a community

identity. Many are creating their Downtowns from scratch whereas Rosemount already has a Downtown identity with existing infrastructure.

2. Adjacent Residential Base

Retail and service businesses are supported by the surrounding population base. Downtown Rosemount already has a large existing population base directly to the west of its Downtown and a growing base to the east. Strong population growth is projected in Rosemount this decade, most of which will occur east and north of the Downtown. Strong demand for multifamily housing will also support the addition of housing units in the Downtown. The growth of households east of Downtown will particularly boost the amount of commercial development that the Downtown can support because the travel patterns of these new residents will take them through Downtown more often than residents living west of Downtown.

3. Adjacent Business Parks

In addition to the residential base, employees at nearby industries also help support local businesses. Rosemount has an expanding base of industries east/south-east of the Downtown whose employees could potentially patronize local businesses.

4. Traffic Volume (Visibility)

Success of retail/service businesses is largely tied to the number of potential customers who pass by regularly. Robert Trail bisects Downtown Rosemount and provides good access and visibility to the businesses that are located there. While a heavy traffic volume can create conditions that are potentially unfavorable for a walkable main street, we do not believe that the traffic volume on Highway 3 is too heavy. However, it may be necessary to slow the traffic through the Downtown by implementing some traffic calming measures, such as traffic lights on 146th and 147th Streets.

5. Existing Downtown Draws

Downtown retailers rely partly on traffic generated by non-retail uses that draw people to the Downtown. Once these people are Downtown, then retailers have the potential to capture their business. Downtown Rosemount has existing draws such as a Post Office, City Hall, St. Joseph School and the American Legion. The addition of a public library near the Downtown would also be an excellent draw for potential customers to the Downtown. Also, a future alternative use for the existing St. Joseph Church and School property would boost the retail potential in Downtown.

Downtown Weaknesses

1. Small Size

Downtown Rosemount only encompasses approximately 40 acres. In addition, it is surrounded by a residential neighborhood to the west, railroad tracks to the east, and park land to the north. Except for some vacant land to the south, which is

somewhat disconnected from the Downtown, there is not much potential to expand its size. This makes it difficult to create a critical mass of retail that would enable the Downtown to become a major draw.

2. Lack of Larger “Supporting Retail”

Often, smaller retail stores benefit from the traffic generated by larger stores, such as grocery stores and discount retailers. Downtown Rosemount lacks these types of stores and it will be difficult to add them because of their large space requirements. Thus, Downtown Rosemount may not be able to attract certain retail stores who will locate only in shopping centers with larger anchor tenants.

3. Access to Surrounding Communities

South Robert Trail and 145th Street provide residents of Rosemount with excellent access and visibility to the Downtown. However, they are not major arterials that connect the Downtown with residents of the larger surrounding area. Thus, the primary retail potential is for neighborhood-oriented goods and services. This is not a major weakness, however, because the land constraints in the Downtown prevent the development of larger community-oriented shopping centers anyway.

4. Absence of Some Downtown Draws

While the existing draws to the Downtown (Post Office, St. Joseph’s School, City Hall, and American Legion) are strengths, the Downtown would benefit from additional draws that currently are lacking. Other examples are a library, small performing arts theater, or events, such as a farmers market or festival (to promote awareness of the Downtown). Without the benefit of large anchor tenants (primarily a grocery store) that generate a great amount of traffic that smaller retailers often depend on, the Downtown needs to maximize the number of draws – or reasons for people to go Downtown – to reach its full retail potential.

Traffic Generators

Smaller retail stores in traditional shopping centers often rely on customer traffic generated by larger retail stores in the shopping center (stores and discount merchandisers). Retail stores in Downtown Rosemount would have to survive without traffic generated by these anchor stores. However, the Downtown currently has, and may have in the future, other types of uses that can draw people to the Downtown. These draws are important to the success of Downtown retailers, because once people are in the Downtown, there is a strong chance that retailers can capture their business.

Traffic generators include such uses as government agencies (city hall, county administrative buildings, library, and post office), schools, community centers, hotels, and even churches. Restaurants also have a tendency to draw more people if there is a variety from which people can choose. Downtown Rosemount currently has City Hall, an American Legion, Post Office and St. Joseph School as traffic generators to Downtown. We understand that there are three sites in or near Downtown that are being considered for a new library that would be built in about 2008. A

DOWNTOWN OVERVIEW

Library in close proximity to the Downtown would also draw people to the Downtown and would help boost the retail potential.

St. Joseph Church vacated the existing facility adjacent to Downtown and moved to a new location north of Downtown. We understand that they may also relocate the St. Joseph School to the new site, although that may not happen for several years. Finding an alternative use for these buildings, such as another church, housing, community space, or an employer, will contribute to the potential for Downtown retail.

Appropriateness of Additional Retail/Office and Multifamily Housing in Downtown Rosemount

We assessed Downtown Rosemount's physical characteristics/infrastructure, existing business mix, community orientation, traffic volume and projected future community growth patterns. We found that the Downtown has several strengths that position it for expansion. There is an existing and growing population and employment base in close proximity that will find shopping in the Downtown to be very convenient, provided that no competing retail centers are developed east of the Downtown. Access and visibility to the Downtown, provided by 145th Street and Robert Trail is excellent. Also, there are existing non-retail uses that give people (potential shoppers) reasons to go to the Downtown.

We believe that based on the Downtown's strengths, and accounting for its weaknesses, Downtown Rosemount will be able to capture a portion of existing and future demand for retail, office and housing in the surrounding area. It would not be able to capture all of the demand, as no one location can capture 100 percent of the demand in a given area. The strong housing demand in the Market Area indicates that certain housing products can be supported in the Downtown. The increased population base would act as a catalyst for additional commercial space. Also, with the good access and visibility provided by Downtown, small businesses such as insurance and real estate agents, medical and dental offices, accountants and attorneys would also find Downtown office space to be attractive.

Introduction

This section of the report presents our analysis of demographic characteristics and growth trends, and the housing market situation in the Rosemount area. We first determined an appropriate draw area, or Market Area, from which housing in Downtown Rosemount would likely attract buyers/renters. We then analyzed key demographic data in the Market Area, as they relate to the demand for new housing units.

The existing and proposed supply of owned and rental market rate housing including housing age-restricted to seniors in the Rosemount Market Area was inventoried.

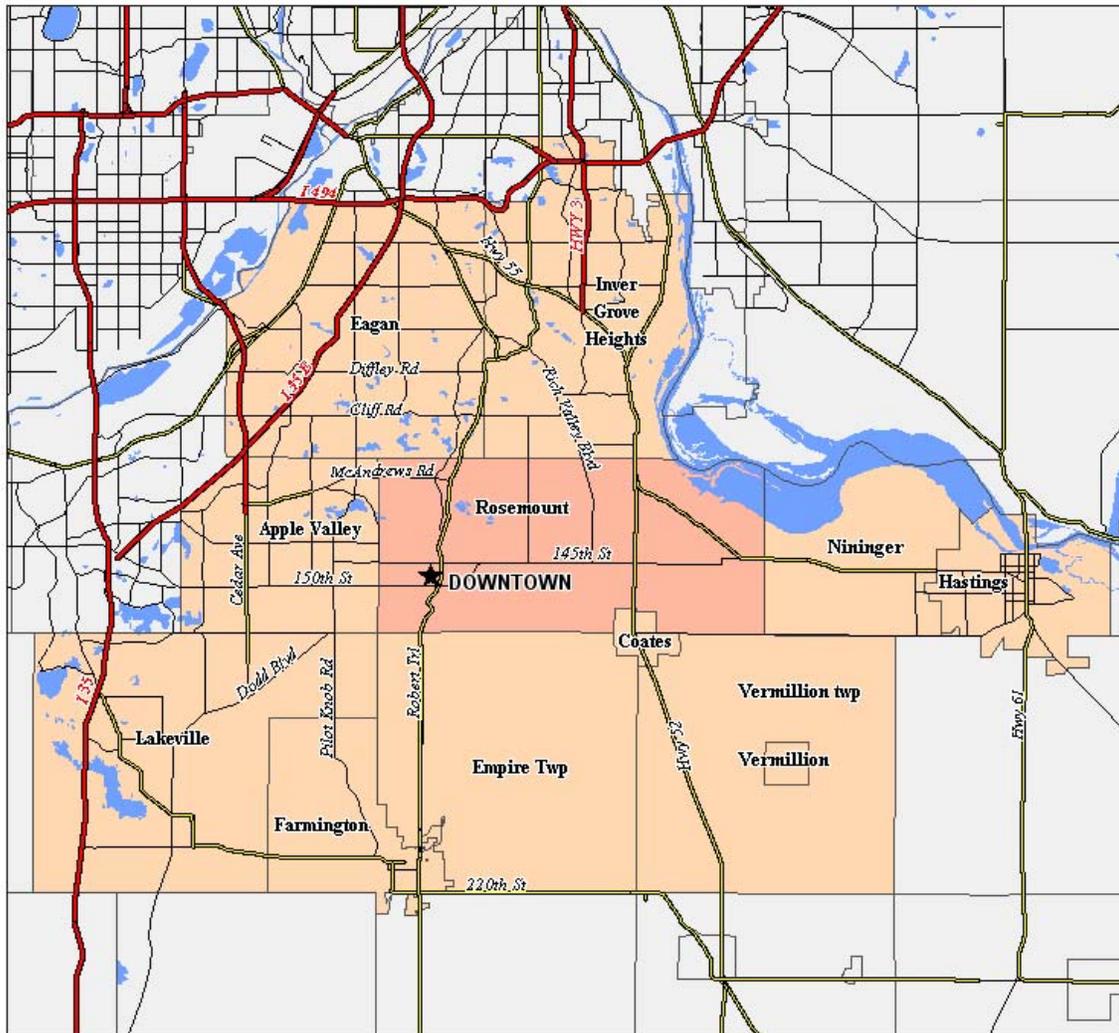
Based on our analysis, we quantified the potential demand for multifamily housing and independent senior housing in Downtown Rosemount through 2010. Appropriate housing concepts (unit types, price/rent range, project/unit features and amenities) for Downtown Rosemount are recommended that will appeal to the identified target markets.

Market Area Definition

Maxfield Research Inc. determined the draw area for housing in Downtown Rosemount based on geographic and man-made boundaries, commuting patterns, and our knowledge of the Rosemount area. The housing draw area (Housing Market Area) includes the Cities of Rosemount, Apple Valley, Coates, Eagan, Farmington, Inver Grove Heights, Hastings, Lakeville, Vermillion and the Townships of Empire, Nininger and Vermillion. Residents residing and working in this geographic area comprise the largest potential market for housing in Downtown Rosemount.

A map of the Housing Market Area is shown on the following page.

HOUSING MARKET AREA DOWNTOWN ROSEMOUNT



Maxfield Research Inc.

Demographic Overview

Introduction

Population and household growth trends and projections are analyzed in this section because these are key indicators of the potential demand for new housing units. We also analyze data on population age distribution, household income, household tenure, and household type. This information is helpful in assessing demand for various housing product types in an area. The following are key points from our analysis of demographic indicators for the Rosemount Housing Market Area.

HOUSING MARKET ANALYSIS

Population and Household Growth Trends and Projections

Table H-1 presents population and household growth trends and projections for the Market Area from 1990 to 2010. The 1990 and 2000 population and household figures were obtained from the U.S. Census Bureau, while the projections for 2010 and 2020 were made by the Metropolitan Council. The following summarizes key demographic findings.

- ▶ The population in the City of Rosemount increased significantly during the 1990s, from 8,622 people in 1990 to 14,619 people in 2000 (69.6 percent). At the same time, Rosemount added 1,963 households to 4,742 households in 2000 (70.6 percent).
- ▶ The Market Area, which also had a large supply of available land for new housing growth added over 60,000 people (40.1 percent) and over 24,000 households (45.9 percent).
- ▶ While Rosemount's population in 2000 was only 14,619 people, the Market Area's population was 216,875 people. The vast majority of the Market Area's population is located west of Rosemount. The communities of Apple Valley, Eagan, Farmington, Inver Grove Heights and Lakeville had a combined population of 194,328 people in 2000.
- ▶ Lakeville, southwest of Rosemount, experienced the largest increase in the Market Area in the 1990s. Lakeville's population increased from 24,854 people in 1990 to 43,128 people in 2000 (73.5 percent).

	Census		Projection		Change			
	1990	2000	2010	2020	1990 to 2000		2000 to 2010	
	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Population								
Rosemount	8,622	14,619	22,700	31,000	5,997	69.6	8,081	55.3
Remainder of Market Area	154,760	216,875	265,130	310,850	62,115	40.1	48,255	22.3
Total	163,382	231,494	287,830	341,850	68,112	41.7	56,336	24.3
<i>Dakota County</i>	<i>275,186</i>	<i>355,904</i>	<i>415,160</i>	<i>473,600</i>	<i>80,718</i>	<i>29.3</i>	<i>59,256</i>	<i>16.6</i>
<i>Twin Cities Metro Area</i>	<i>2,288,729</i>	<i>2,642,056</i>	<i>2,960,000</i>	<i>3,282,000</i>	<i>353,327</i>	<i>15.4</i>	<i>317,944</i>	<i>12.0</i>
Households								
Rosemount	2,779	4,742	8,000	11,500	1,963	70.6	3,258	68.7
Remainder of Market Area	52,935	77,206	108,430	134,590	24,271	45.9	31,224	40.4
Total	55,714	81,948	116,430	146,090	26,234	47.1	34,482	42.1
<i>Dakota County</i>	<i>98,293</i>	<i>131,151</i>	<i>160,800</i>	<i>190,640</i>	<i>32,858</i>	<i>33.4</i>	<i>29,649</i>	<i>22.6</i>
<i>Twin Cities Metro Area</i>	<i>875,504</i>	<i>1,021,454</i>	<i>1,179,000</i>	<i>1,344,000</i>	<i>145,950</i>	<i>16.7</i>	<i>157,546</i>	<i>15.4</i>
Sources: Bureau of the Census; Metropolitan Council; Maxfield Research Inc.								

- ▶ As the Market Area communities west of Rosemount are becoming fully-developed, Rosemount and the surrounding Market Area communities are experiencing increased pressure

HOUSING MARKET ANALYSIS

for development. However, because of zoning that limits the density of development or the lack of infrastructure to support higher densities, this area will not become as dense as communities such as Eagan and Inver Grove Heights. This increases the pressure on Rosemount and other cities in the Market Area with adequate infrastructure to accommodate future growth.

- ▶ Between 2000 and 2010, the Market Area is projected to add 56,336 people, for a 24.3 percent increase. This is about 80 percent of the growth experienced in the Market Area in the 1990s. During this same time period, the Market Area is projected to add 34,482 households for a 42.1 percent increase.
- ▶ Rosemount is projected to add just over 8,000 people and 3,258 households in this decade. This represents a population growth of 55.3 percent and a household growth of 68.7 percent during this decade. While the growth in the fully-developed communities in the Market Area will slow somewhat this decade from last decade, Rosemount is poised for greater growth. An increasing portion of the development occurring in the western portion of the Market Area will be multifamily on in-fill sites.
- ▶ Due to demographic and social trends, household growth outpaced population growth during the 1990s and is forecast to do so through 2010. The aging of the baby-boom generation into their 50s and 60s during the 2000s, declining birth rates, and many couples choosing to postpone having children until later in life are all factors contributing to a declining average household size. These trends will continue to generate demand for more diverse housing products over the next seven years, including townhomes and condominiums.

Employment Growth

Table H-2 presents total employment growth trends and projections in the Market Area from 1990 to 2020. The figures were compiled by Maxfield Research, based on data from the Metropolitan Council. The following are key points concerning employment growth in the Market Area.

- ▶ Rosemount added close to 2,000 jobs in the 1990s for a 48.0 percent increase. During the same time period, the Remainder of the Market Area added 34,829 jobs (63.8 percent) between 1990 and 2000. This growth increased the total number of jobs in the Market Area to 95,551 jobs in 2000.
- ▶ From 2000 to 2010, the Market Area is forecast to add 26,549 jobs (27.8 percent). Of the projected growth of jobs in the Market Area during this decade, over 2,600 of the new jobs (about ten percent of all new jobs in Market Area) are projected to be located in Rosemount.

HOUSING MARKET ANALYSIS

**TABLE H-2
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS
ROSEMOUNT HOUSING MARKET AREA
1990 to 2020**

	Census		Projection		Change			
	1990	2000	2010	2020	1990 to 2000		2000 to 2010	
	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Population								
Rosemount	4,114	6,089	8,700	10,450	1,975	48.0	2,611	42.9
Remainder of Market Area	54,633	89,462	113,400	129,350	34,829	63.8	23,938	26.8
Total	58,747	95,551	122,100	139,800	36,804	62.6	26,549	27.8
<i>Dakota County</i>	<i>106,029</i>	<i>148,261</i>	<i>181,010</i>	<i>202,840</i>	<i>42,232</i>	<i>39.8</i>	<i>32,749</i>	<i>22.1</i>
<i>Twin Cities Metro Area</i>	<i>1,272,773</i>	<i>1,562,833</i>	<i>1,805,679</i>	<i>1,977,960</i>	<i>290,060</i>	<i>22.8</i>	<i>242,846</i>	<i>15.5</i>
Sources: Bureau of the Census; Metropolitan Council; Maxfield Research Inc.								

Age Distribution

The age distribution of the population relates to the type of housing needed in a given community. Younger and older people are more attracted to higher density housing located near urban services and entertainment; middle-aged people (particularly those with children) prefer lower-density single-family homes. Table H-3 presents the age distribution of the Market Area population from the 1990 and 2000 Census, and projected to 2010 by Maxfield Research, based on data from Claritas, Inc (a national demographics firm). The table shows the number of people and the percent of the population in eight age categories.

- ▶ Multifamily housing in Downtown Rosemount will appeal primarily to younger and older households. The primary housing markets are young singles and couples (the ages 20 to 34 cohort), middle-age households without children (the ages 35 to 44 cohort), and empty nesters and older adults (ages 45 to 64) and young seniors (ages 65 to 74).
- ▶ In 1990, people ages 20 to 34 comprised 30 percent of the Market Area's adult population, with just over 48,000 people. Though the youngest of the baby-boom generation began moving out of this age group during the decade, only a slight decline was seen, as significant household growth in the Market Area in the 1990s offset population declines normally due to demographic shifts.
- ▶ During the 1990s, younger baby-boomers (those ages 25 to 34 in 1990) aged into their mid-30s to early-40s, fueling a high level of demand for ownership housing, particularly single-family homes since many people in this group have children.

HOUSING MARKET ANALYSIS

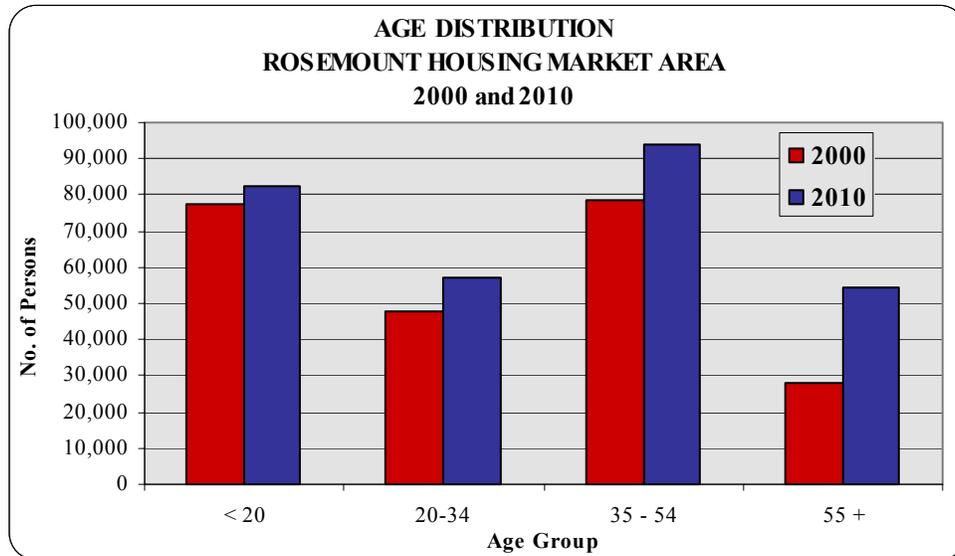
**TABLE H-3
PROJECTED AGE DISTRIBUTION
ROSEMOUNT HOUSING MARKET AREA
1990 to 2010**

Age	Census		Forecast 2010	Change			
	1990	2000		1990-2000		2000-2010	
				No.	Pct.	No.	Pct.
Rosemount							
Under 20	3,202	5,476	7,265	2,811	87.8	1,252	20.8
20 to 24	571	569	850	82	14.4	197	30.1
25 to 34	1,881	2,255	2,985	593	31.5	511	20.7
35 to 44	1,385	3,077	3,445	1,802	130.1	258	8.1
45 to 54	737	1,676	4,230	1,705	231.4	1,788	73.2
55 to 64	493	782	2,190	711	144.3	986	81.8
65 to 74	224	507	965	420	187.7	321	49.8
75 and over	129	277	770	296	229.4	345	81.2
Total	8,622	14,619	22,700	8,421	97.7	5,657	33.2
Remainder of Market Area							
Under 20	52,992	71,794	75,410	19,887	37.5	2,531	3.5
20 to 24	9,966	11,063	14,895	2,247	22.5	2,682	22.0
25 to 34	35,620	33,861	38,250	-442	-1.2	3,072	8.7
35 to 44	28,066	44,006	38,600	14,318	51.0	-3,784	-8.9
45 to 54	14,828	29,840	47,520	20,316	137.0	12,376	35.2
55 to 64	7,157	14,443	31,445	12,387	173.1	11,901	60.9
65 to 74	3,645	7,057	11,590	4,772	130.9	3,173	37.7
75 and over	2,486	4,811	7,420	3,108	125.0	1,826	32.6
Total	154,760	216,875	265,130	76,592	49.5	33,779	14.6
Market Area Total							
Under 20	56,194	77,270	82,675	22,698	40.4	3,784	4.8
20 to 24	10,537	11,632	15,745	2,329	22.1	2,879	22.4
25 to 34	37,501	36,116	41,235	151	0.4	3,583	9.5
35 to 44	29,451	47,083	42,045	16,121	54.7	-3,527	-7.7
45 to 54	15,565	31,516	51,750	22,021	141.5	14,164	37.7
55 to 64	7,650	15,225	33,635	13,098	171.2	12,887	62.1
65 to 74	3,869	7,564	12,555	5,192	134.2	3,494	38.6
75 and over	2,615	5,088	8,190	3,404	130.2	2,171	36.1
Total	163,382	231,494	287,830	85,013	52.0	39,435	15.9
Sources: Bureau of the Census; Claritas, Inc. Maxfield Research Inc.							

- ▶ Older baby-boomers (those ages 35 to 44 in 1990) aged into their mid 40s to early 50s during the 1990s, increasing the population of 45 to 54 year olds by 50 percent in the Market Area. This trend has fueled strong demand for alternative housing options, particularly townhomes, because many older adults opt to downsize from single-family homes due to decreasing need for space and other lifestyle changes. During the coming decade, a large portion of the baby-boom generation will age into their 50s and 60s. This trend will lead to even greater demand for for-sale multifamily housing.

HOUSING MARKET ANALYSIS

- ▶ The social changes that occurred with the aging of the baby boom generation, such as higher divorce rates, higher levels of education, and lower birth rates has led to a greater variety of lifestyles than existed in the past – not only among the baby boomers, but also among their parents and children. The increased variety of lifestyles has fueled demand for alternative housing products to the single-family homes. Seniors, in particular, and middle-aged people tend to do more traveling and participate in more activities than previous generations, and they increasingly prefer maintenance-free housing that enables them to spend more time on activities outside the home.



- ▶ The Market Area had 56,194 people under age 20 in 1990, or about 30 percent of the population. This group is known as the echo-boom, the children of baby-boomers. The first echo-boomers started aging into their early 20s during the late-1990s. The demand for rental housing will increase during the next ten years as a growing proportion of echo boomers age into their 20s. Also, as echo boomers age into their 20s, demand for affordable for-sale townhomes will increase because for-sale housing is more attainable to younger people now than during the 1990s. This is primarily because of lower interest rates and more favorable lending requirements.

Household Income

Household income data helps ascertain the demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30 percent of income are considered affordable by the Department of Housing and Urban Development (HUD). Tables H-4 and H-5 show household income in the Rosemount Market Area for 2003 and 2008, respectively. Household income data was compiled by Claritas, Inc. (a nationally recognized demographics firm) and adjusted by Maxfield Research Inc., based on Metropolitan Council household projections.

HOUSING MARKET ANALYSIS

- ▶ The median household income in the Market Area in 2003 is estimated to be \$74,027. Rosemount's median household income of \$72,767 is slightly lower than the Remainder of the Market Area's estimated median income of \$74,113.
- ▶ Assuming housing costs absorb 30 percent of gross income, a household earning the 2003 Market Area median household income could afford a maximum monthly rent of about \$1,850 (including rent, utilities, and garage parking) or a maximum purchase price of about \$185,100 to \$222,100 (calculating a home purchase price of 2.5 to 3.0 times household income). It should be noted, however, that most households earning the median income, own their housing and that few renters are willing to pay \$1,850 for rent.
- ▶ Households ages 25 to 34 are typically in the rental market or entry-level for-sale market, and are also a primary market for Downtown housing. Their median income in 2003 is estimated to be \$70,066. With this income, a household could afford a monthly rent of about \$1,770 (including rent, utilities, and garage parking) or a maximum purchase price of about \$176,700 to \$212,000. Younger households earning the median income will primarily be a market for entry-level ownership housing or higher-end rental housing.
- ▶ Households ages 35 to 44 and 45 to 54 and 55 to 64 had among the highest estimated median incomes in the Market Area in 2003 (\$82,616, \$90,764 and \$75,554, respectively). Households ages 55 to 64 will be a greater market for housing in Downtown Rosemount than householders ages 35 to 54. As households become empty nesters, they often opt for for-sale townhomes or condominiums, which require less maintenance, allowing them to spend more time on other activities, such as travel. The units that they purchase may often have an equal amount of square feet with upgraded finishes than their current single-family homes. Households ages 55 to 64 are projected to add 5,700 households during the next five years and grow more than any other age group.
- ▶ Seniors ages 65 and over are a market for multifamily housing, including rental and owner housing. Typically, seniors no longer need the amount of space in their single-family homes and will seek multifamily housing that will free them from home maintenance. The median income in 2003 is an estimated \$46,622 for younger seniors (ages 65 to 74) and \$28,013 for older seniors (ages 75 and over).
- ▶ Younger senior households typically have a higher median income than older senior households, because a greater percentage of younger seniors are still working or are two-person households (hence, drawing a greater amount of social security). While they typically have lower incomes, seniors often have equity in existing homes and greater savings that they can allocate toward new housing.
- ▶ The Market Area's median household income is expected to increase by 3.0 percent annually between 2003 and 2008, to \$85,707 in 2008.

HOUSING MARKET ANALYSIS

**TABLE H-4
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
ROSEMOUNT HOUSING MARKET AREA
(Number of Households)
2003**

Rosemount	Total	Age of Householder						
		15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	335	19	45	32	45	45	70	79
\$15,000 to \$24,999	306	26	63	64	58	19	38	38
\$25,000 to \$34,999	382	15	82	75	39	50	56	65
\$35,000 to \$49,999	638	39	148	208	81	38	61	63
\$50,000 to \$74,999	1,316	18	273	468	286	156	88	27
\$75,000 to \$99,999	1,258	13	289	495	315	107	34	5
\$100,000 or more	1,484	8	220	560	508	160	26	2
Total	5,719	138	1,120	1,902	1,332	575	373	279
Median Income	\$72,767	\$38,461	\$70,329	\$80,252	\$87,460	\$71,714	\$40,532	\$28,461
Remainder of Market Area	Total	15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	3,380	299	711	353	343	507	315	852
\$15,000 to \$24,999	4,459	378	922	604	434	612	754	755
\$25,000 to \$34,999	6,079	670	1,121	1,034	904	942	811	597
\$35,000 to \$49,999	10,802	812	2,358	2,681	1,867	1,429	1,005	650
\$50,000 to \$74,999	19,249	828	4,620	5,538	4,091	2,396	1,355	421
\$75,000 to \$99,999	17,031	410	4,123	5,203	4,326	2,173	643	153
\$100,000 or more	25,573	191	3,780	8,271	8,852	3,855	484	140
Total	86,573	3,588	17,635	23,684	20,817	11,914	5,367	3,568
Median Income	\$74,113	\$43,257	\$70,051	\$82,841	\$91,004	\$75,817	\$46,992	\$27,965
Total Market Area	Total	15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	3,715	318	756	385	388	552	385	931
\$15,000 to \$24,999	4,765	404	985	668	492	631	792	793
\$25,000 to \$34,999	6,461	685	1,203	1,109	943	992	867	662
\$35,000 to \$49,999	11,440	851	2,506	2,889	1,948	1,467	1,066	713
\$50,000 to \$74,999	20,565	846	4,893	6,006	4,377	2,552	1,443	448
\$75,000 to \$99,999	18,289	423	4,412	5,698	4,641	2,280	677	158
\$100,000 or more	27,057	199	4,000	8,831	9,360	4,015	510	142
Total	92,292	3,726	18,755	25,586	22,149	12,489	5,740	3,847
Median Income	\$74,027	\$43,037	\$70,066	\$82,616	\$90,764	\$75,554	\$46,622	\$28,013

Sources: U.S. Census Bureau; Claritas; MetCouncil; Maxfield Research, Inc.

HOUSING MARKET ANALYSIS

**TABLE H-5
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
ROSEMOUNT HOUSING MARKET AREA
(Number of Households)
2008**

Rosemount	Total	Age of Householder						
		15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	410	28	64	69	21	59	76	93
\$15,000 to \$24,999	326	23	72	91	30	32	42	36
\$25,000 to \$34,999	424	15	92	90	33	35	63	96
\$35,000 to \$49,999	675	63	108	159	76	72	88	109
\$50,000 to \$74,999	1,175	35	242	237	342	158	117	44
\$75,000 to \$99,999	1,849	23	458	583	533	170	61	21
\$100,000 or more	2,489	16	309	767	981	337	64	15
Total	7,348	203	1,345	1,996	2,016	863	511	414
Median Income	\$83,977	\$43,452	\$80,158	\$90,094	\$98,733	\$86,102	\$47,698	\$33,124
Remainder of Market Area	Total	15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	3,189	290	351	317	332	760	321	818
\$15,000 to \$24,999	3,559	345	439	400	373	622	537	843
\$25,000 to \$34,999	5,205	466	915	594	602	906	1,023	699
\$35,000 to \$49,999	9,980	875	1,725	1,349	1,846	1,944	1,334	907
\$50,000 to \$74,999	19,711	955	4,451	4,589	4,096	2,911	1,938	771
\$75,000 to \$99,999	21,763	665	6,003	5,636	5,189	2,886	1,128	256
\$100,000 or more	38,778	493	4,867	10,195	14,520	7,340	1,093	270
Total	102,185	4,089	18,751	23,080	26,958	17,369	7,374	4,564
Median Income	\$85,853	\$51,793	\$81,224	\$94,033	\$105,014	\$88,353	\$56,089	\$33,883
Total Market Area	Total	15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	3,599	318	415	386	353	819	397	911
\$15,000 to \$24,999	3,885	368	511	491	403	654	579	879
\$25,000 to \$34,999	5,629	481	1,007	684	635	941	1,086	795
\$35,000 to \$49,999	10,655	938	1,833	1,508	1,922	2,016	1,422	1,016
\$50,000 to \$74,999	20,886	990	4,693	4,826	4,438	3,069	2,055	815
\$75,000 to \$99,999	23,612	688	6,461	6,219	5,722	3,056	1,189	277
\$100,000 or more	41,267	509	5,176	10,962	15,501	7,677	1,157	285
Total	109,533	4,292	20,096	25,076	28,974	18,232	7,885	4,978
Median Income	\$85,707	\$51,035	\$81,148	\$93,664	\$104,429	\$88,228	\$55,578	\$33,792

Sources: U.S. Census Bureau; Claritas; MetCouncil; Maxfield Research, Inc.

Tenure by Age of Householder

Table H-6 shows the number of owner and renter households in the Rosemount Market Area by age group in 1990 and 2000. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle. Key points derived from the table are:

- ▶ In 2000, 82.6 percent of the households in the Market Area owned their housing, slightly above the Dakota County homeownership rate of 78.2 percent. The homeownership rate in

HOUSING MARKET ANALYSIS

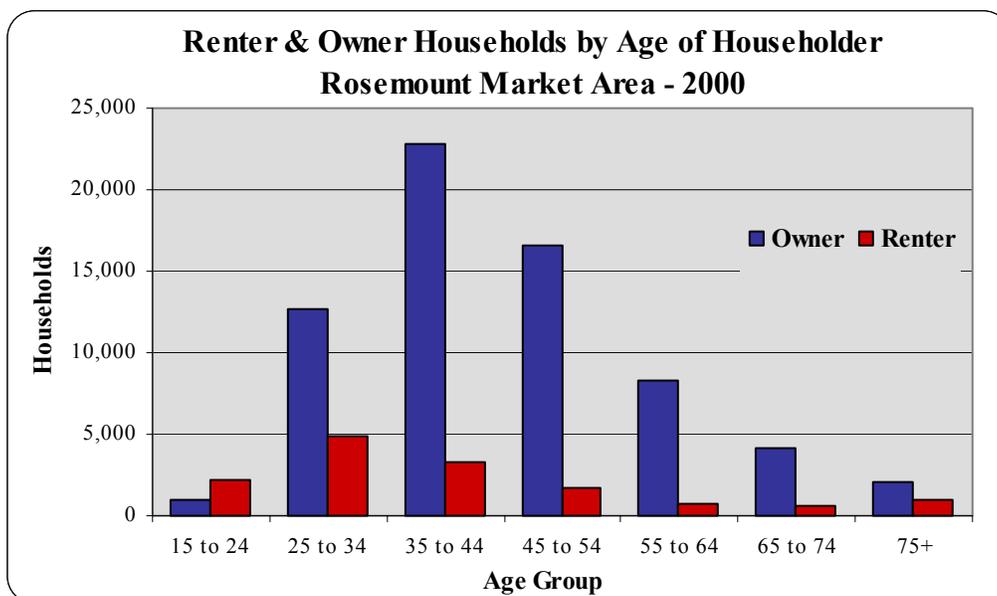
both the Market Area and the County are higher in 2000 than they were in 1990. In 1990, the homeownership rate was 77.8 percent in the Market Area and 73.9 percent in the Dakota County

- ▶ A primary reason for the increasing homeownership rate during the decade was that 61 percent of the household growth (15,977 households) was among householders ages 45 to 74 – or the age groups with the highest homeownership rates.
- ▶ The age group 25 to 34, which had a homeownership rate of 72.3 percent in 2000, declined by 1,257 households as the youngest baby boomers aged into their mid- to late-30s during the decade.

TABLE H-6					
TENURE BY AGE OF HOUSEHOLDER					
ROSEMOUNT HOUSING MARKET AREA					
1990 & 2000					
	1990		2000		Change No.
	No.	Pct.	No.	Pct.	
15 to 24					
Owner	766	26.8%	1,006	31.2%	240
Renter	2,093		2,223		130
25 to 34					
Owner	13,276	70.7%	12,672	72.3%	-604
Renter	5,506		4,853		-653
35 to 44					
Owner	14,160	85.6%	22,790	87.6%	8,630
Renter	2,381		3,238		857
45 to 54					
Owner	8,153	89.3%	16,599	90.9%	8,446
Renter	979		1,667		688
55 to 64					
Owner	4,124	89.5%	8,351	91.7%	4,227
Renter	485		753		268
65 to 74					
Owner	1,970	82.1%	4,186	88.2%	2,216
Renter	430		562		132
75 +					
Owner	898	64.6%	2,047	67.2%	1,149
Renter	493		1,001		508
Total					
Owner	43,347	77.8%	67,651	82.6%	24,304
Renter	12,367		14,297		1,930
Dakota County		73.9%			78.2%
Sources: Census Bureau; Maxfield Research Inc.					

HOUSING MARKET ANALYSIS

- ▶ The proportion of households that rent their housing decreases significantly as households age. However, by the time households reach their senior years, rental housing often becomes a more desirable option than homeownership.
- ▶ In 2000, the percentage of households in the Market Area that rented their housing decreased from 68.8 percent of 15 to 24 year olds to 9.1 percent of 45 to 54 year olds, but then increased back to 32.8 percent of households ages 75 and over.
- ▶ The chart below highlights the shifts in owned and rented housing by age group. It should be noted that senior rental housing is most appropriately located near goods and services because seniors often prefer not to drive long distances (or are unable to do so). Therefore, Downtown Rosemount would be a suitable location for senior rental housing.



- ▶ We project that the homeownership rate will increase again during this decade, due to several factors. Two primary factors are that the baby boom generation will remain in high homeownership stages of their lives (they will be ages 46 to 64 in 2010), and low mortgage rates are making ownership more affordable. We believe that these two factors will contribute to demand for multifamily for-sale housing in the Market Area, and Downtown Rosemount has the potential to capture a portion of this demand.

Household Type

As with age distribution, the trends in types of households have an impact on the demand for different types of housing. Table H-7 presents data on the types of households in the Market Area in 1990 and 2000. Family households include married-couple families with children (so-called "traditional" families), married couples without children (mostly empty nesters, but also young married couples who have not yet had children or will never have children), and other-family households (single parents and unmarried couples with children). Non-family households

HOUSING MARKET ANALYSIS

include people living alone and roommates (unrelated individuals living together, including unmarried couples without children). The following are key findings from the table.

- ▶ In 2000, there were a total of 61,355 family households in the Market Area, including 29,655 married couples with children, 21,806 married couples without children, and 9,894 other families. Married couples without children include empty nesters, who are increasingly a market for for-sale multifamily housing and younger couples without children, who are also a primary market for rental housing. Both empty-nesters and younger childless couples are markets for Downtown housing. Married couples with children and other families, which include single-parents and unmarried couples with children, are not a primary market for housing in Downtown Rosemount.
- ▶ During the 1990s, the greatest growth among family households was among married couples without children, which grew by 53.1 percent (7,565 households) and married couples with children which grew by 29.7 percent (6,796 households). Among family households, the growth of married couples without children will have the greatest impact on demand for Downtown housing.
- ▶ There were 20,593 non-family households in the Market Area in 2000. This includes 15,506 people living alone and 5,087 roommate households. People living alone was the fastest growing household type during the 1990s, adding 6,667 households (75.4 percent). People living alone are a strong market for Downtown housing and seniors comprise a significant portion of people living alone.
- ▶ Roommate households consist of unrelated people living with each other to share housing costs and also unmarried couples without children, among others. These people also tend to be younger. They often prefer to live in locations that are closer to entertainment, activities, and other nightlife, and are a target market for downtown housing. Roommate households increased by 1,654 households during the 1990s, or 48.2 percent.
- ▶ Combined, non-family households and married couples without children in the Market Area increased by 15,886 households during the 1990s (60 percent), while married couples with children and other families increased by 10,348 households (35 percent). These trends should continue, as more baby boomer householders become empty nesters and both the younger and senior populations increase. The result will be an increased demand for rental housing and multifamily for-sale housing.
- ▶ The increased diversity of household types in the Market Area, caused by overall lifestyle changes, is creating a need for a wider range of housing options. For example, non-family householders tend to rent their housing, as this category includes many elderly widows as well as young people. Young people typically do not have sufficient incomes to purchase housing, while single seniors are more likely to move to multifamily housing to shed the burden of home maintenance and increase opportunities for socialization.

HOUSING MARKET DEMOGRAPHIC ANALYSIS

**TABLE H-7
HOUSEHOLD TYPE
ROSEMOUNT HOUSING MARKET AREA
1990 & 2000**

	Total HH's		Family Households				Non-Family Households					
			Married w/ Child		Married w/o Child		Other *		Living Alone		Roommates**	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Number of Households												
Rosemount	2,779	4,742	1,226	2,045	764	1,281	358	606	312	615	119	195
Rem.of Market Area	52,935	77,206	21,633	27,610	13,477	20,525	5,984	9,288	8,527	14,891	3,314	4,892
Market Area Total	55,714	81,948	22,859	29,655	14,241	21,806	6,342	9,894	8,839	15,506	3,433	5,087
<i>Dakota County</i>	<i>98,293</i>	<i>131,151</i>	<i>35,407</i>	<i>41,833</i>	<i>26,789</i>	<i>35,815</i>	<i>11,436</i>	<i>16,363</i>	<i>18,507</i>	<i>28,433</i>	<i>6,154</i>	<i>8,707</i>
Percent of Total												
Rosemount	100.0	100.0	44.1	43.1	27.5	27.0	12.9	12.8	11.2	13.0	4.3	4.1
Rem.of Market Area	100.0	100.0	40.9	35.8	25.5	26.6	11.3	12.0	16.1	19.3	6.3	6.3
Market Area Total	100.0	100.0		36.2		26.6		12.1		18.9		6.2
<i>Dakota County</i>	<i>100.0</i>	<i>100.0</i>		<i>31.9</i>		<i>27.3</i>		<i>12.5</i>		<i>21.7</i>		<i>6.6</i>
<i>Minnesota</i>	<i>100.0</i>	<i>100.0</i>	<i>28.4</i>	<i>28.5</i>	<i>28.8</i>	<i>25.2</i>	<i>11.4</i>	<i>12.5</i>	<i>25.1</i>	<i>26.9</i>	<i>6.3</i>	<i>6.9</i>
Change												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Rosemount	1,963	70.6%	819	66.8%	517	67.7%	248	69.3%	303	97.1%	76	63.9%
Rem.of Market Area	24,271	45.9%	5,977	27.6%	7,048	52.3%	3,304	55.2%	6,364	74.6%	1,578	47.6%
Market Area Total	26,234	47.1%	6,796	29.7%	7,565	53.1%	3,552	56.0%	6,667	75.4%	1,654	48.2%
<i>Dakota County</i>	<i>32,858</i>	<i>33.4%</i>	<i>6,426</i>	<i>18.1%</i>	<i>9,026</i>	<i>33.7%</i>	<i>4,927</i>	<i>43.1%</i>	<i>9,926</i>	<i>53.6%</i>	<i>2,553</i>	<i>41.5%</i>
* Single-parents and unmarried couples with children												
** Includes unmarried couples without children												
Source: U.S. Census Bureau												

Residential Construction Trends 1990 to Present

Based on building permit data obtained from Metropolitan Council (1990 to 2002), Table H-8 presents the number of housing units added in the Rosemount Market Area since 1990. It should be noted that the 2002 data merges townhome units with multifamily units.

- ▶ Almost 27,000 new housing units were added in the Rosemount Market Area during the 1990s. Most of the new units added were single family homes, or 18,154 units (67 percent), while 3,511 units were townhomes (13 percent) and 5,320 were multifamily units (20 percent).
- ▶ The City of Rosemount added 2,144 new housing units during the 1990s. Over 75 percent of the new housing units were single-family units (1,628 units), 423 were townhomes (20 percent) and 93 were multifamily units (four percent).
- ▶ We estimate that 80 percent of the townhomes built in the Market Area during the 1990s, or 2,800 townhomes, were for-sale, versus rental. The ratio of for-sale townhomes to single-family homes built during the 1990s was about one townhome to seven single-family homes. We believe that this ratio will increase during this decade – to about one townhome to five single-family homes. Increased demand for townhomes will be fueled by the growing number of baby boomers that are becoming empty-nesters and also by a growing preference for townhomes by younger and middle age householders who are attracted to the affordability of townhomes and also value the limited-maintenance offered by townhomes.
- ▶ About 25 percent of the new homes added in the Market Area during the 1990s were in Eagan (6,831 new homes) and 22 percent were added in Lakeville (5,848 new homes).
- ▶ Of the 5,320 multifamily units built in the Market Area during the 1990s, almost 2,000 (38 percent) were built in Eagan and about 1,300 (24 percent) were built in Inver Grove Heights. Only 93 multifamily units were built in Rosemount in the 1990s.
- ▶ Over 8,500 new housing units were added in the Market Area from 2000 through 2002. Sixty-two percent of the new units added were single family homes, or 5,316 units.
- ▶ The majority of the new units (58 percent) added from 2000 through 2002 were added in Apple Valley, Farmington and Lakeville as growth in the Metro region pushed further out from the central cities. Rosemount added 1,020 new housing units in the same time period for an average of 340 new units per year. As growth continues in the Metropolitan Area, the growth patterns in Rosemount, and other communities with available land, will continue.

HOUSING MARKET ANALYSIS

TABLE H-8 BUILDING PERMIT TRENDS ROSEMOUNT HOUSING MARKET AREA 1990s and 2000 - 2002													
	Rosemount	Apple Valley	Coates	Eagan	Empire Twp.	Farmington	Hastings	Inver Grove Heights	Lakeville	Nininger Twp.	Vermillion Twp.	Vermillion	Total
Single-Family													
1990	184	318	0	512	8	67	72	107	539	2	9	0	1,818
1991	200	300	0	633	7	63	44	111	586	3	7	0	1,954
1992	234	301	0	643	7	84	53	120	690	2	4	1	2,139
1993	196	198	0	583	3	117	39	150	642	7	6	0	1,941
1994	161	114	1	374	0	260	52	187	409	6	4	1	1,569
1995	119	146	0	584	2	309	65	140	400	4	4	3	1,776
1996	130	199	0	577	6	334	46	206	435	7	7	0	1,947
1997	88	197	0	190	31	244	61	232	305	2	4	1	1,355
1998	130	267	0	195	43	276	95	273	523	0	6	0	1,808
1999	186	185	0	248	40	273	111	194	603	6	1	0	1,847
1990s	1,628	2,225	1	4,539	147	2,027	638	1,720	5,132	39	52	6	18,154
2000	130	56	1	258	10	276	96	203	440	10	1	1	1,482
2001	278	226	0	216	18	362	111	159	513	0	5	0	1,888
2002	168	184	1	243	35	566	151	115	472	0	1	7	1,943
Townhome													
1990	0	105	0	102	0	0	0	0	4	0	0	0	211
1991	0	132	0	65	0	10	0	20	2	0	0	0	229
1992	36	216	0	108	0	0	12	32	6	0	0	0	410
1993	0	258	0	0	0	0	33	21	57	0	0	0	369
1994	62	107	0	0	0	44	70	15	70	0	0	0	368
1995	71	155	0	0	0	36	72	8	62	0	0	0	404
1996	18	184	0	0	0	20	93	18	24	0	0	0	357
1997	5	139	0	0	0	0	60	66	42	0	0	0	312
1998	60	146	0	0	0	10	24	133	26	0	0	0	399
1999	171	109	0	18	0	29	33	54	38	0	0	0	452
1990s	423	1,551	0	293	0	149	397	367	331	0	0	0	3,511
2000	155	139	-	-	-	49	50	1	167	-	-	-	561
2001	201	117	-	72	-	-	65	38	155	-	-	-	648
2002*	-	-	-	-	-	-	-	-	-	-	-	-	-

HOUSING MARKET ANALYSIS

**TABLE H-8
BUILDING PERMIT TRENDS
ROSEMOUNT HOUSING MARKET AREA
1990s and 2000 - 2002
(Continued)**

	Rosemount	Apple Valley	Coates	Eagan	Empire Twp.	Farmington	Hastings	Inver Grove Heights	Lakeville	Nininger Twp.	Vermillion	Vermillion Twp.	Total
Multifamily													
1990	0	26	0	48	0	0	16	280	4	0	0	0	374
1991	0	0	0	181	0	0	36	84	74	0	0	0	375
1992	0	6	0	58	0	0	86	4	2	0	0	0	156
1993	0	113	0	434	0	2	32	125	0	0	0	0	706
1994	0	352	0	204	0	55	0	188	82	0	0	0	881
1995	0	169	0	186	0	0	0	249	0	0	0	0	604
1996	43	11	0	455	0	4	0	234	4	0	0	0	751
1997	50	50	0	162	0	0	0	89	6	0	0	0	357
1998	0	172	0	250	0	4	0	45	131	0	0	0	602
1999	0	350	0	21	0	42	0	19	82	0	0	0	514
1990s	93	1,249	0	1,999	0	107	170	1,317	385	0	0	0	5,320
2000	0	439	0	73	0	62	0	4	80	0	0	0	658
2001	0	466	0	0	0	261	147	223	0	0	0	0	1,097
2002	88	250	0	114	12	0	195	273	214	0	0	0	1,146
Total													
1990	184	449	0	662	8	67	88	387	547	2	9	0	2,403
1991	200	432	0	879	7	73	80	215	662	3	7	0	2,558
1992	270	523	0	809	7	84	151	156	698	2	4	1	2,705
1993	196	569	0	1,017	3	119	104	296	699	7	6	0	3,016
1994	223	573	1	578	0	359	122	390	561	6	4	1	2,818
1995	190	470	0	770	2	345	137	397	462	4	4	3	2,784
1996	191	394	0	1,032	6	358	139	458	463	7	7	0	3,055
1997	143	386	0	352	31	244	121	387	353	2	4	1	2,024
1998	190	585	0	445	43	290	119	451	680	0	6	0	2,809
1999	357	644	0	287	40	344	144	267	723	6	1	0	2,813
1990s	2,144	5,025	1	6,831	147	2,283	1,205	3,404	5,848	39	52	6	26,985
2000	285	634	1	331	10	387	146	208	687	10	1	1	2,701
2001	479	809	0	288	18	623	323	420	668	0	5	0	3,633
2002	256	434	1	357	47	566	346	388	686	0	1	7	3,089
TOTAL	1,020	1,877	2	976	75	1,576	815	1,016	2,041	10	7	8	9,423
* The 2002 data includes townhome units with multifamily units.													
Sources: Metropolitan Council; Maxfield Research Inc.													

Impact of Demographic Trends on Housing

- ▶ The greatest demographic factor affecting demand for housing in Rosemount is simply the strong household growth that is expected to occur in the Market Area during this decade (34,482 new households by 2010). With this growth, there will be demand for nearly all types of housing.
- ▶ One of the largest demographic impacts on new housing development in the Market Area is the aging of the baby boomers into their 50s. The varying lifestyles of the baby boomers, combined with the fact that many are becoming empty nesters has increased demand for a maintenance-free alternative to single-family homes. This trend will increase the redevelopment potential for Downtown Rosemount, since many older adults will find higher density housing in a Downtown environment appealing.
- ▶ The aging of the echo boom generation into their early-20s will create increasing demand for rental housing. This creates an opportunity to develop rental housing in Downtown Rosemount to satisfy increased demand.
- ▶ The senior population (ages 65 and over) is projected to increase by 8,093 people (63 percent) between 2000 and 2010. A growing senior population and an increasing acceptance of senior housing are creating strong demand for senior housing. Seniors are a primary market for Downtown housing, because of the convenience of being close to goods and services without having to drive.

Rental Market Analysis

Introduction

This section provides an assessment of rental market conditions in the Rosemount Housing Market Area.

Monthly Rent and Vacancy Trends

Average monthly rent and vacancy rate data from GVA Marquette Advisors: *Apartment Trends* is shown for communities in the Rosemount Housing Market Area in Table H-9. The data is shown for the 2nd Quarter 2003, and the table includes the average rent increase from the 2nd Quarter 2002. The following are key points concerning the Market Area’s rental market.

TABLE H-9 AVERAGE RENTS/VACANCIES AMONG MARKET AREA SUBMARKETS 2nd QUARTER 2003								
Community	Studio	1BR	1BR/D	2BR	2BR/D	3BR	Total	Ave. Rent Increase
Apple Valley/Rosemount								
Rent	\$531	\$748	N/A	\$923	\$1,302	\$1,142	\$891	1.1%
Vacancy Rate	3.7%	2.7%	N/A	7.0%	0.0%	4.4%	4.6%	
Eagan								
Rent	\$612	\$766	\$835	\$957	\$948	\$1,246	\$898	-0.2%
Vacancy Rate	4.2%	6.4%	5.3%	6.4%	14.9%	6.0%	6.5%	
Inver Grove Heights/Mendota/Lilydale								
Rent	\$628	\$847	\$1,012	\$921	\$1,347	\$1,198	\$926	-1.2%
Vacancy Rate	21.9%	4.6%	0.0%	4.2%	0.0%	4.8%	4.6%	
Lakeville/Farmington								
Rent	N/A	\$800	\$775	\$949	N/A	\$1,082	\$937	-4.1%
Vacancy Rate	N/A	8.2%	50.0%	11.7%	N/A	10.0%	10.5%	
Twin Cities Metro Area								
Rent	\$582	\$736	\$1,000	\$919	\$1,234	\$1,208	\$843	0.4%
Vacancy Rate	6.7%	6.4%	6.5%	7.1%	5.7%	6.4%	6.7%	
N/A= Not Applicable								
Sources: GVA Marquette Advisors; Maxfield Research Inc.								

- ▶ The equilibrium vacancy rate for rental housing is considered to be 5.0 percent. This allows for normal turnover and an adequate supply of alternatives for prospective renters. During the 2nd Quarter of 2003, the apartment vacancy rate in the selected Market Area communities ranged from 4.6 percent in Apple Valley/Rosemount and Inver Grove Heights/Mendota/Lilydale to 10.5 percent in Lakeville/Farmington, and averaged 6.5 percent. The vacancy rate in the Twin Cities was 6.7 percent. In effect, the overall supply of rental housing in the Market Area and the Metro Area is adequate to meet existing demand.

HOUSING MARKET ANALYSIS

- ▶ The average monthly rents for one-bedroom units in the Market Area in 2nd Quarter 2003 ranged from \$748 in Apple Valley/Rosemount to \$847 in Inver Grove Heights/Mendota/Lilydale, and averaged about \$790 in the Market Area.
- ▶ Average monthly rents for two-bedroom units ranged from \$923 in Apple Valley/Rosemount to \$957 in Inver Grove Heights/Mendota/Lilydale and averaged \$938.
- ▶ For three-bedroom units, average monthly rents ranged from \$1,082 in Lakeville/Farmington to \$1,246 in Eagan and averaged \$1,167.
- ▶ Average monthly rents decreased slightly in three of the Market Area communities during the past year (average of -1.8 percent decrease). They increased slightly in Apple Valley/Rosemount (1.1 percent). In comparison, the Metro Area average remained relatively stable with only a 0.4 percent increase. The stable rents over this past year are due primarily to less demand for upper-end units, a result of the economic slowdown and low mortgage rates – making homeownership more obtainable to many traditional renters.

Rental Housing Survey

Table H-10 presents information on year built, number of units, and vacancies by unit type for selected newer market rate, general occupancy rental projects in the Market Area that would be most competitive with a new general occupancy apartment in Downtown Rosemount. Table H-11 shows monthly rents and unit sizes by unit type for the selected rental projects. The information on rents and unit sizes was obtained from GVA Marquette Advisors in October 2003. The following are key points derived from the rental housing survey.

Vacancy Analysis

- ▶ Of the 2,319 total units in the 14 Market Area projects surveyed, 142 units were vacant, for a vacancy rate of 6.1 percent. This is slightly lower than the Market Area's overall 6.5 percent vacancy rate (from Table H-9). To achieve a market equilibrium vacancy rate of 5.0 percent, an additional 26 units would need to become occupied in the Market Area projects in Table H-10.
- ▶ A large portion (29 percent) of the vacancies found in the projects surveyed is at Kingston Green in Apple Valley. As shown in Table H-11, Kingston Green has the highest rent per square foot out of the projects surveyed.
- ▶ Over half of the vacancies are found in two-bedroom units, as there are more two-bedroom units available in the projects surveyed.
- ▶ The newest project surveyed is Boulder Ridge in Apple Valley, built in 2001, which has a vacancy rate of 7.1 percent. Boulder Ridge is a townhouse style project that has the second highest rents of the projects surveyed.

HOUSING MARKET ANALYSIS

TABLE H-10
VACANCY RATE COMPARISON
SELECTED MARKET RATE APARTMENT BUILDINGS
ROSEMOUNT MARKET AREA
October 2003

Project Name	City	Year Built	No. of Units	Number of Vacant Units					Total Vacant	Percent Vacant
				Studio	1BR	2BR	2+Den	3BR		
Boulder Ridge	Apple Valley	2001	112	-	1	2	-	5	8	7.1%
Oaks Whitney Pines	Apple Valley	1985	72	-	-	1	-	-	1	1.4%
Kingston Green	Apple Valley	1999	343	-	11	30	-	-	41	12.0%
Majestic Cove	Apple Valley	1994	168	-	-	2	-	-	2	1.2%
Duckwood Trails	Eagan	1981	162	-	-	2	-	-	2	1.2%
Lexington Hills	Eagan	1987	168	1	4	6	-	-	11	6.5%
Promenade Oaks	Eagan	1997	282	-	7	7	-	5	19	6.7%
Thomas Lake Point	Eagan	1987	216	-	4	7	1	-	12	5.6%
Walnut Trails	Eagan	1986	168	-	-	7	-	-	7	4.2%
Parkview Manor Townhomes	Inver Grove Hts.	1993	108	-	-	-	8	-	8	7.4%
Greystone Heights	Inver Grove Hts.	1995	100	-	-	-	-	-	0	0.0%
Lakeville Court	Lakeville	1995	52	-	-	2	-	1	3	5.8%
Southfork Village	Lakeville	1988	272	-	11	8	-	7	26	9.6%
Limerick Way Townhomes	Rosemount	1989	96	-	-	1	-	1	2	2.1%
Total			2,319	1	38	75	9	19	142	6.1%

Source: Maxfield Research Inc.

Rent and Size Comparison

- ▶ For comparison purposes, we adjusted the rents in the projects in Table H-11 to exclude heat in the monthly rent and to include garage parking. There is a trend for tenant-paid heat among newer rental projects and to include garage parking in the rent. Rents at five of the projects were adjusted to exclude heat. Rent at only two projects, Kingston Green and Majestic Cove were adjusted to include parking.
- ▶ Average monthly rents at the projects for one-bedroom units were \$831 for one-bedroom units (\$1.10 per square foot), \$977 for two-bedroom units (\$0.93 per square foot), and \$1,282 for three-bedroom units (\$0.94 per square foot).
- ▶ Average sizes for units at the projects were 754 square feet for one-bedroom units, 1,047 square feet for two-bedroom units and 1,362 square feet for three-bedroom units.
- ▶ To be financially feasible, most new apartments in the Twin Cities need an average rent of about \$1.15 to \$1.25 per square foot, but sometimes slightly less in outlying communities, because of lower land costs.

HOUSING MARKET ANALYSIS

**TABLE H-11
MONTHLY RENT COMPARISON
SELECTED MARKET RATE APARTMENT BUILDINGS
ROSEMOUNT MARKET AREA
October 2003**

Project Name	City	Year Built	No. Units	Rent		Units Size (Sq. Ft.)		Average Rent Per Sq. Ft.
				Range	Avg.	Range	Avg.	
One-Bedroom Units								
Kingston Green**	Apple Valley	1999	100	\$925 - \$960	\$943	700	700	\$1.35
Promenade Oaks	Eagan	1997	87	\$999 - \$1,039	\$1,019	800 - 836	818	\$1.25
Lexington Hills*	Eagan	1987	112	\$690 - \$725	\$708	624	624	\$1.13
Majestic Cove**	Apple Valley	1994	36	\$750 - \$785	\$768	723	723	\$1.06
Thomas Lake Point	Eagan	1987	78	\$790 - \$990	\$890	810 - 936	873	\$1.02
Southfork Village	Lakeville	1998	68	\$669 - \$889	\$779	775	775	\$1.01
Walnut Trails	Eagan	1986	42	\$749 - \$774	\$762	765	765	\$1.00
Duckwood Trails*	Eagan	1981	48	\$740	\$740	739 - 776	757	\$0.98
Boulder Ridge	Apple Valley	2001	16	\$925	\$925	1,007	1,007	\$0.92
Oaks Whitney Pines*	Apple Valley	1985	36	\$620 - \$640	\$630	673 - 723	698	\$0.90
Limerick Way Townhomes	Rosemount	1989	10	\$775	\$775	900	900	\$0.86
<i>Subtotal</i>			633		\$829		753	\$1.10
Two-Bedroom Units								
Kingston Green**	Apple Valley	1999	111	\$1,080 - \$1,115	\$1,098	900	900	\$1.22
Promenade Oaks	Eagan	1997	111	\$1,274 - \$1,374	\$1,324	1,200 - 1,360	1,280	\$1.03
Southfork Village	Lakeville	1998	136	\$929 - \$1,029	\$979	1,000	1,000	\$0.98
Walnut Trails	Eagan	1986	126	\$849 - \$939	\$894	955	955	\$0.94
Thomas Lake Point	Eagan	1987	114	\$1,050	\$1,050	1,110 - 1,170	1,140	\$0.92
Lakeville Court	Lakeville	1995	20	\$810	\$810	880	880	\$0.92
Boulder Ridge	Apple Valley	2001	48	\$1,070 - \$1,170	\$1,120	1,192 - 1,257	1,225	\$0.91
Duckwood Trails*	Eagan	1981	114	\$835	\$835	875 - 952	914	\$0.91
Majestic Cove**	Apple Valley	1994	100	\$830 - \$965	\$898	957 - 1,045	1,001	\$0.90
Lexington Hills*	Eagan	1987	56	\$820 - \$845	\$833	936	936	\$0.89
Parkview Manor Townhomes	Inver Grove Hts.	1993	108	\$900 - \$940	\$920	1,050 - 1,100	1,075	\$0.86
Oaks Whitney Pines*	Apple Valley	1985	36	\$755 - \$910	\$848	985 - 1,142	1,064	\$0.80
Limerick Way Townhomes	Rosemount	1989	76	\$810 - \$875	\$843	1,250	1,250	\$0.67
<i>Subtotal</i>			1,156		\$977		1,047	\$0.93
Two-Bedroom+Den/Three-Bedroom								
Kingston Green**	Apple Valley	1999	132	\$1,195 - \$1,330	\$1,263	1,000 - 1,200	1100	\$1.15
Thomas Lake Point	Eagan	1987	24	\$1,160 - \$1,520	\$1,340	1,200	1,200	\$1.12
Southfork Village	Lakeville	1998	68	\$1,099 - \$1,169	\$1,134	1,175	1,175	\$0.97
Greystone Heights	Inver Grove Hts.	1995	100	\$1,225 - \$1,265	\$1,245	1,300	1,300	\$0.96
Promenade Oaks	Eagan	1997	84	\$1,554 - \$1,574	\$1,564	1,600 - 2,000	1,800	\$0.87
Majestic Cove**	Apple Valley	1994	32	\$1,100 - \$1,135	\$1,118	1,340	1,340	\$0.83
Boulder Ridge	Apple Valley	2001	48	\$1,390 - \$1,590	\$1,490	1,745 - 1,928	1,837	\$0.81
Lakeville Court	Lakeville	1995	32	\$930 - \$975	\$953	1,226 - 1,383	1,305	\$0.73
Limerick Way Townhomes	Rosemount	1989	10	\$995 - \$1,025	\$1,010	1,400	1,400	\$0.72
<i>Subtotal</i>			530		\$1,282		1,362	\$0.94
Total All Units			2,319		\$1,007		1,039	\$0.97
* Rent adjusted to exclude heat. (estimated at \$25/mo. for 1BR units, \$30/mo. for 1BR+D and 2BR units, & \$35/ mo. for 2BR+D/3BR units).								
** Rent was adjusted to include garage parking and exclude heat.								
Sources: GVA Marquette Advisors; Maxfield Research Inc.								

HOUSING MARKET ANALYSIS

Dakota County Rental Market Survey

- ▶ According a 2003 survey of Rosemount's Rental Market by the Dakota County Community Development Agency (CDA), the vacancy rate for market rate units in Rosemount alone was 2.94 percent. This is much below the market equilibrium rate of 5.0 percent and below the vacancy rate of 6.1 percent that we found for new projects. This indicates that demand is greater for more moderately-priced units.
- ▶ The Dakota County CDA survey included 170 units at six rental projects in Rosemount (ranging in size from four to 96 units). Less than one percent of Dakota County's rental units are located in Rosemount.
- ▶ Of these 170 rental units, 75 percent or 128 units are two-bedroom units, one is an efficiency unit, 30 are one-bedroom units and 11 are three-bedroom units.
- ▶ The survey found that average rents in Rosemount were \$630 for a one-bedroom unit, \$800 for a two-bedroom units and \$981 for a three-bedroom unit. These averages are lower than the averages for Apple Valley/Rosemount as presented in Table H-9, as Apple Valley has more new higher-priced units than Rosemount.

Pending Rental Developments

The following is a list of general-occupancy rental projects in the planning process or under construction in the Market Area. This information was gathered through interviews with City officials in each of the Market Area communities, and with project developers. Our research indicates that about 764 market rate apartment units are either planned or currently under construction in the Market Area.

Apple Valley

- ▶ *Hearthstone Apartments* is currently under construction at 15734 Foliage Avenue. This project proposes 228 market rate and affordable units. The first phase is scheduled to open 57 units November 1st. The last phase is scheduled to open April 1, 2004. The rents range in price from \$899 for one-bedroom units to \$1,899 for three-bedroom plus den units. Ten percent of the units will be reserved for households at 50 percent of the median income. There are 13 different floor plans ranging in size from 785 to 2,100 square feet.
- ▶ *Legacy Village*, by the Hartford Group, is a proposed mixed-use development on 75 acres on 153rd Street and Galaxie Avenue in Apple Valley. This development will offer rental, ownership and senior housing as well as retail space. Tuscany Apartments at *Legacy Village* is proposed to have 244 one-, two- and three-bedroom rental units. These units are proposed to range in size from 767 to 1,544 square feet. The units are proposed to open in the spring of 2005.
- ▶ A 28-acre mixed-use development, called *Harmony Commons* by New Century Inc., is proposed to be located south of 150th Street on Galaxie Avenue. This project has not yet re-

HOUSING MARKET ANALYSIS

ceived city approvals. Harmony Commons proposes 120,000 square feet of commercial space on the ground level with about 100 market rate apartment units above. The developer expects to break ground in the spring of 2004.

Eagan

- ▶ Fifty-four rental units are currently under construction in Phase III of *Glen Pond Apartments* at 1340 High Site Drive. Phase I was completed in 1973, with a total of 300 units and Phase II was completed in 2002, with a total of 120 units. Fifty-four additional units are proposed after Phase III.
- ▶ The Shelter Corporation has proposed 138 rental units called *Cedar Villas* on 17 acres in Eagan. Eighty-three units will be market rate, 21 will be affordable and 34 units will be controlled by the Dakota County CDA and will be income-restricted. The development is currently under construction and is planned to open the first units in the fall of 2004.

Hastings

- ▶ According to the City of Hastings, a 580-unit housing development called *Glendale Heights* has been proposed. This development had not been approved by the City as of October 2003. It is proposed to contain 280 rental units, 180 twinhome and 130 for sale units in eight-unit buildings.

Lakeville

- ▶ *Kenwood at Raven Lake (formerly Kenwood Crossings)*, at Jurel Way and County Road 50 in Lakeville, was planned to consist of 162 luxury market rate rental units, with an average unit size of 1,000 square feet and rents ranging from \$700 to \$1,530 per month. Originally, Foray Real Estate and Construction and Dominion Group were to develop this property had planned to break ground sometime in 2003. However, Heritage Development purchased the development rights to this property and is reevaluating the potential.
- ▶ United Properties was anticipating building 250 units, called *Lake Villa Apartments*, on a site located west of Interstate 35 and north of 185th Street. Their original timeline was for a 2005 opening. Conversations with United Properties indicate that this project is no longer moving forward and they will not be developing on the subject site. The site is however, zoned for high density multifamily development and is one of the few sites in Lakeville zoned to accommodate high density rental development.

For-Sale Housing Market Situation

Introduction

This section provides an analysis of the for-sale market conditions in the Housing Market Area. Included are an evaluation of multifamily and single-family home resales, an overview of active multifamily developments, and an inventory of pending developments in the area. Also included is a summary of downtown or mixed-use housing developments in other areas of the Twin Cities.

Multifamily and Single-Family Home Resales

Maxfield Research analyzed housing resale data for Market Area communities from the Regional Multiple Listing Service (MLS) for the years 1999 through September 2003. Table H-12 presents summary data for multifamily resales (also includes some new sales), while Table H-13 shows summary data for single-family home resales. Table H-12 shows the number of units sold each year, median number of days on the market, median and average sale price, median and average unit size, and median and average price per square foot. Table H-13 shows the number of homes sold each year, median number of days on the market and median and average sale price. The following are key points about the resale housing market.

Multifamily Units

- ▶ The median resale price of multifamily units in Rosemount increased from \$123,950 in 1999 to \$183,000 in September 2003. This represents a 48 percent increase over the time period or about a ten percent increase per year.
- ▶ Overall, the median resale price in the Market Area increased from \$110,000 in 1999 to \$162,950 in September 2003, increasing by 48 percent.
- ▶ While much of the sale price increase is due to appreciation of existing units, some of the increase is due to the development of newer, more expensive townhomes and condominiums. The median year built of units sold through September 2003 is 1999 in Rosemount and 1994 in the Market Area overall.
- ▶ Sixty-one percent of the multifamily sales in the Market Area in 2003 (through September) were in Eagan and Apple Valley. The median sale price in 2003 was \$165,500 in Apple Valley and \$152,500 in Eagan. These are lower than Rosemount's median sale price.

HOUSING MARKET ANALYSIS

**TABLE H-12
MULTIFAMILY HOME RESALES
ROSEMOUNT HOUSING MARKET AREA
1999-2003***

Submarket	Year*	# of Resales	Median Market Time (Days)	Sale Price Distribution				Size (Sq. Ft.)	Price per sq. ft.				Year Built
				Median Sale Price	% chg.	Average Sale Price	% chg.	Median	Median	chg.	Average	chg.	Median
Rosemount	1999	76	43	\$123,950	--	\$124,493	--	1,435	\$85.51	--	\$86.20	--	1996
	2000	80	22	\$136,495	10%	\$140,074	13%	1,485	\$93.66	10%	\$95.15	10%	1996
	2001	84	19	\$150,700	10%	\$155,277	11%	1,496	\$102.90	10%	\$104.80	10%	1997
	2002	100	24	\$169,900	13%	\$169,063	9%	1,508	\$108.22	5%	\$109.93	5%	1999
	2003	77	27	\$183,000	8%	\$170,159	1%	1,540	\$113.36	5%	\$112.73	3%	1999
Remainder	1999	1,219	15	\$109,900	--	\$120,920	--	1,348	\$82.35	--	\$83.15	--	1992
	2000	1,207	13	\$125,000	14%	\$136,373	13%	1,363	\$93.33	13%	\$93.21	12%	1992
	2001	1,391	14	\$141,000	13%	\$152,054	11%	1,378	\$105.12	13%	\$104.12	12%	1992
	2002	1,415	20	\$153,900	9%	\$163,406	7%	1,377	\$113.55	8%	\$114.39	10%	1992
	2003	1,469	23	\$162,500	6%	\$172,473	6%	1,398	\$120.76	6%	\$119.47	4%	1993
Market Area Total	1999	1,295	15	\$110,000	--	\$121,130	--	1,350	\$82.57	--	\$83.33	--	1992
	2000	1,287	13	\$125,900	14%	\$136,603	13%	1,380	\$93.34	13%	\$93.33	12%	1992
	2001	1,475	15	\$141,500	12%	\$152,240	11%	1,386	\$104.87	12%	\$104.16	12%	1992
	2002	1,515	21	\$154,450	9%	\$163,787	8%	1,390	\$113.24	8%	\$114.09	10%	1993
	2003	1,546	24	\$162,950	6%	\$172,764	5%	1,403	\$119.14	5%	\$120.35	5%	1994

* Note: 2003 data is through September 2003

Sources: Regional Multiple Listing Service of Minnesota (MLS); Maxfield Research Inc.

HOUSING MARKET ANALYSIS

- ▶ In 2003, the median sale price of condo/townhomes in Rosemount is \$183,000. Based on the industry standard that a household can afford a home priced 2.5 to 3.0 times their income (excluding savings or debt that a household may have), a household would need an income of \$61,000 to \$73,200. Based on data from Table H-4, 61 percent of the Market Area's households ages 25 to 34 (a primary market for townhomes/condominiums) had incomes of \$60,000 or more, as did 54 percent of households ages 55 to 74 (also a primary market for townhomes/condominiums). It should be noted that householders ages 55 and over also typically have equity in an existing home and substantial savings that they can use toward the purchase of a new home.
- ▶ The median size (finished square feet) of multifamily units sold in the first nine months of 2003 in the Market Area was 1,403 square feet. With a median sale price of \$162,950, the median price equates to \$119 per square foot. This is up from \$113 in 2002, \$105 in 2001, \$93 in 2000 and \$83 in 1999.
- ▶ While the median price of units sold in Rosemount was higher than the price for units in the Remainder of the Market Area, units sold in Rosemount averaged about 100 square feet larger. Thus, the average price per square foot of \$113 was lower in Rosemount than the Remainder of the Market Area (\$119).

Single-Family Homes

- ▶ The median sale price of single-family homes during the first nine months of 2003 in the Market Area was \$240,000. This was an increase from \$169,303 in 1999. Overall, the median price of homes in the Market Area increased by 42 percent during the five year period. In comparison, the median price of condo/townhomes increased by 48 percent during the same period.
- ▶ The median price of single-family homes in Rosemount was \$230,500 during 2003 (through September), an increase of 51 percent since 1999 (\$153,000 median).
- ▶ Forty-four percent of the homes sold in 2003 in the Market Area were sold in Eagan and Lakeville. The median sale price for homes in 2003 was \$267,000 in Lakeville and \$259,900 in Eagan. These are higher than the median sale price for single-family homes in Rosemount in 2003 (\$230,500).
- ▶ The appreciation of single-family home prices and the short median market time (27 days in 2003) of homes in the Market Area indicate that demand for single-family homes is strong. New single-family home development in the surrounding area will boost overall retail expenditures in the area, and thereby increase the potential for additional retail in Downtown Rosemount.

HOUSING MARKET ANALYSIS

Submarket	Year	# of Resales	Median Market Time (Days)	Sale Price Distribution			
				Median Sale Price	% chg.	Average Sale Price	% chg.
Rosemount	1999	257	18	\$153,000	--	\$168,717	--
	2000	205	19	\$164,900	8%	\$183,264	9%
	2001	257	24	\$187,000	13%	\$225,395	23%
	2002	245	29	\$207,000	11%	\$242,754	8%
	2003	233	29	\$230,500	11%	\$286,054	18%
Remainder	1999	2,813	21	\$171,000	--	\$194,544	--
	2000	2,556	21	\$189,500	11%	\$215,190	11%
	2001	2,799	22	\$213,950	13%	\$236,706	10%
	2002	2,973	25	\$224,500	5%	\$251,633	6%
	2003	2,366	27	\$242,000	8%	\$272,914	8%
Market Area Total	1999	3,070	21	\$169,303	--	\$192,327	--
	2000	2,761	21	\$186,000	10%	\$212,820	11%
	2001	3,056	22	\$210,000	13%	\$235,737	11%
	2002	3,218	25	\$222,900	6%	\$250,908	6%
	2003	2,599	27	\$240,000	8%	\$274,092	9%
* Note: 2003 data is through September 2003							
Sources: Regional Multiple Listing Service of Minnesota (MLS); Maxfield Research Inc.							

Selected For-Sale Multifamily Housing Developments

Maxfield Research Inc. gathered information on 30 for-sale townhome and condominium projects in the Rosemount Market Area. Table H-14 presents information on these developments, collected through interviews of developers or sales representatives, including the date the development was platted, number of units, unit mix, unit sizes, pricing and number of units remaining for sale.

The following points summarize the current for-sale multifamily market in the Market Area.

- ▶ Of the projects inventoried, all are either entry-level or move-up product. The entry-level products have prices that range from \$139,000 for two-story townhome unit at *Cobblestone Oaks* in Inver Grove Heights to \$210,000 for a middle townhome unit at Bloomfield in Rosemount. Move-up products have prices that range from \$219,000 for a two-story unit at *Eagan Heights* in Eagan to \$334,000 for a two-story townhome with a full walkout basement at *Woodstone* in Eagan.
- ▶ We believe that Downtown Rosemount would be more appealing to the entry-level and move-up markets than the upper-end market. Based on the prices of the projects currently

HOUSING MARKET ANALYSIS

marketing, the prices most appropriate for Downtown Rosemount would range from about \$130 to \$150 per square foot for entry-level units to \$170 to \$200 for move-up units.

- ▶ In comparison, the projects currently marketing in Table H-14 have a total of 2,922 units. About 320 townhomes were built annually in the Market Area during the early 1990s, and a total of 3,511 were built in the Market Area during the 1990s. The large number of units currently marketing reflects the gaining popularity of multifamily for-sale units. Factors for their popularity include an appeal among the growing empty-nesters population, affordability for younger households, and changing lifestyles that place a value on maintenance-free housing.
- ▶ Most empty nesters have a strong preference for one-level units, to eliminate stairs. Because one-level townhomes are a lower density land use than what would be appropriate in Downtown, a condominium and/or cooperative project, with an elevator, appealing to empty-nesters would be appropriate in the Downtown.
- ▶ Older buyers, especially, are attracted to association-maintained townhomes/condominiums when they are no longer able or desire to maintain a yard and the exterior of their single-family homes. Many young to middle age buyers are also opting for these homes for the same reason. Many buyers simply do not have time to maintain a home due to career or other reasons.

HOUSING MARKET ANALYSIS

TABLE H-14
SELECTED ACTIVE & PENDING FOR-SALE MULTIFAMILY DEVELOPMENTS
ROSEMOUNT MARKET AREA
October 2003

Development/Location	Year Platted	Units	Avail.	Square Feet	Home Prices Min - Max	\$/Sq.Ft.	Features
APPLE VALLEY							
Hawthorne- Condominium	2002	90	N/A	1,276 - 1,671	\$174,990 - \$189,900	\$137 - \$114	One and two-levels, w/2-car or 1-car garage.
Hawthorne- Heritage Townhomes	2002	144	39	1,587 - 1,775	\$235,000 - \$328,408	\$148 - \$185	Two-story, prairie-style townhomes
Hawthorne- Carriage Townhomes	2003	140	N/A	1,595 - 1,947	\$202,990 - \$265,666	\$127 - \$136	Row-style carriage, 2-story townhomes
Legacy Square	2003	105	100	1,200 - 1,600	\$176,000 - \$190,000	\$147 - \$119	Two-story, colonial-style townhomes
Cobblestone Lake- Bayside Gables	2003/04	138	138	1,500 - 1,800	\$200,000	\$133 - \$111	Multi-level rowhomes
Cobblestone Lake- Row Homes	2003/05	98	97	2,200 - 2,300	\$300,000	\$136 - \$130	Multi-level rowhomes
EAGAN							
Eagan Heights	2003	36	30	1,297 - 2,800	\$219,000 - \$298,900	\$169 - \$230	Rambler and 2-story homes
Woodstone	2002	34	13	1,325 - 2,400	\$285,850 - \$334,820	\$216 - \$140	Rambler and 2-story homes, with finished bsmnts.
Greyhawk	2003	44	12	N/A	\$212,215 - \$235,595	N/A	Two-story townhomes
FARMINGTON							
Middle Creek- Villas	2002	170	N/A	1,166 - 1,361	\$150,000 - \$168,855	\$129 - \$124	Two-story villa townhomes with 1 or 2 garages
Vermillion Grove - Villas	2001	148	28	1,632 - 1,646	\$160,000 - \$174,900	\$98 - \$106	Two-story villa townhomes
Vermillion Grove Townhomes	2001	65	23	1,700	\$215,000	\$126	1-level rowhomes w/ optional finished bsmnts
Bristol Square	2003	177	89	1,300	\$157,400 - \$166,800	\$121 - \$128	Two-story townhomes
HASTINGS							
School House Square	2003	12	12	2,000	\$246,500 - \$269,500	\$123 - \$135	Two-story rowhomes, w/lofted BR, unfinished bsmt.
South Oaks	2003	56	6	1,400	\$156,900 - \$162,000	\$112 - \$116	Two-story townhomes

HOUSING MARKET ANALYSIS

TABLE H-14 (Continued)
SELECTED ACTIVE & PENDING FOR-SALE MULTIFAMILY DEVELOPMENTS
ROSEMOUNT MARKET AREA
October 2003

Development/Location	Year Platted	Units	Avail.	Square Feet	Home Prices Min - Max	\$/Sq.Ft.	Features
INVER GROVE HEIGHTS							
Brentenwood Hills	2003	80	63	1,438	\$169,900 - \$175,900	\$118 - \$122	Two-story townhomes
Lafayette Park- Carriage Homes	2002	172	36	1,422 - 1,707	\$165,900 - \$185,900	\$117 - \$109	Two-story townhomes
Lafayette Park- Row Homes	2003	60	12	1,555 - 1,897	\$190,000 - \$259,130	\$122 - \$137	Two-story townhomes
Lafayette Park Vineyard TH	2003	64	54	1,570 - 2,097	\$208,900 - \$247,900	\$133 - \$118	One and two-stories, Master BR on main level.
Concord Commons	2003	58	31	N/A	\$169,900 - \$182,060	N/A	Multi-level townhomes
Cobblestone Oaks	2003	78	N/A	1,320	\$139,900 - \$162,900	\$106 - \$123	Two-story townhomes
LAKEVILLE							
Morgon Square	2003	36	32	1,478	\$186,900 - \$202,010	\$126 - \$137	Two-story townhomes with full basement
Fox Meadows	2003	98	27	1,300 - 1,700	\$199,900 - \$264,310	\$154 - \$203	Two-story townhomes
Lake Place	2001/02	142	N/A	1,467 - 1,508	\$164,900 - \$250,000	\$112 - \$166	Two-story townhomes w/oversized two-car
Springbrook	2002	154	104	1,450 - 1,529	\$160,000 - \$171,900	\$110 - \$119	Two-story townhome
Cornerstone Lake	2001	212	123	1,450 - 1,529	\$150,000 - \$171,900	\$103 - \$119	Two-story townhome
Mallard Shores	2002	110	70	1,527 - 2,800	\$172,900 - \$300,000	\$113 - \$196	Two-story townhomes with main floor master
ROSEMOUNT							
Carrousel Plaza Townhomes	2001	26	N/A	1,350 - 2,200	\$160,000 - \$180,000	\$119 - \$82	One and two-story townhomes
Bloomfield Vineyard Townhomes	2003	54	52	1,570 - 2,097	\$210,000 - \$229,900	\$134 - \$110	One and two-stories, Master BR on main level.
Bloomfield Quad Townhomes	2002	76	3	1,572 - 1,707	\$189,900 - \$214,900	\$121 - \$126	Two-story back to back townhomes
Roundstone @ Evermoor	2003	45	34	1,632 - 2,500	\$219,900 - \$241,730	\$135 - \$148	Two-story rowhomes w/unfinished basements.

Source: Maxfield Research, Inc.

Recent General Occupancy Condominium Developments in the Twin Cities Metro Area

Due to the limited number of general occupancy condominium projects in the Rosemount Market Area, Maxfield Research Inc. identified new condominium projects located throughout the Twin Cities Metro Area for comparison purposes.

Table H-15 displays information on recently developed and actively marketing condominium developments in the Twin Cities Metro Area. The table includes information on occupancy date, number of units and units remaining, size and base prices of the units, price per square foot, and monthly association dues for the project. For the purposes of this study, we focused on actively marketing projects that would be most competitive and comparable to a project developed in Downtown Rosemount. Therefore, this study omits several upper-end condominium and converted loft projects located in Downtown Minneapolis and St. Paul.

- ▶ A total of seven comparable projects were identified with 396 units. The average size of the projects is roughly 66 units. Of the total units surveyed, 23 are studio units, 78 are one-bedroom units, 52 are one-bedroom plus den units, 145 are two-bedroom units (37 percent), 57 are two-bedroom plus den units and 41 are three-bedroom units.
- ▶ Pricing for the condominium units surveyed varied greatly depending on the location, amenities, finishing quality, and sizes. Average unit prices at the projects identified range anywhere from \$140,000 to \$484,900 with a substantial variation in unit sizes, finishing detail and amenities. The overall average unit price is approximately \$219,825.
- ▶ One-bedroom units are priced between \$149,900 and \$234,900, one-bedroom plus den units range from \$181,000 to \$274,900, while two-bedroom units range from \$189,990 to \$381,900. Two-bedroom plus den and three-bedroom units range in price between \$199,990 and \$484,900.
- ▶ Overall, unit sizes in the condominiums surveyed average 1,170 square feet. One-bedroom units are between 800 to 982, one-bedroom plus den units range between 1,001 and 1,090 square feet, two-bedroom units range between 1,070 and 1,638 square feet. Two-bedroom plus den unit and three-bedroom units range from 1,200 to 1,900 square feet.
- ▶ Though many of the newly constructed and pending condominium developments in the Twin Cities Metro Area are not age-restricted projects, upscale condominium projects have tended to attract a higher proportion of older buyers. This is due to their higher price points and this market segment's desire for high quality features and amenities in addition to maintenance-free living. In addition, many of the unit designs are single-level, appealing to a buyer that does not want to manage stairs. Grandview Square in Edina is not an age-restricted project, but the majority of the buyers have been older adults either nearing retirement or already retired.

HOUSING MARKET ANALYSIS

**TABLE H-15
SELECTED FOR-SALE MULTIFAMILY DEVELOPMENTS
TWIN CITIES AREA
October 2003**

Name/ Location	Year Built	No. of Units	No. Sold	Unit Mix	Unit Sizes	Recent Sale Prices	Price/ Sq. Ft.	Comments
Excelsior & Grand <i>Excelsior & Grand St. Louis Park</i>	2005 Sales =	120 N/A	84	28 - 1BR 20 - 1BR/D 43 - 2BR 29 - 2BR/D	833 - 982 1,001 - 1,028 1,170 - 1,419 1,268 - 1,782	\$214,900 - \$234,900 \$249,900 - \$274,900 \$269,900 - \$381,900 \$309,900 - \$484,900	\$248 \$259 \$252 \$261	Four-story building in mixed-use development. Units: Balconies, 10' ceilings, washer/dryer hook-ups, granite countertops. Building: heated pool, hot tub, sauna, fitness room, community room, business center, underground parking, guest suite.
William's Place <i>Spring Rd & Pioneer Trl. Eden Prairie</i>	2004 Sales =	48 N/A	5	24 - 2BR 24 - 3BR	1,188 1,319	\$189,990 - \$196,990 \$199,990 - \$207,990	\$163 \$155	One-level units in four 3-story buildings. Underground parking, balcony, 1 Bath, 9' ceilings on 1st & 2nd floors, vaulted on 3rd. Assoc. dues \$225/mo.
Grandview Square I <i>Grandview Drive Edina</i>	2003 Sales =	71 2.5/mo.	60	43 - 2BR 28 - 3BR	1,136 - 1,655 1,786 - 2,136	\$253,600 - \$433,417 \$427,900 - \$559,500	\$246 \$252	Four-story building. Hobby room, car wash, mail room, fitness center, sundeck, guest suite, club room, storage area on each floor, Assoc. dues = \$275-\$520.
Grandview Square II <i>Grandview Drive Edina</i>	2004 Sales =	50 2.0/mo.	4	N.A - 2BR N.A - 3BR	1,244 - 1,655 1,786 - 1,809	\$299,900 - \$433,417 \$427,900 - \$478,000	\$253 \$252	Four-story building. Hobby room, car wash, mail room, fitness center, sundeck, guest suite, club room, storage area on each floor, Assoc. dues = \$275-\$520.
Kensington Park <i>76th & Lyndale Richfield</i>	2004 Sales =	94 N/A	74	19 - STU 32 - 1BR 21 - 1BR/D 16 - 2BR 6 - 2BR/D	765 905 - 935 1,075 - 1,090 1,205 - 1,230 1,420 - 1,525	\$143,200 - \$165,200 \$170,700 - \$225,200 \$197,200 - \$227,300 \$246,600 - \$322,200 \$274,000 - \$279,300	\$202 \$215 \$196 \$234 \$188	Four-story building w/ underground parking. In-unit washer/dryers, 9' ceilings, walk-in closets, balconies or bay windows, 1st floor retail space, storage lockers, sundeck, community room.
Marketplace Lofts <i>750 Mainstreet Hopkins</i>	9/03 Sales =	47 7.5/mo.	45	4 - STU 6 - 1BR 11 - 1BR/D 6 - 2BR 11 - 2BR/D 9 - 3BR	765 905 - 935 1,075 - 1,090 1,205 - 1,230 1,420 - 1,525 1,790 - 1,815	\$140,000 - \$144,000 \$151,000 - \$172,000 \$181,000 - \$205,000 \$212,000 - \$229,000 \$269,000 - \$297,000 \$306,000 - \$359,900	\$186 \$176 \$178 \$181 \$192 \$185	Four-story building w/ underground parking. In-unit washer/dryers, 9' & 10' ceilings, walk-in closets, balcony/terrace, 1st floor retail space, storage lockers, sundeck, outdoor plaza, community room.
Hartford Commons - Flats <i>Prestwick Boulevard Eden Prairie</i>	2002 Sales =	32 5.2/mo.	26	20 - 2 BR 4 - 2BR/D 8 - 3 BR	1,427 - 1,638 1,494 - 1,499 1,646	\$259,900 - \$299,900 \$249,335 - \$303,782 \$309,900	\$183 \$185 \$188	Single-level units in 2-story building above underground parking (two spaces per unit). Assoc. dues \$285.

Source: Maxfield Research Inc.

HOUSING MARKET ANALYSIS

- ▶ Another trend in newer Metro Area condominium developments is their location near retail, often being a part of a mixed-use development with retail shops at the street level and condominium housing on top. *Marketplace Lofts* in Hopkins and *Excelsior & Grand* in St. Louis Park are mixed-use developments with 1st floor retail space and housing units located above.
- ▶ Condominiums in the Twin Cities Metro Area are experiencing a modest resurgence after a long drought of development that ended in the mid 1980s. While primarily targeted to empty nesters and/or independent seniors, they are increasingly attracting buyers of all ages.
- ▶ Due to near record low mortgage interest rates over the last several years, young professional singles, couples and divorced people are opting out of rental housing and are now in the market for homeownership with many preferring a maintenance-free environment. In many cases, the cost of renting a new luxury apartment meets or exceeds the monthly mortgage payment for a condominium.
- ▶ Also, the rapidly growing empty-nester and senior markets are continuing to downsize (or resize into one-level living) and continue to demonstrate interest in condominiums because they can continue homeownership without the maintenance and yard work required with a single-family home. Therefore, as mortgage rates remain low and as the baby-boom population ages, demand for condominium development grows.

Pending For-Sale Multifamily Developments

There are several for-sale general occupancy multifamily projects underway or planned in the Market Area to satisfy the growing demand for this type of housing. Some of the projects currently under construction are included in Table H-14. These projects include smaller townhome and twin home developments and also larger developments that include a mix of product types from traditional townhomes to detached villas, twin homes, and condominiums. Below are descriptions of the larger projects that are planned or pending in the Market Area.

Apple Valley

- ▶ *Legacy Village*, by the Hartford Group, is a mixed-use development on 75 acres at 153rd Street and Galaxie Avenue. The for-sale townhomes are currently under construction by Town and Country Homes. A total of 105 units are proposed and will range in size from 1,200 to 1,600 square feet and range in price from \$176,000 to \$190,000.
- ▶ A 28-acre mixed-use development, called *Harmony Commons* by New Century Inc., is proposed to be located south of 150th Street on Galaxie Avenue. This project has not yet received city approvals. *Harmony Commons* proposes 275 market rate townhomes by Pulte Homes ranging in price from \$140,000 to \$500,000. The developer expects to break ground in the spring of 2004.
- ▶ The largest townhome development that is marketing and under construction is Phase II of the master-planned community, *Cobblestone Lake*. Phase II of Cobblestone Lake includes

HOUSING MARKET ANALYSIS

138 units of two-story townhomes by David Bernard Builders starting in the low to mid-\$200,000s, 98 units of rowhomes also by David Bernard Builders from the \$250,000s and 46 units of “signature” rowhomes by The Charles Cudd Company with prices starting in the \$300,000s. The planned *Cobblestone Lake* development will have over 2,500 total units when finished, including single family homes, townhouses, with some retail and office spaces located below some units.

- ▶ *Evermoor*, a 515-acre master-planned community development located in both Apple Valley and Rosemount, will consist of 13 unique neighborhoods and up to 1,200 proposed units. The development will consist of a mixture of single-family homes, townhomes, rowhomes, and senior townhomes and condo’s. Age-restricted condominiums start at \$120,000, while multi-family townhomes start at \$219,900.

Eagan

- ▶ *Nichols Ridge* is a 229-unit proposed townhome development by US Homes and Orrin Thompson Homes. The proposed townhome project has a Final Development Agreement in place as part of the Cedar Grove Redevelopment District and was originally approved by Delta Development. Preliminary plans indicate the townhomes will be located in four-plexes while ranging from 2,200 to 2,400 square feet. Purchase prices will likely be in the upper \$200,000s to lower \$300,000s.

Farmington

- ▶ The City of Farmington has recently rezoned a new development district for about 450 acres on the western border of the City. The district could contain several hundred homes and 600,000 square feet of retail. The City expects the first 80 acres to be developed as a community shopping center, and that housing will not be added until after 2006.

Hastings

- ▶ A 30-unit condominium building is currently under construction by *Lawrence Builders* at the intersection of Bahls Drive and South Frontage Road in Hastings. The units are proposed to be priced above \$125,000 and completed in the spring of 2004.
- ▶ Greg J. Homes has begun construction on the first phase of a 150-unit townhome development. The development will offer 2 to 5-unit buildings at the *South Oaks* subdivision. The units currently under construction begin around \$150,000.
- ▶ A 30-unit condominium building by *Wesley Investments* has been approved by the City, but has not begun construction. The proposed building will be located at Whispering Lane and Crestview Drive. Staff at the City indicated that construction could begin any time.

HOUSING MARKET ANALYSIS

- ▶ A 580-unit housing development, called *Glendale Heights*, has been proposed. This development has not been approved and is proposed to offer 280 rental units and 310 for sale units. The for-sale units are proposed to be 180 townhome units and 130 units in eight-unit buildings.

Rosemount

- ▶ Contractor Property Developers Company has proposed a 115-acre, 644-unit redevelopment of *Brockway Golf Course* and glass factory. The development would offer 91 single-family units, 60 condominium units and the remaining units would be townhome units.
- ▶ The City of Rosemount has given preliminary plat approval to *Centex* for a 150-acre development south of County Road 38. This development is proposed to contain 155 single-family units and 230 townhome units. Construction is expected to begin in 2004.
- ▶ The City has received a proposal for 400 townhome units to be located south of County Road 42 on a parcel that is zoned for industrial business park.

Independent Senior Housing Analysis

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes a spectrum of housing alternatives, which occasionally overlap, thus making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. Maxfield Research Inc. classifies senior housing projects into five categories based on the level of support services that are offered:

1. Adult/Few Services; where few, if any, support services are provided and rents tend to be modest as a result;
2. Congregate/Optional-Services; where support services, such as meals and light housekeeping, are available for an additional fee;
3. Congregate/Service-Intensive; where support services, such as meals and light housekeeping, are included in the monthly rents;
4. Assisted Living; where two or three daily meals as well as basic support services such as transportation, housekeeping and/or linen changes are included in the fees. Personal care such as assistance with bathing, grooming and dressing, is included in the fees or is available either for an additional fee or included in the rents.
5. Memory Care; where more rigorous and service-intensive personal care is required for people with dementia and Alzheimer’s disease. Typically, support services and meal plans are similar to those found at Assisted Living facilities, but the increased levels of personal care require more staffing and higher rental fees.

HOUSING MARKET ANALYSIS

These five senior housing products share several characteristics. First, they usually offer independent living apartments with living areas, bathrooms, and kitchens or kitchenettes. Second, they generally have an emergency response system with pull-cords or pendants to promote security. Third, they often have a community room and other common space to encourage socialization. Finally, they are age-restricted and offer conveniences desired by seniors, although assisted living projects sometimes serve non-elderly people with special health considerations.

The five senior housing products offered today form a continuum of care (see Figure 1 next page), from a low level of care to fairly intensive; often, the services at one level overlap with those at another. In general, Adult/Few Services projects tend to attract younger, more independent seniors, while assisted living and memory care projects attract older, frailer seniors.

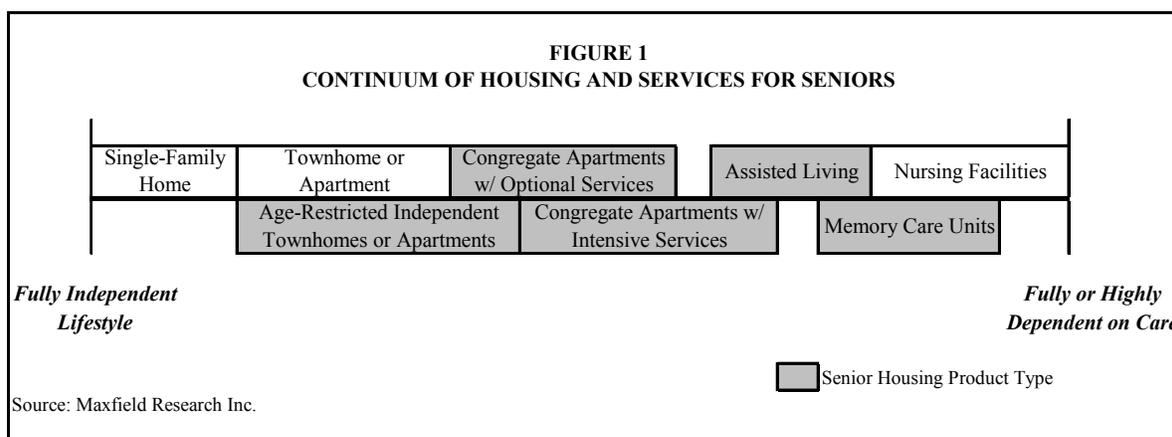


Table H-16 below shows an inventory of market rate senior housing in the Market Area by the five product types described above. In total, there are 1,676 market rate senior housing units in the Market Area. Inver Grove Heights has the greatest market rate senior housing supply, with 459 units, followed by Eagan (321 units) and Apple Valley (310 units). Rosemount has 221 market rate senior units, all of which are adult/few services.

TABLE H-16 MARKET RATE SENIOR HOUSING SUPPLY ROSEMOUNT HOUSING MARKET AREA October 2003						
City	Memory Care	Assisted Living	Congregate/Service Intensive	Congregate/Optional Services	Adult Few Services	Total
Apple Valley	0	32	208	0	70	310
Eagan	74	50	76	0	121	321
Farmington	0	0	0	55	86	141
Hastings	20	106	0	0	98	224
Inver Grove Heights	18	86	0	157	198	459
Lakeville	0	0	0	0	0	0
Rosemount	0	0	0	0	221	221
TOTAL	112	274	284	212	794	1,676

Source: Maxfield Research Inc.

HOUSING MARKET ANALYSIS

We included only projects that are adult/few-services in our study of the need for independent senior housing, as this type of senior housing is best suited for a downtown environment. While congregate/optional-service projects would attract more independent seniors who would be able to patronize downtown businesses, there is, to some degree, a development trend away from this type of product. This is because uncertainty of service utilization makes staffing difficult and the cost to provide services can be greater than the revenue generated by the seniors who utilize them. Thus, most new projects that include services require residents to purchase a minimum amount of meals per month and also include limited housekeeping in the monthly fee (making the project service-intensive – and attracting a more frail senior population). Seniors who are independent can move to adult/few-service projects, and if they need some housekeeping or personal care, they can contract through a private home health agency.

There are 13 market rate adult/few-services projects with 794 units in the Market Area. These projects are shown in Table H-17, along with the year they opened, total units, vacant units, unit mix, average unit size, average price/rent and building features. The following are key points about the senior housing projects.

- ▶ The adult projects in the Market Area include a wide variety product styles. One is a single-family development, seven are condominiums, two are rental apartments and three are cooperatives.
- ▶ The senior housing supply is very new, with all of them built since 1997, except *Rosemount Plaza*. Ten of the 13 projects have opened since 2000.
- ▶ There were only eight vacancies among the 524 units at Market Area projects in 2003. Four of these vacancies are at *Black Hawk Trail*, which opened in 2002 and four vacancies are at *Oak Ridge Cottage Homes*, which opened in 2001.
- ▶ *Bard's Crossing*, which is scheduled to open in 2004, has pre-sold six units and *Crosscroft* at Evermoor has sold 50 home sites and has 162 still available. The only other senior developments opened this year are *Summerhill* in Apple Valley, which has only 19 units remaining and *Wachter Lake* which has sold out its 48 units. The strong absorption of units indicates that there is pent-up demand for this type of product in the Market Area.
- ▶ The current resale prices for condominium units at *Rosemount Plaza* have ranged from \$102,900 for one-bedroom units to \$132,000 for two-bedroom units.
- ▶ *Crosscroft* is the only senior development in the Market Area offering single-family homes. This development will attract active seniors who desire to remain in a traditional neighborhood setting. Seniors interested in downsizing or who are interested in convenience to shopping and services will be attracted to a housing development in Downtown Rosemount.

Pending Senior Developments

Apple Valley

- ▶ *Legacy Village*, by the Hartford Group, is a proposed mixed-use development on 75 acres at 153rd Street and Galaxie Avenue in Apple Valley. This development is planned to offer 132 independent-living senior housing units, which are proposed to open in 2006.

Eagan

- ▶ *Keystone Communities of Eagan* has received a Conditional Use Permit for a 129-unit senior housing building (80 independent units, 34 assisted living units, and 15 memory care units) to be built at the southeast corner of Silver Bell Road and Cedar Grove Parkway. The project is located within the Cedar Grove Redevelopment Area and construction began in June 2003. Because of the high service level, this project would not be competitive with adult housing built in Downtown Rosemount.

HOUSING MARKET ANALYSIS

**TABLE H-17
INDEPENDENT SENIOR HOUSING DEVELOPMENTS
ROSEMOUNT MARKET AREA
October 2003**

Project/Location	Year Opened	Total Units	Units Available	Unit-Mix	Unit Size (Sq. Ft.)	Rent/Sale Price	Rent/Price/Per Square Ft.	Building features
<i>Single-family Developments</i>								
Crosscroft at Evermoor <i>Rosemount</i>	2003	212	50	50 - 2 BR	1,576 - 2,094	\$280,000	\$178 - \$134	Private clubhouse, with outdoor pool, tennis court, putting green. One level homes, some with four-season porches.
<i>Condominium Developments</i>								
Bard's Crossing* <i>Rosemount</i>	2004	55	41	4 - 1 BR 39 - 2 BR 12 - 2 BR/D	812 1,095 - 1,450 1,508	\$130,900 \$194,900 - \$253,900 \$254,900 - \$262,900	\$161 \$178 - \$175 \$169 - \$174	Two condominium buildings with elevator and underground parking. Craft room, fitness center with swim spa, guest suites and social director.
Wachter Lake <i>Rosemount</i>	2003	48	0	7 - 1 BR 41 - 2 BR	804 - 1,095 1,095 - 1,301	\$104,900 - \$139,900 \$144,900 - \$169,900	\$130 - \$128 \$132 - \$131	Three-story building with elevator and underground heated parking. Community/craft room, library, guest suites.
Timberwood Village <i>Eagan</i>	2000/ 2001	52	0	52 - 2 BR	1,170 - 1,708	\$229,000	\$196 - \$134	One-level townhomes in 4-plexes with an association for outdoor maintenance.
Cameron Woods <i>Farmington</i>	2000/ 2001	86	0	5 - 1 BR 79 - 2 BR	804 - 1,095 980 - 1,233	\$95,000 - \$133,500 \$128,500 - \$158,500	\$118 - \$122 \$131 - \$129	Two 42-unit buildings with underground parking, elevators, secured entries. Garden plots, community/craft room, activities director, guest suites and transportation.
Inverness Village <i>Inver Grove Heights</i>	1999	55	0	55 - 2 BR	1,170 - 1,708	\$124,900 - \$210,000	\$107 - \$123	One-level townhomes in 4-plexes with an association for outdoor maintenance.
Black Hawk Trail <i>Inver Grove Heights</i>	2002	32	4	32 - 2 BR	1,338 - 1,660	\$174,900 - \$199,000	\$131 - \$120	Eight cottage-style 4-plexes with attached 2-car garages.
Rosemount Plaza <i>Rosemount</i>	1989	21	0	9 - 1 BR 12 - 2 BR	740 - 800 1,158 - 1,270	\$102,900 \$105,000 \$116,900 - \$132,000	\$139 - \$131 \$101 - \$104	Three-story comdominium building with heated underground parking. Each unit has a deck and storage.
*55 Pending Units in second building.								

HOUSING MARKET ANALYSIS

TABLE H-17 (Continued)
INDEPENDENT SENIOR HOUSING DEVELOPMENTS
ROSEMOUNT MARKET AREA
October 2003

Project/Location	Year Opened	Total Units	Units Available	Unit-Mix	Unit Size (Sq. Ft.)	Rent/Sale Price	Rent/Price/Per Square Ft.	Building features
<i>Rental Developments</i>								
Park Ridge <i>Hastings</i>	2002	80	NA	38 - 1 BR	675 - 858	\$895 - \$1,050	\$1.33 - \$1.22	Three-story building with elevator, underground parking -\$50/month. Community/craft room, library, Mini-store/Deli, free laundry facilities, salon. Noon meal \$7.00.
				17 - 1 BR/D	890 - 923	\$1,165 - \$1,195	\$1.31 - \$1.29	
				25 - 2 BR	918 - 1,097	\$1,220 - \$1,440	\$1.33 - \$1.57	
Oakridge Cottage Homes <i>Hastings</i>	2001	18	4	12 - 2 BR	1,264 - 1,346	\$1,400 - \$1,500	\$1.11 - \$1.11	One-level townhome with 2-car garage
				11 - 3 BR	2,055 - 2,137	\$1,800 - \$1,900	\$0.88 - \$0.89	
<i>Cooperative Developments</i>								
Summerhill <i>Apple Valley</i>	2003	70	19	3 - 1 BR	1,024	\$47,500 \$1,024	\$46 \$1.00	Condominium building with elevator, garden plots and community room, library, activities, business center. Underground parking.
				30 - 2 BR	1,082 - 1,318	\$49,800 - \$65,000 \$1,082 - \$1,318	\$46 \$49 \$1.00 - \$1.00	
				37 - 2 BR/D	1,395 - 1,602	\$67,000 - \$79,500 \$1,395 - \$1,602	\$48 \$50 \$1.00 - \$1.00	
Gramercy Park <i>Eagan</i>	2001	69	0	9 - 1 BR	683 - 915	\$31,215 - \$41,454 \$646 - \$861	\$46 - \$45 \$0.95 \$0.94	Condominium buildings with elevator, security system, underground parking. Garden plots, community room, library, convenience store, two guest suites. Daily scheduled transportation to shopping and special activities. Resident social committee.
				48 - 2 BR	992 - 1,237	\$45,291 - \$56,211 \$940 - \$1,171	\$46 - \$45 \$0.95 \$0.95	
				9 - 2 BR/D	1,546 - 1,708	\$70,395 - \$73,341 \$1,465 - \$1,570	\$46 - \$43 \$0.95 \$0.92	
				3 - 3 BR	1,778	\$78,540 \$1,675	\$44 \$0.94	
Gramercy Park <i>Inver Grove Heights</i>	1997	111	0	16 - 1 BR	695 - 795	\$22,137 - \$25,903 \$565 - \$653	\$32 - \$33 \$0.81 - \$0.82	Condominium buildings with elevator, security system, underground parking. Garden plots, community room, library, convenience store, two guest suites. Daily scheduled transportation to shopping and special activities. Resident social committee.
				95 - 2 BR	993 - 1,360	\$30,961 - \$44,457 \$795 - \$1,119	\$31 - \$33 \$0.80 - \$0.82	

Source: Maxfield Research Inc.

Housing Demand Analysis

General-Occupancy Multifamily Housing

Table H- 18 presents our housing demand calculations for the Rosemount Housing Market Area between 2003 and 2010 and the estimated number of units supportable in Downtown Rosemount during this period. The following points summarize our demand calculations.

- ▶ According to our projections, the Market Area is expected to grow by 24,138 households between 2003 and 2010. Based on homeownership trends, we estimate that 80 percent of the demand will be for for-sale housing, resulting in demand for 19,310 for-sale units and 4,828 rental units. We also estimate that 45 percent of for-sale demand will be for multi-family units – resulting in overall demand for 8,690 for-sale multifamily units. All of the demand for rental units would be in multifamily developments.
- ▶ The demand figures in Table H-18 are for the entire Market Area. Any one location, including Rosemount, can only capture a portion of the demand. We project that Rosemount could capture ten percent of the Market Area’s for-sale and rental demand. This equates to demand from the Market Area for 869 for-sale units and 483 rental units in Rosemount.

TABLE H-18 PROJECTED DEMAND FOR MULTIFAMILY HOUSING DOWNTOWN ROSEMOUNT 2003 to 2010				
		Total	For-Sale	Rental
Projected new housing unit demand from household growth, 2003 to 2010		24,138		
(times) Estimated ownership demand	x	<u>80%</u>		
(equals) Projected Market Area demand for new for-sale housing units	=		19,310	
(equals) Projected Market Area demand for new rental units	=			4,828
(times) Estimated percent of units that will be for multifamily	x		45%	100%
(equals) Projected study area demand for new multifamily housing units	=		<u>8,690</u>	<u>4,828</u>
(times) Estimated percent of demand capturable in Rosemount	x		10%	10%
(equals) Estimated demand in Rosemount from Market Area, 2003 to 2010	=		869	483
(plus) Demand from outside the Market Area (20%)	=		217	121
(equals) Total demand for multifamily housing in Rosemount			<u>1,086</u>	<u>603</u>
(times) Estimated percent of demand capturable by Downtown housing	=		<u>20%</u>	<u>35%</u>
(equals) Units supportable in Downtown Rosemount			217	211

Source: Maxfield Research Inc.

- ▶ In addition to demand from the Market Area, there would be some demand from outside the Market Area. This would come from people who would move to the Market Area for a specific project or because of a lack of product outside the Market Area. We project that 20

percent of the demand would come from outside the Market Area, increasing total demand in Rosemount to 1,086 for-sale units and 603 rental units.

- ▶ Overall, we project that 20 percent of Rosemount's for-sale demand and 35 percent its rental demand this decade could be supported in the Downtown, or 217 for-sale units and 211 rental units. We estimate that only 20 percent of the for-sale demand can be supported in the Downtown because much of the for-sale demand is for medium-density townhomes with two-car attached garages – which would require more land than is available in the Downtown. Demand for a three- or four-story condominium building or cooperative building could be supported in the Downtown, however. We estimate that 35 percent of the rental demand could be supported in the Downtown because new rental housing is most often higher density, multi-story buildings that can be accommodated in a Downtown.

Independent Senior Rental Demand

Table H-19 presents demand estimates for independent (without services) senior rental units in the Market Area. The table calculates demand based on senior households with incomes above \$20,000, including those households whose incomes would rise to this level based on proceeds gained from the sale of their single-family homes. An income of \$20,000 and an allocation of 40 percent to 50 percent of that income on housing would translate to an affordable monthly cost of \$665 to \$833.

- ▶ Seniors who own their homes also have an untapped source of equity that can be used to purchase a senior housing unit or to allocate toward a rental unit. For example, if a senior in the Market Area sold his/her home for \$160,000, the proceeds from the sale of the home could produce an extra \$500 per month that could be used almost dollar for dollar for alternative housing. (This figure is calculated by subtracting marketing costs, estimated at 7 percent, from the proceeds from the sale of the home and using the interest income, estimated at 4 percent, toward monthly rent).
- ▶ Including households who would income-qualify with the proceeds from a home sale (those households with incomes of between \$15,000 and \$20,000), we estimate the number of age/income-qualified senior households in the Market Area in 2003 at 19,985, increasing to 28,278 in 2008.
- ▶ Adjusting to include appropriate capture rates (ranging in 2003 from 0.5 percent of households age 55 to 64 to 12 percent of households age 75 and older) for each age cohort, results in local demand potential for all types of independent senior housing of 604 units in 2003 and 898 units in 2008.
- ▶ We project that 65 percent of this demand is for products that offer no services (adult/few-services) – or 392 units in 2003, increasing to 584 units in 2008.

HOUSING MARKET ANALYSIS

TABLE H-19 INDEPENDENT SENIOR RENTAL HOUSING DEMAND DOWNTOWN ROSEMOUNT 2003 and 2008						
	2003			2008		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of \$15,000 to \$20,000 *	316	396	397	392	347	527
(times) Homeownership Rate	x 91%	85%	66%	x 91%	85%	66%
(equals) Potential Market	= 288	337	262	= 357	295	348
(plus) # of Households w/ Incomes of >\$20,000	+ 11,621	4,959	2,519	+ 16,890	7,025	3,364
(equals) Total Potential Market Base	= 11,909	5,296	2,781	= 17,247	7,320	3,712
(times) Long-Term Capture Rate	x 0.5%	4.0%	12.0%	x 0.5%	4.5%	13.0%
(equals) Long-Term Demand Potential	= 59	211	334	= 86	329	483
Total Market Rate Demand Potential	=	604		=	898	
(times) % for housing without services	x 65%			x 65%		
(equals) Demand potential for adult/few-service	= 392			= 584		
(plus) Demand From Outside Market Area (25%)	+ 131			+ 195		
(equals) Total Long-Term Demand	= 523			= 778		
(minus) Existing & Pending Adult Rental Units	- 93			- 294		
(equals) Excess "Short-Term" Demand	= 430			= 484		
(times) % capturable by projects in Rosemount	x 20%			x 20%		
(equals) Short-term demand in Rosemount	= 86			= 97		

*\$17,000 to \$23,000 in 2008.
Source: Maxfield Research Inc.

- ▶ Additional demand will come from outside the Market Area. We estimate this to represent 25 percent of the total demand generated by Market Area seniors, or an additional 131 units in 2003 and 195 units in 2008. Together, the demand from Market Area seniors and demand from seniors who would relocate to the Market Area totals 523 units in 2003 and 778 units in 2008.
- ▶ From this total, the existing and pending market rate rental units available in the Market Area are subtracted (minus a five percent vacancy rate). Subtracting these existing and pending competitive units results in excess local demand for 430 units in 2003, increasing to 484 in 2008.
- ▶ A project in any one location would not be able to capture all of the projected demand. **We estimate that a project in Rosemount could capture 20 percent of the demand, or 86 units in 2003, increasing to 97 units in 2008.**

Downtown Housing Conclusions and Recommendations

Our analysis of the housing market finds potential to add multifamily housing in Downtown Rosemount, including rental and for-sale products. A trend nationally is that younger renters and also an increasing number of middle-aged households without children, empty-nesters, and independent seniors prefer maintenance-free housing in unique environments. This is significant because efforts to create housing in the Downtown can have one of the strongest impacts on sustaining Downtown's viability over the long-term.

Simply stated, strong household growth creates opportunities to increase the local population which, in turn, creates opportunities to enhance and expand the local Downtown business base.

Target Markets

We have identified three primary target markets for housing in Downtown Rosemount based on our review of demographic growth trends and current housing conditions and trends. They are:

- 1) Empty-nesters and independent seniors currently living in the area who are seeking multifamily housing as an alternative to their single-family homes (for reasons such as downsizing, shedding home maintenance responsibilities to increase time for traveling and other activities and to increase socialization);
- 2) Younger and middle-aged singles and couples without children who work in the southeast Metro Area and are seeking an affordable owned housing option to single-family homes and/or a lifestyle choice for multifamily owned housing in an environment that offers retail, restaurants, and other entertainment within walking distance from their home;
- 3) Singles and couples without children who are or will become employed in the southeast Metro Area and are seeking rental housing.

Recommended Housing Types

In addition to meeting the needs of the target markets, housing in the Downtown needs to compliment and enhance the existing Downtown environment. Housing is a valuable component of redevelopment efforts as new households would support Downtown retail and services, and would also enhance the visual identity of Downtown.

Because of the small size of the Downtown, it would be challenging to accommodate the full housing demand potential that will exist during this decade. To accommodate both retail/office and housing demand, we recommend mixed-use buildings with commercial space on the first-floor and housing located above. We would not recommend a freestanding housing project in the core Downtown. To accommodate the full housing potential, freestanding multifamily buildings could be developed adjacent to the Downtown.

HOUSING MARKET ANALYSIS

We recommend building designs and features that enhance Rosemount's "small town" atmosphere. Some sales agents at new developments in Rosemount commented that buyers from Rosemount and neighboring communities find the shopping experience of a traditional downtown appealing.

The housing types that we believe would satisfy housing demand from the target markets and that are most appropriate in the Downtown are listed below, along with recommended number of units and pricing/rents.

- ▶ Market Rate Independent Senior Housing – We believe that senior housing is appropriate in the Downtown. Seniors are attracted to housing that is close to goods and services, particularly seniors without vehicles. We recommend 70 to 80 market rate units that are age-restricted to residents 55 years and older. The building could be a rental project – which we would recommend with monthly rents of \$850 to \$875 for one-bedroom units and \$1,100 to \$1,150 for two-bedroom units would be appropriate. Though an ownership project, such as a condominium or cooperative, would also be successful, its demand may overlap with demand for general-occupancy for-sale multifamily housing. Thus, we do not recommend the development of an age-restricted for-sale project and a general-occupancy for-sale project at the same time.
- ▶ Condominium – We recommend a condominium with 50 to 60 units. However, additional condominium units could be developed as an alternative to independent senior housing, since their target markets partially overlap. We recommend base prices of about \$170,000 to \$180,000 for one-bedroom units, \$200,000 to \$215,000 for two-bedroom units, and \$220,000 to \$240,000 for two-bedroom plus den units. The condominium would appeal to a wide range of buyers, including entry-level and move-up buyers.
- ▶ Market Rate Rental Apartment – Up to 80 market rate rental units could be supported Downtown. Buildings with 30 to 40 units could be accommodated as part of a mixed-use project above retail. While a free-standing building may be difficult to fit in the Downtown, there may be potential for such a building with up to 80 units located between Burma Avenue and the railroad tracks, south of 145th Street. We recommend one-bedroom units with monthly rents in the range of \$800 to \$850. Two-bedroom units should have monthly rents in the range of \$1,100 to \$1,300 per unit. A small portion of these units could be affordable for moderate-income households.

Timing

We believe that adding housing should be a high priority of the City in its Downtown redevelopment. Our research finds that strong housing demand in the area creates the potential to develop the housing products described above immediately. Also, the addition of housing in Downtown can be a catalyst to commercial development. While increasing the size of the local customer base, the new housing would also improve the overall appearance of the area – helping to create a positive image that would strengthen the drawing power of the commercial uses in Downtown.

Housing Locations

We believe that nearly all of the potential redevelopment areas in Downtown hold the potential to support multifamily housing. We believe that the best sites are those that would act as a buffer to the existing residential neighborhoods located west of the Downtown. Locations east of Highway 3 near the existing multifamily buildings would also be good locations for new housing.

Housing added in the Downtown will most likely be in a mixed-use building. Of all the housing products, we believe that senior housing is most suitably located above retail along Highway 3 or 145th Street. We have found that seniors in other buildings along heavily traveled streets often enjoy viewing the activity. Housing above retail fronting Highway 3 or 145th Street could also be rental, since younger renters are often less concerned about noise levels than owners.

While a free-standing building may be difficult to fit in the Downtown, there may be potential for such a building that is rental with up to 80 units located between Burma Avenue and the railroad tracks, south of 145th Street. We would not recommend a for-sale product on this Site, since buyers of housing are more selective about location – as they often consider potential resale values when they purchase.

Introduction

This section analyzes population and household growth trends and demographic characteristics of an area defined as the primary draw area, or “Market Area,” from which retail, and to some extent office, in Downtown Rosemount would draw the majority of its customers. Some office users, such as medical offices, accountants, and insurance agents rely on the surrounding population base, while others have a national or regional customer base and their success is not tied only to the local population base. The growth trends and demographic characteristics of the Market Area will affect the vitality of retail/offices currently, and in the future.

Market Area Definition

Based on various factors, including geographic and man made boundaries, the location of competitive commercial developments (retail centers/office buildings), community orientation, our knowledge of shopping patterns and office location dynamics, we have identified a draw area, or “Market Area,” which will account for the majority of shoppers and potential office tenants in Downtown Rosemount.

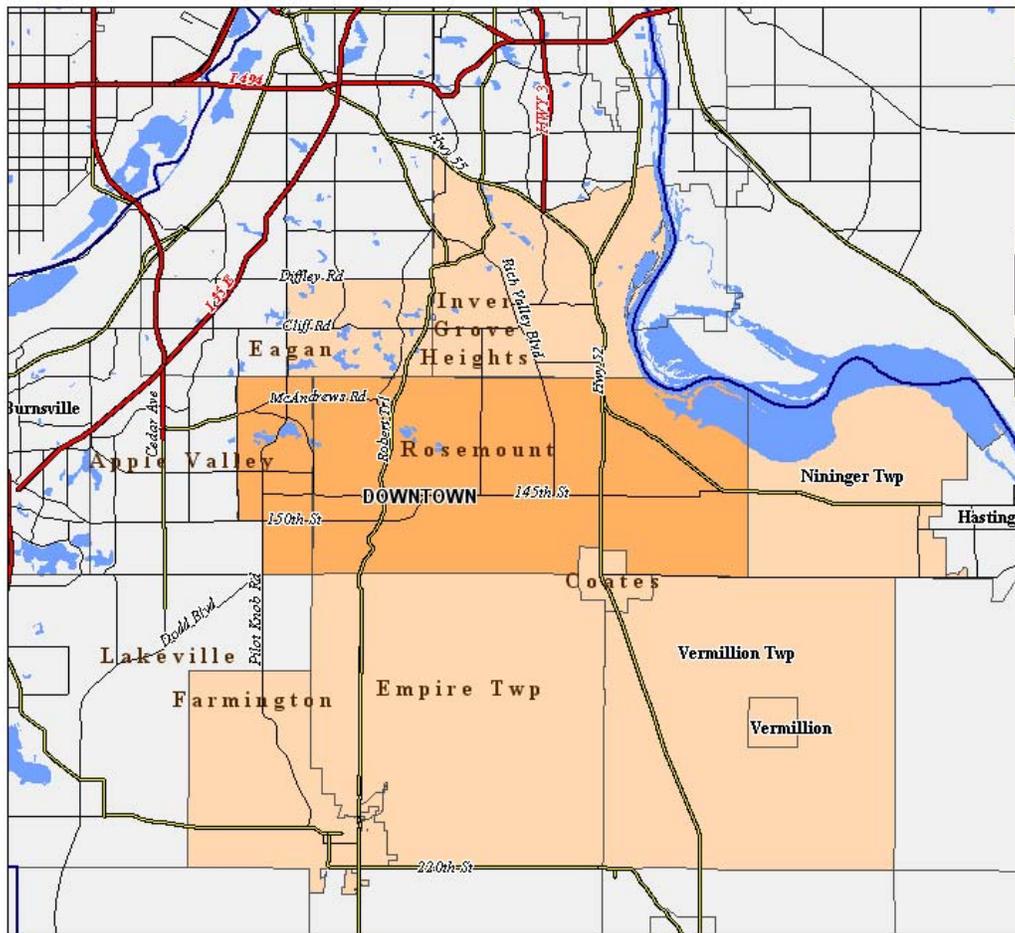
Retail Draw Area

Retail in Downtown Rosemount primarily serves residents of Rosemount and also, to some extent, the area to the south of Rosemount, since this area is rural in character and has limited retail establishments. Downtown Rosemount would compete with Farmington and Hastings as this rural area’s primary commercial center. Most residents of communities directly west and north of Rosemount work in the Twin Cities and will do the majority of their shopping at centers that are conveniently located along their commute to and from work. Thus, while they will occasionally make special trips to shop in Rosemount, they are not Rosemount’s primary retail market.

We have divided the Market Area into a Primary Market Area (PMA) and Secondary Market Area (SMA). The PMA is the predominant market for neighborhood goods and services. Neighborhood retail generally competes for consumer dollars within a one- to three-mile trade area, depending on population density and the location of competing retail centers. Thus, we have defined the PMA for Downtown Rosemount as the City of Rosemount and the eastern one-third of Apple Valley (east of Johnny Cake Ridge Road).

The draw area, which will account for the majority of customers for shopping goods and specialty goods (versus neighborhood goods) in Downtown Rosemount, is larger than the PMA. Shopping goods are those that shoppers will take more care and spend greater effort to purchase and for which they prefer to have a comparative selection so that quality, types and price can be compared (such as apparel).

RETAIL/OFFICE MARKET AREA



Specialty goods are unique goods or items for which there are few substitutes or alternatives and for which shoppers expend the greatest effort and for which there is little competition. Examples of specialty goods are jewelry, antiques, and furniture.

Rosemount will have a greater ability to attract specialty retailers than shopping goods retailers, because it is less important for specialty retailers to locate in larger shopping centers that provide a greater selection of stores as shopping goods retailers. The shopping centers concentrated along Cedar Avenue and 150th Street in Apple Valley satisfy much of the demand for shopping goods from Rosemount residents.

We have defined an SMA which, combined with the PMA, will be the primary draw area for shopping goods and specialty goods. The SMA is defined as southeastern Eagan (south of Diffley Road and east of Pilot Knob Road), southwestern Inver Grove Heights (south of Highway 55 and Concord Boulevard), and the communities and townships directly south and east of Rosemount, including Farmington, Empire Township, Coates, Vermillion, Vermillion Township, and Nininger Township.

Office Draw Area

The majority of demand for office space in Rosemount will be from businesses serving the growing local household and business base. Rosemount's distance from a major freeway, the core of the Twin Cities, and other major office developments, along with land constraints in the Downtown, will limit Rosemount's ability to capture larger firms. The PMA represents the Market Area from which new office development in Downtown Rosemount would draw the majority of its tenants.

Population and Household Growth Trends and Projections

Table R-1 shows the Market Area's population and household growth trends and projections from 1990 to 2020. The 1990 figures are from the U.S. Census Bureau, while the 2000 estimates and 2010 and 2020 projections were prepared by Maxfield Research, based on information from Claritas Inc. and Metropolitan Council. The following are key points about population and household growth trends and projections in the Market Area.

- ▶ The PMA grew from 19,014 people in 1990 to 27,971 people in 2000, a 47 percent increase. This was faster growth than Dakota County (29 percent) and the Metro Area (15 percent). The PMA is located on the fringe of the developed portion of the Metro Area and experienced strong growth during the 1990s as suburbs closer to the core of the Metro Area began to deplete their supply of land available for new development.
- ▶ The SMA grew from 21,922 people in 1990 to 35,763 people in 2000, for an increase of 63 percent. Most of the growth in the SMA during the 1990s occurred in Farmington, which has an ample supply of vacant land available for development. Farmington added 6,425 people, while the Eagan portion of the SMA added 3,225 people and the Inver Grove Heights portion added 3,885 people. Eagan has exhausted most of its supply of available land, thus, Farmington and Inver Grove Heights will continue to account for most of the growth over the next decade. The remainder of the SMA is largely rural (Empire, Vermillion, and Nininger Townships) and will continue to remain so.
- ▶ Population growth in the SMA outpaced the PMA during the 1990's (63.1 percent to 47.1 percent respectively). Although population growth in the SMA in this decade will be greater than the PMA (11,627 and 9,438 additional people), the PMA is forecasted to have a higher growth percentage than the SMA (33.7 percent and 32.5 percent, respectively). Projected population growth through 2010 in both the PMA and SMA is higher than Dakota County (16.6 percent) and the Metro Area (12.0 percent).
- ▶ Rosemount is poised for strong growth as the availability of land for new development in Eagan and Apple Valley becomes more limited. Also, much of Inver Grove Heights is not served by sewer and water; hence it is limited to low-density development.

RETAIL/OFFICE DEMOGRAPHIC ANALYSIS

TABLE R-1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS ROSEMOUNT RETAIL/OFFICE MARKET AREA 1990 to 2020								
	Census		Projection		Change			
	1990	2000	2010	2020	1990 to 2000		2000 to 2010	
					No.	Pct.	No.	Pct.
Population								
PMA	19,014	27,971	37,409	45,971	8,957	47.1	9,438	33.7
SMA	21,922	35,763	47,390	59,592	13,841	63.1	11,627	32.5
Total	40,936	63,734	84,799	105,564	22,798	55.7	21,065	33.1
<i>Dakota County</i>	<i>275,186</i>	<i>355,904</i>	<i>415,160</i>	<i>473,600</i>	<i>80,718</i>	<i>29.3</i>	<i>59,256</i>	<i>16.6</i>
<i>Twin Cities Metro Area</i>	<i>2,288,729</i>	<i>2,642,056</i>	<i>2,960,000</i>	<i>3,282,000</i>	<i>353,327</i>	<i>15.4</i>	<i>317,944</i>	<i>12.0</i>
Households								
PMA	6,087	9,473	13,166	16,764	3,386	55.6	3,693	39.0
SMA	7,147	11,902	17,093	22,688	4,755	66.5	5,191	43.6
Total	13,234	21,375	30,259	39,452	8,141	61.5	8,884	41.6
<i>Dakota County</i>	<i>98,293</i>	<i>131,151</i>	<i>160,800</i>	<i>190,640</i>	<i>32,858</i>	<i>33.4</i>	<i>29,649</i>	<i>22.6</i>
<i>Twin Cities Metro Area</i>	<i>875,504</i>	<i>1,021,454</i>	<i>1,179,000</i>	<i>1,344,000</i>	<i>145,950</i>	<i>16.7</i>	<i>157,546</i>	<i>15.4</i>

Sources: Bureau of the Census; Metropolitan Council;
Maxfield Research Inc.

- ▶ Strong growth in the PMA this decade will have a strong impact on the demand for retail in Downtown Rosemount because the new households and people will be located closer to Downtown. Growth in Rosemount this past decade was primarily west of Downtown, while growth this decade will be primarily east of Downtown. This is significant because people living west of Downtown often do not travel through Downtown on their daily commutes to and from work, and thus, are less inclined to shop there. However, because people living east of Downtown will more regularly travel through the Downtown, retailers there will have a greater chance of capturing their businesses.

Daytime Population

Table R-2 shows the daytime population and resident workforce population in the Market Area, according to Claritas, Inc. People working in the Market Area who do not live there are a potential supplemental retail market base to Market Area residents. Maintaining and expanding the employment base near Downtown is important because the expansion of the employee base will help the viability of additional retail.

Table R-2 shows that overall, daytime (or workforce) population will not be a major contributor to the Market Area's retail establishments. In 2001, approximately 5,900 people ages 16 and over worked in the PMA, and 16,694 people ages 16 and over lived in the PMA. Therefore, during the day, nearly 10,800 PMA people in the labor force commute to jobs elsewhere in the Metro Area. This is less pronounced in the SMA, where the number of people working in it (12,947) is closer to the number of working people living in it (21,330).

RETAIL/OFFICE DEMOGRAPHIC ANALYSIS

Despite net outmigration of residents to jobs outside Rosemount, those that do commute to Rosemount will contribute to retail sales. Currently, employees at industries currently in and near Downtown contribute to Downtown retail sales, especially restaurants. Many restaurants rely on daytime population for their lunch business and the local population for their diner business. While current employees in Rosemount contribute to existing restaurants, some national restaurant chains may shy away from Rosemount until employment (daytime population) increases, thereby promising stronger lunch sales.

To account for the daytime population, our retail demand calculations include a percentage of the PMA's daytime population in the potential retail market base, in addition to the Market Area residents. This is because a portion of Rosemount's non-resident employee base will regularly patronize local retail businesses. The vast majority, however, will continue to do most of their shopping closer to their homes. Because employment in the PMA is small in comparison to the local population, it is most likely that a very high percentage of the people working in the PMA also live in the PMA. The number of non-residents who commute to jobs in Rosemount is therefore likely to be very small. Because of the large out-migration of residents to jobs outside the Market Area, we have not included daytime population in our retail demand calculations later in this section.

TABLE R-2			
DAYTIME POPULATION			
ROSEMOUNT RETAIL MARKET AREA			
2001			
	<u>Persons Age 16+</u> <u>Work in Area</u>	<u>Persons Age 16+</u> <u>Live in Area</u>	<u>Work Here/</u> <u>Live Here</u> <u>Ratio</u>
Primary Market Area	5,902	16,694	0.35
Secondary Market Area	12,947	21,330	0.61
Sources: Claritas, Inc., Maxfield Research Inc.			

Introduction

The following points outline our methodology for assessing the condition of the retail market and the potential for future retail development in Downtown Rosemount.

- ▶ First, we determined an appropriate draw area, or Market Area, from which retail in Downtown Rosemount would likely attract customers. We then analyze population and household growth in the Market Area, as growth will affect the vitality of retail in the future (analyzed in the previous *Demographic Analysis* section).
- ▶ We analyzed consumer expenditure data for people residing in the Market Area and identified daytime population counts, since some demand for goods and services Downtown would likely come from people who do not reside in the Market Area, but are employed there.
- ▶ We assessed the existing supply of retail space in the Downtown, including competitive shopping centers in the Rosemount area.
- ▶ Based on our analysis of demographic growth, consumer expenditures and the current market situation, we quantify demand for retail space in Downtown Rosemount.
- ▶ We then make recommendations on appropriate retail uses in the Downtown, redevelopment opportunities and an overall marketing strategy (in the *Conclusions and Recommendations* section).

Categories of Goods

Retail goods are usually divided into three categories of goods: neighborhood, shopping and specialty goods. Neighborhood (convenience) goods are those that are bought frequently and are therefore usually purchased where it is most convenient to buy them, usually near home or work (food, personal care goods and services, pharmaceuticals, alcoholic beverages). Shopping goods are those that shoppers will take more care and spend greater effort to purchase and for which they prefer to have a comparative selection so that quality, types and price can be compared. Specialty goods are those for which shoppers expend the greatest effort and for which there is little competition (unique goods or items for which there are few substitutes or alternatives). The draw area for shopping, and therefore, its size, is affected by the availability of such goods.

The draw area for most neighborhood goods in a suburban area like Rosemount is typically about one to two miles. Shopping goods retailers and specialty goods retailers are fewer and farther apart than neighborhood retailers. As such, the draw area for both shopper's goods and specialty items is much larger, typically five or more miles in a suburban setting.

Historically, most retail stores were independently owned and located in individually owned buildings in a downtown. Today, most retail stores are national retailers that are located in

RETAIL MARKET ANALYSIS

shopping centers along major Highways. Shopping centers are classified into three categories: *Neighborhood*, *Community*, and *Regional* shopping centers.

- ▶ ***Neighborhood Centers*** range from about 30,000 to 180,000 square feet and are typically anchored by a grocery store and/or drug store. These centers serve the day-to-day shopping needs of surrounding neighborhoods.
- ▶ ***Community Centers*** typically have between 180,000 and 500,000 square feet, although some newer “power centers” are larger, with up to 800,000 square feet. Community centers are usually anchored by a discount and/or department store and include a variety of smaller tenants. Power centers have multiple large format “big-box” stores, or category killers with few, if any smaller stores. Power centers are included in the community center inventory for the Towle Report. Community centers draw from a larger geographic area – about four to five miles. The retail area of Apple Valley surrounding the Cedar Avenue and Highway 42 intersection is a power center.
- ▶ ***Regional Centers*** range from about 300,000 to 1.2 million square feet of GLA and must include at least one (usually two or more) major department store, along with a variety of additional shops. Most regional centers are enclosed malls, such as Burnsville Shopping Center. However, some of today’s new power centers, such as Tamarack Village in Woodbury, have draw areas similar to a traditional enclosed mall. These shopping centers have the largest draw areas among the three shopping center classifications.

Since the 1950s, new retail development in the Twin Cities, and nationwide, has occurred primarily in shopping centers. Meanwhile, the amount of retail located in downtowns has been in decline. Today, the vast majority of retail expenditures occur at stores located in shopping centers. In summation, downtowns have not competed well against shopping centers. Shopping centers combine convenience to an automobile oriented society plus an abundance of national retailers that offer goods and services at lower prices than what most independent retailers in downtown’s can match. For downtowns such as Rosemount’s to remain or become vibrant, they need to draw potential shoppers by offering an interesting, attractive environment that provides a different experience than traditional shopping centers.

Consumer Expenditure Patterns

Tables R-3 and R-4 show consumer expenditures for retail goods and services in the PMA and SMA, respectively, in 2002, according to data obtained from Claritas, Inc. This data is used to calculate demand for retail space, based on projected population growth in the area and the resultant growth in consumer expenditures. The following are key points from the consumer expenditure data.

- ▶ Market Area (PMA and SMA) consumers spent \$1 billion in 2002 on the retail goods and services shown in Tables R-3 and R-4 (this excludes housing, insurance, health care, and education). Average annual expenditures were estimated to be about \$43,000 per household and \$14,690 per capita in the PMA and approximately \$44,500 per household and \$14,834

RETAIL MARKET ANALYSIS

per capita in the SMA. The SMA has a higher median income than the PMA, and thus, has more disposable income to purchase the goods and services listed in Tables R-3 and R-4.

- ▶ Of the 30 categories of retail items in Tables R-3 and R- 4, ten are neighborhood goods that we believe are appropriate for Downtown. They are a mix of goods that would mostly serve the local population (people living in the PMA) and employees at businesses near the Downtown. These ten categories are bolded in Table R-3. The expenditures in 2002 for these neighborhood goods from the PMA were \$5,299 per capita and \$15,523 per household. *Food at Home*, or grocery, is not included in the list of neighborhood goods that would be appropriate for Downtown. While a grocery could succeed in the Downtown, and would help boost the potential for additional retail in the Downtown, we do not believe that there is sufficient space to accommodate a full-line grocery store.
- ▶ In addition to supporting retailers of neighborhood goods that serve the local population, the Downtown could also support some retailers of shopping and specialty goods that draw customers from a larger area – primarily from the PMA and SMA. Selected categories of shopping and specialty goods that Downtown Rosemount has the potential to capture a portion of sales generated from Market Area residents are italicized in the tables. The expenditures in 2002 for these goods from the SMA were \$3,131 per capita and \$9,367 per household. Average expenditures for these same items from the PMA were \$3,094 per capita and \$9,062 per household. Expenditures for these items were higher in the SMA because the average income of SMA households is greater than in the PMA. Thus, they have a greater amount of disposable income.
- ▶ The type of retail that would be appropriate in Downtown is partly determined by the size of existing buildings, availability of land, traffic levels, and the existing business base. We do not believe that Downtown Rosemount would be appropriate for many retailers of shopping and specialty goods because of the large building sizes and parking requirements that they require. Furniture and major appliance stores, for example, would require greater store sizes and parking than would be available in the Downtown. Also, many retailers of shopping and specialty goods are national chains that have specific location requirements – which typically place them in an area with a greater population density and greater highway access and visibility than Downtown Rosemount provides. The intersection of Highway 42 and Cedar Avenue, in Apple Valley is one such location, and has been developed with numerous community shopping centers that draw residents from Rosemount and throughout the Market Area. For these reasons, it will be difficult for Downtown Rosemount to capture more than a small portion of total Market Area expenditures for shopping and specialty goods.

RETAIL MARKET ANALYSIS

**TABLE R-3
HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
ROSEMOUNT PRIMARY MARKET AREA
2002**

Category	Annual Expenditures			
	Total (\$000's)	Average Per HH	Average Per Capita	Percent of Metro Avg.
Food at Home	54,172	5,403	1,844	1.15
Food Away from Home	58,913	5,876	2,006	1.14
Alcoholic Beverages	22,000	2,194	749	1.11
Personal Care Products	10,548	1,052	359	1.12
Over the Counter Drugs	2,027	202	69	1.07
Prescription Drugs	14,193	1,416	483	1.01
Women's Apparel	18,314	1,827	624	1.19
Men's Apparel	11,956	1,193	407	1.19
Girls' Apparel	4,410	440	150	1.34
Boys' Apparel	3,654	364	124	1.32
Infants' Apparel	1,748	174	60	1.21
Footwear	6,183	617	211	1.21
<i>Other Apparel</i>	<i>15,601</i>	<i>1,556</i>	<i>531</i>	<i>1.17</i>
Housekeeping Supplies	3,848	384	131	1.17
Household Textiles	8,520	850	290	1.21
Furniture	10,960	1,093	373	1.22
<i>Floor Coverings</i>	<i>734</i>	<i>73</i>	<i>25</i>	<i>1.24</i>
Major Appliances	4,863	485	166	1.19
Small Appliances	10,231	1,020	348	1.18
Misc. Household Equip.	7,004	699	238	1.21
<i>TV, Radio & Sound Equipment</i>	<i>21,901</i>	<i>2,184</i>	<i>746</i>	<i>1.16</i>
Entertainment fees	18,866	1,882	642	1.20
Books/Magazines/Newspapers	8,005	798	273	1.13
<i>Home Computer Hardware</i>	<i>4,834</i>	<i>482</i>	<i>165</i>	<i>1.20</i>
<i>Home Computer Software/Access</i>	<i>569</i>	<i>57</i>	<i>19</i>	<i>1.21</i>
Photographic Equipment	2,966	296	101	1.22
Cars and Trucks - New	38,625	3,852	1,315	1.22
Cars and Trucks - Used	29,180	2,910	994	1.18
Gasoline and Motor Oil	19,728	1,367	467	1.17
Vehicle Maintenance/Repair	22,870	2,281	779	1.18
Total	437,423	43,027	14,690	1.17
Bold items reflect neighborhood-oriented goods and services				
<i>Italicized items reflect specialty-oriented goods and services</i>				
Sources: Claritas, Inc. Maxfield Research Inc.				

RETAIL MARKET ANALYSIS

**TABLE R-4
HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
ROSEMOUNT SECONDARY MARKET AREA
2002**

Category	Annual Expenditures			
	Total (\$000's)	Average Per HH	Average Per Capita	Percent of Metro Avg.
Food at Home	68,951	5,455	1,823	1.16
Food Away from Home	75,567	5,978	1,998	1.16
Alcoholic Beverages	27,855	2,203	736	1.12
Personal Care Products	13,454	1,064	356	1.13
Over the Counter Drugs	2,534	201	67	1.06
Prescription Drugs	17,770	1,406	470	1.00
<i>Women's Apparel</i>	<i>23,590</i>	<i>1,866</i>	<i>624</i>	<i>1.22</i>
<i>Men's Apparel</i>	<i>15,748</i>	<i>1,246</i>	<i>416</i>	<i>1.24</i>
Girls' Apparel	5,830	461	154	1.40
Boys' Apparel	4,877	386	129	1.40
Infants' Apparel	2,501	198	66	1.38
<i>Footwear</i>	<i>8,057</i>	<i>637</i>	<i>213</i>	<i>1.25</i>
<i>Other Apparel</i>	<i>20,417</i>	<i>1,615</i>	<i>540</i>	<i>1.21</i>
Housekeeping Supplies	4,885	386	129	1.17
<i>Household Textiles</i>	<i>11,159</i>	<i>883</i>	<i>295</i>	<i>1.26</i>
Furniture	14,473	1,145	383	1.28
Floor Coverings	989	78	26	1.32
Major Appliances	6,406	507	169	1.24
Small Appliances	13,317	1,053	352	1.22
Misc. Household Equip.	9,091	719	240	1.24
<i>TV, Radio & Sound Equipment</i>	<i>28,495</i>	<i>2,254</i>	<i>753</i>	<i>1.19</i>
Entertainment fees	24,776	1,960	655	1.25
Books/Magazines/Newspapers	10,085	798	267	1.13
<i>Home Computer Hardware</i>	<i>6,324</i>	<i>500</i>	<i>167</i>	<i>1.24</i>
<i>Home Computer Software/Access</i>	<i>743</i>	<i>59</i>	<i>20</i>	<i>1.26</i>
<i>Photographic Equipment</i>	<i>3,882</i>	<i>307</i>	<i>103</i>	<i>1.26</i>
Cars and Trucks - New	51,471	4,072	1,316	1.29
Cars and Trucks - Old	41,751	3,303	1,104	1.33
Gasoline and Motor Oil	17,813	1,409	471	1.20
Vehicle Maintenance/Repair	29,954	2,370	792	1.23
Total	562,765	44,519	14,834	1.21
<i>Italicized items reflect specialty-oriented goods and services</i>				
Sources: Claritas, Inc. Maxfield Research Inc.				

Regional Retail Development Trends

Maxfield Research analyzed retail market trends for Dakota County, including retail space absorption, vacancy rates, and average net rents. The data is from the *Towle Report* (1994-2003), and Dakota County is the smallest geographic level for which the data is presented.

The *Towle Report* data is based on a survey of Metro Area shopping centers with at least 30,000 square feet of gross leasable area (GLA) and excludes single-tenant, freestanding retail space. Colliers Towle Real Estate classifies shopping centers in three categories: *Neighborhood*, *Community*, and *Regional* shopping centers (see the definition of each on Page 72).

Retail Space Vacancy and Absorption

Table R-5 shows the historical growth of retail space in Dakota County and the Twin Cities since 1994, along with the annual absorption and vacancy rate. Table R-6 shows the growth of retail space by type (neighborhood, community, and regional), along with the number of centers, vacancy, and net absorption for Dakota County and the Twin Cities for 1st Quarter 2000 through 1st Quarter 2003. The following are key points from the tables.

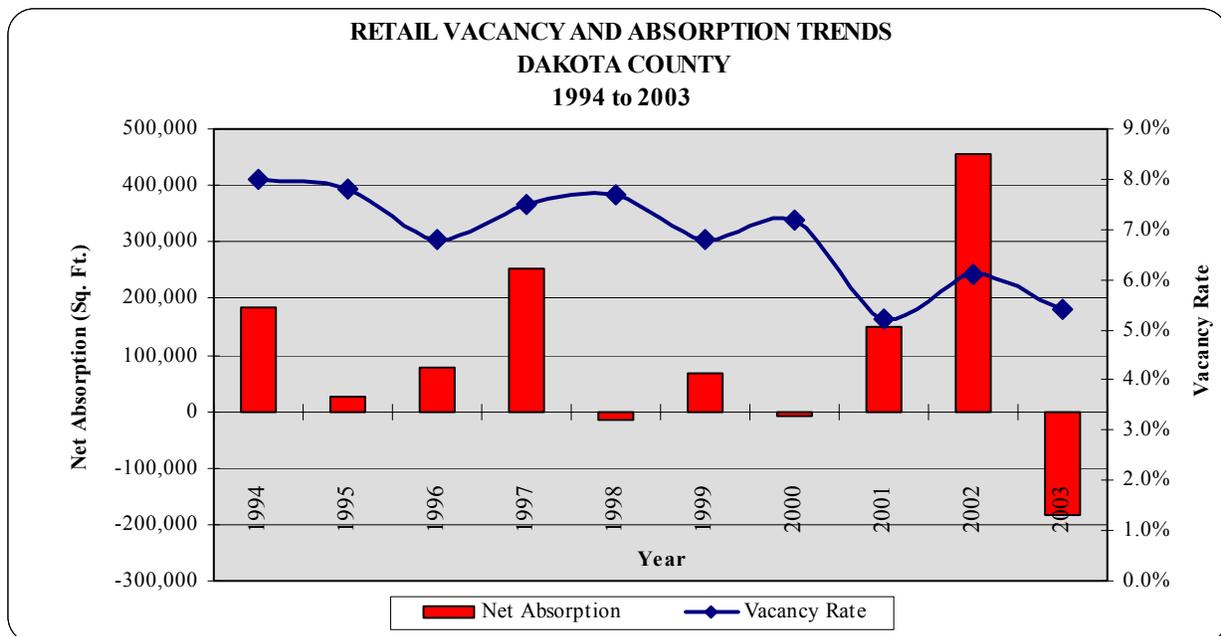
- ▶ The total amount of retail space in Dakota County grew from about 6.5 million square feet in 1994 to 7.1 million square feet in 2002, before decreasing to 6.8 million square feet in 2003. Between 2002 and 2003 the overall net absorption in Dakota County decreased by 182,678 square feet, consequently the vacancy rate decreased from 6.1 percent in 2002 to 5.4 percent in 2003.
- ▶ The overall vacancy rate in Dakota County was fairly steady between 1994 and 2000, at between 7.0 percent and 8.0 percent. However, the vacancy rate dipped to 5.2 percent in 2001 and is currently at 5.4 percent in 2003. Similarly, the overall retail vacancy rate in the Twin Cities was steady between 1994 and 1997, at between 8.0 percent and 9.0 percent, but declined to between 7.0 percent and 8.0 percent from 1998 to 2000, then decreased even further to 5.8 percent in 2001 and is currently at 5.5 percent. The current vacancy rates for Dakota County and the Metro Area indicate that, overall, the retail market is not overbuilt, and has the ability to support additional space.
- ▶ The distribution of retail space in Dakota County as of the 1st Quarter of 2003 was 36 percent neighborhood, 46 percent community and 19 percent regional. There were 41 neighborhood shopping centers with an average size of 59,500 square feet, fifteen community centers with an average size of 207,102 square feet, and one regional center with 1.27 million square feet (Burnsville Shopping Center). Only two centers in Rosemount are large enough to be included in the survey, all of which are neighborhood centers. They are *Rosemount Market Square* and *Rosemount Village*.
- ▶ New retail space added in Rosemount since 1994 includes *Rosemount Market Square* (48,000 sq. ft.) in 1994 and *Rosemount Village* (90,000 sq. ft.) in 2001. Excluding the Downtown, these two shopping centers contain the vast majority of retail space in Rosemount. Both are neighborhood shopping centers that were anchored by grocery stores.

RETAIL MARKET ANALYSIS

When Rosemount Village opened with a Cub Foods in 2001, however, Knowland's Grocery, which anchored Rosemount Market Square, closed. Most of its former space remains vacant.

Year	Dakota County			Twin Cities Metro Area		
	Gross Leasable Area	Net Absorption	Vacancy Rate	Gross Leasable Area	Net Absorption	Vacancy Rate
1994	6,541,820	183,550	8.0%	40,079,396	782,819	8.8%
1995	6,504,067	27,405	7.8%	40,040,388	577,884	8.0%
1996	6,351,710	78,139	6.8%	40,883,315	803,717	9.1%
1997	6,572,296	251,193	7.5%	42,868,970	2,199,267	8.6%
1998	6,572,296	-16,222	7.7%	44,333,300	1,652,615	7.6%
1999	6,504,302	67,102	6.8%	45,047,954	1,220,459	7.0%
2000	6,673,179	-7,524	7.2%	46,525,346	450,923	7.7%
2001	6,337,159	150,490	5.2%	45,601,936	2,655,731	5.8%
2002	7,062,602	456,203	6.1%	47,746,799	1,549,005	6.5%
2003	6,817,710	-182,678	5.4%	49,798,044	1,977,810	5.5%

Source: Towle Report, 1994-2003



RETAIL MARKET ANALYSIS

**TABLE R-6
RETAIL SPACE VACANCY AND ABSORPTION
DAKOTA COUNTY
2000-2003 (First Quarter)**

Market Sector	Year	No. of Centers	Total Rentable Area	Total Amount Vacant	Percent Vacant	Annual Net Absorption
Dakota County						
Neighborhood	2000	39	2,245,975	285,347	12.7%	-16,695
	2001	38	2,265,652	166,847	7.4%	120,424
	2002	40	2,444,712	181,357	7.4%	-14,510
	2003	41	2,439,475	193,959	8.0%	-17,839
Community	2000	14	3,112,861	187,533	6.0%	8,106
	2001	14	3,001,507	154,402	5.1%	33,131
	2002	15	3,547,890	188,961	5.3%	520,713
	2003	15	3,106,235	164,145	5.3%	-416,839
Regional	2000	1	1,314,343	6,935	0.5%	1,065
	2001	1	1,070,000	10,000	0.9%	-3,065
	2002	1	1,070,000	60,000	5.6%	-50,000
	2003	1	1,272,000	10,000	0.8%	252,000
Total	2000	54	6,673,179	479,815	7.2%	-7,524
	2001	53	6,337,159	331,249	5.2%	150,490
	2002	56	7,062,602	430,318	6.1%	456,203
	2003	57	6,817,710	368,104	5.4%	-182,678
Metro Area Total						
Neighborhood	2000	208	13,180,241	1,195,874	9.1%	-57,351
	2001	206	13,505,790	1,084,789	8.0%	163,870
	2002	208	14,084,132	1,036,456	7.4%	76,246
	2003	217	14,527,073	973,566	6.7%	439,943
Community	2000	83	17,767,481	1,224,276	6.9%	303,867
	2001	85	18,090,379	935,343	5.2%	339,919
	2002	83	19,186,626	1,124,632	5.9%	892,111
	2003	86	19,375,494	815,540	4.2%	497,960
Regional	2000	14	14,281,466	873,914	6.1%	204,407
	2001	16	12,935,953	529,678	4.1%	-54,764
	2002	14	13,347,222	753,020	5.6%	95,998
	2003	14	14,175,287	701,615	4.9%	1,097,210
Downtown	2000	20	1,296,158	298,923	23.1%	n/a
	2001	20	1,069,814	105,921	9.9%	-18,980
	2002	21	1,128,819	157,661	14.0%	15,630
	2003	22	1,120,190	168,305	15.0%	-19,273
Total	2000	325	46,525,346	3,592,987	7.7%	450,923
	2001	327	45,601,936	2,655,731	5.8%	430,045
	2002	326	47,746,799	3,071,769	6.4%	1,079,985
	2003	339	49,198,044	2,682,904	5.5%	1,977,810
Source: Towle Real Estate: Towle Report 2003 Maxfield Research Inc.						

RETAIL MARKET ANALYSIS

- ▶ Metro-wide, the amount of retail space increased by 5.7 percent from 2000 through 2003. The greatest growth was in community retail (9.1 percent growth, or 1.6 million square feet), followed by neighborhood retail (10.2 percent growth, or 1.3 million square feet). Regional retail space declined by 0.7 percent, losing 106,179 square feet. The high growth of community retail is attributed to the trend of developing "big box" retailers, such as Best Buy, Office Depot, and Pet Smart in "power centers," or large community centers – such as the Fischer Marketplace in Apple Valley. To a great extent, these "power centers" are capturing a portion of the retail dollars that previously were spent at neighborhood and regional retail centers. This trend somewhat reduces the overall amount of retail space that can be supported in Downtown Rosemount, since some of the neighborhood retail expenditures by Rosemount residents is made at power centers in Apple Valley.

Stated Net Rental Rates

Table R-7 shows median net rental rates (excluding expenses) for shopping centers in Dakota County, according to the Towle Report (2003). It is important to keep in mind that per square foot rental rates can vary greatly, even within the same retail center, with anchor tenants typically paying lower per square foot rents compared to small retailers. Small retailers often benefit from being located close to larger anchor tenants because of the customer traffic they generate. Furthermore, shopping center owners lease large blocks of space to anchor tenants at a lower rental rate, since their presence helps to market and generate higher rents for smaller spaces. Generally, the low end of the median rent range shown in Table R-7 reflects rents paid by larger anchor tenants, while higher rents are those paid by in-line retailers.

TABLE R-7 STATED NET RENTAL RATES BY MARKET SECTOR 2003 (First Quarter)				
Center Type	Net Rent Range*		Avg. CAM*	Avg. Taxes*
	Low	High		
<u>Dakota County</u>				
Neighborhood	\$11.27	\$13.18	\$1.89	\$2.09
Community	\$12.62	\$15.21	\$2.90	\$2.93
Super Regional	\$10.00	\$100.00	\$10.00	\$8.75
<u>Washington County</u>				
Neighborhood	\$8.72	\$11.39	\$2.01	\$2.12
Community	\$13.07	\$16.97	\$2.30	\$2.78
<u>Southwest</u>				
Neighborhood	\$14.31	\$17.21	\$2.82	\$2.91
Community	\$14.75	\$18.50	\$2.26	\$4.07
Regional	\$22.00	\$113.00	\$11.78	\$11.13
* Per Square Foot (Stated as net rent)				
Source: Towle Report, 2003				

RETAIL MARKET ANALYSIS

- ▶ Net rental rates for neighborhood centers ranged from \$11.27 to \$13.18 per square foot in 2003. Rates of \$11.27 or slightly above would be those paid by larger anchor tenants in shopping centers or by small tenants in older shopping centers in locations with less traffic and visibility. Rosemount Business Center, for example, located in Downtown Rosemount, has lease rates near the lower-end of this range. Meanwhile, Rosemount Village, the newest shopping center in Rosemount (built in 2001), has lease rates near the top of this range. Fast-food restaurants usually pay the highest rates – at near \$20.00 per square foot.
- ▶ Common area maintenance (CAM) fees average at \$1.89 per square foot and taxes average at \$2.09 per square foot in 2003. Combining CAM fees and taxes with the average net rent of \$13.00 per square foot, retail tenants (neighborhood centers) would be paying about \$17.00 per square foot gross.

Retail Sales Growth

Table R-8 shows retail sales for Rosemount, Apple Valley, and Eagan, and Dakota County in 1990, 1996, 1998, and 2000. The sales information is from the Minnesota Department of Revenue, Tax Research Division. This information on the growth of retail sales, by product type, provides a picture of the economic growth and composition of the area's retail sales market over the past decade. The following are key characteristics of the retail market.

- ▶ Rosemount accounts for a fraction of the overall retail sales in Dakota County. While the County had \$5.1 billion in retail sales in 2000, Rosemount had \$57.5 million, only 1.1 percent of the County's total. Neighboring Apple Valley and Eagan had retail sales of \$703.6 million and \$737.2 million, respectively, in 2000.
- ▶ As the County's population increased rapidly during the 1990s, so did retail sales. Retail sales increased by 121 percent (\$31.5 million) in Rosemount between 1990 and 2000. Retail sales in the County increased by 116 percent (\$2.7 billion) over the same period. Apple Valley and Eagan, both of which had population growth that exceeded the County's, had strong retail growth that also exceeded the County's rate of growth. Apple Valley's retail sales grew by 371 percent (a \$536 million increase) between 1990 and 2000 while Eagan's sales grew by 273 percent (a \$539 million increase).
- ▶ Apple Valley's retail sales have likely continued to increase since 2000, as Fischer Marketplace opened in 2000 with over 550,000 square feet of retail space. Fischer Marketplace is located along 150th Street, about three miles west of Downtown Rosemount. It contains Kohl's, Sam's Club, Bed Bath & Beyond, Menards, and Barnes & Noble.
- ▶ While Rosemount had strong population and household growth during the 1990s, few retail centers opened. Thus, retail sales did not increase as dramatically in Rosemount as in other areas of the County. Growth in retail sales in Apple Valley and Eagan during the past decade has undoubtedly been boosted by sales generated from Rosemount residents. The opening of Rosemount Village in 2001, which contains a Cub Foods, will boost overall retail sales figures in Rosemount.

RETAIL MARKET ANALYSIS

TABLE R-8
RETAIL SALES GROWTH
ROSEMOUNT, APPLE VALLEY, EAGAN, AND DAKOTA COUNTY
1990 -2000

SIC Code	City/Retail Category	Sales (\$000's)				Change 1990-2000	
		1990	1996	1998	2000	No.	Pct.
Rosemount							
52	Hardware, Building Materials	1,541	1,010	1,133	1,419	-122	-7.9
53	General Merchandise	-	-	-	-	-	-
54	Food	6,687	13,509	11,848	16,602	9,915	148.3
55	Auto Dealers, Stations	5,774	9,381	7,027	11,816	6,042	104.6
56	Apparel, Accessories	-	-	-	-	-	-
57	Furniture	728	717	970	1,161	433	59.5
58	Eating, Drinking	4,402	7,256	9,222	9,811	5,409	122.9
59	Miscellaneous	6,864	4,487	9,260	16,711	9,847	143.5
	Subtotal	25,996	36,360	39,460	57,520	31,524	121.3
Apple Valley							
52	Hardware, Building Materials	24,465	72,694	72,713	67,336	42,871	175.2
53	General Merchandise	-	-	-	122,443	122,443	-
54	Food	43,880	108,228	122,535	132,287	88,407	201.5
55	Auto Dealers, Stations	56,070	181,751	162,209	213,025	156,955	279.9
56	Apparel, Accessories	1,520	3,785	4,506	4,622	3,102	204.1
57	Furniture	5,021	41,902	44,069	49,449	44,428	884.8
58	Eating, Drinking	12,530	25,105	33,092	39,682	27,152	216.7
59	Miscellaneous	23,355	114,568	131,214	74,778	51,423	220.2
	Subtotal	166,841	548,033	570,338	703,622	536,781	321.7
Eagan							
52	Hardware, Building Materials	14,214	36,482	37,772	45,236	31,022	218.2
53	General Merchandise	-	84,196	102,020	111,984	111,984	-
54	Food	92,339	95,924	125,123	137,153	44,814	48.5
55	Auto Dealers, Stations	19,955	89,706	44,081	90,511	70,556	353.6
56	Apparel, Accessories	694	1,829	11,465	18,888	18,194	2,621.6
57	Furniture	2,893	38,762	51,288	88,524	85,631	2,959.9
58	Eating, Drinking	25,458	50,812	67,425	83,096	57,638	226.4
59	Miscellaneous	41,907	62,454	93,200	161,848	119,941	286.2
	Subtotal	197,460	460,165	532,374	737,240	539,780	273.4
Dakota County							
52	Hardware, Building Materials	265,334	388,478	418,936	502,274	236,940	89.3
53	General Merchandise	333,026	488,239	631,191	753,556	420,530	126.3
54	Food	430,205	532,403	561,845	625,352	195,147	45.4
55	Auto Dealers, Stations	652,398	1,106,663	1,093,520	1,324,573	672,175	103.0
56	Apparel, Accessories	79,090	87,803	88,812	106,739	27,649	35.0
57	Furniture	125,644	274,535	345,884	462,756	337,112	268.3
58	Eating, Drinking	155,837	253,140	308,738	364,382	208,545	133.8
59	Miscellaneous	337,638	657,734	829,978	1,001,722	664,084	196.7
	Subtotal	2,379,172	3,788,995	4,278,904	5,141,354	2,762,182	116.1
Sources: MN Dept. of Revenue: Tax Research Division Maxfield Research Inc.							

- ▶ Food (grocery) and Eating, Drinking (restaurants and bars) accounted for \$26 million of Rosemount's retail sales in 2000, or 46 percent. Food and Eating, Drinking are neighborhood goods, meaning that stores carrying these items serve residents of the surrounding neighborhoods. Sales volume was small for Apparel, Accessories and General Merchandise items as expenditures for these items by Rosemount residents are mostly made at shopping centers located outside of Rosemount, particularly in Apple Valley, Burnsville, and Mall of America.

Competitive Retail Centers in the PMA

Maxfield Research Inc. identified five retail centers in the Rosemount PMA that compete with Downtown Rosemount for retail expenditures by PMA residents. These include three shopping centers in Rosemount and two other shopping centers in Apple Valley, located along Pilot Knob Road, near 140th Street. Table R-9 lists the competitive centers surveyed with information on total space and square feet available, lease rates, the center's tenant mix, and traffic counts. The map following the table shows the location of the selected retail developments.

The following are key points about the retail centers in Table R-9.

- ▶ The two largest shopping centers in Rosemount are *Rosemount Village*, built in 2001, and *Rosemount Market Square*, built in 1994. Both are located on the south side of 150th Street, between Shannon and Chippendale Avenues. These two centers combine for 138,000 square feet, or about the same amount of retail space in Downtown Rosemount.
- ▶ *Rosemount Market Square* was formerly anchored by a Knowland's Grocery Store, previously located in the eastern leasable space in the retail center. However, when Cub Foods opened in the Rosemount Village shopping center in 2001, Knowland's closed, and most of its former space remains vacant (19,000 square feet). According to retail brokers in the area, it is very difficult to find larger tenants to occupy spaces of 20,000 square feet or more in Rosemount. Most users of this much space prefer to locate in or near community shopping centers in Apple Valley.
- ▶ The retail tenants in all of the PMA shopping centers are neighborhood oriented. They contain stores such as grocery, video rental, beauty/barber salon, and eating establishments, which provide goods and services primarily to local people daily or weekly.

RETAIL MARKET ANALYSIS

**TABLE R-9
SELECTED RETAIL CENTERS
ROSEMOUNT PRIMARY MARKET AREA
October 2003**

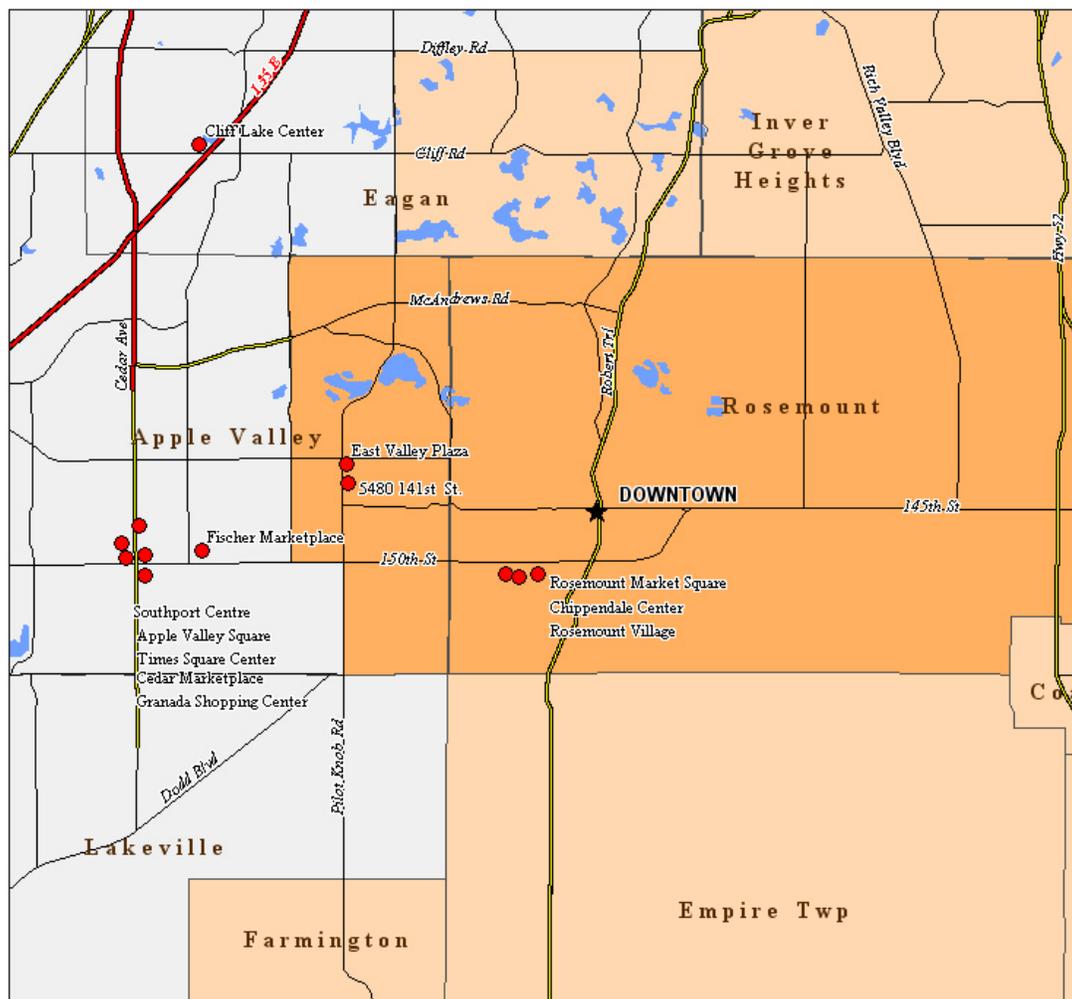
Center Name / Address	Tot. Space /SF Avail.	Lease Rate	Tenants		2001 Traffic Count
Rosemount Village C.R. 42 & Chippendale Rosemount (2001)	89,828 0	\$20.00 (net)	Cub Foods (w/TCF Bank) Caribou Coffee Hallmark Cost Cutters Post Net	Quizno's Blockbuster Video Radio Shack Impress Nails	20,700
Rosemount Market Square C.R. 42 Rosemount (1994)	48,139 20,460	\$7.00 - \$12.00 (net)	Movie Gallery Pizza Man H & R Block Edward Jones	Curves for Women Checker Auto Parts (16 total stores)	17,800
Chippendale Center 15080 Chippendale Rosemount (1980)	9,030 0	\$10.00- \$12.00 (net)	Subway Floral & More	Cleaners Rosemount Liquor	17,800
East Valley Plaza 14050 Pilot Knob Rd. Apple Valley (1988)	36,513 9,820	\$8.00- \$12.00 (net)	Oasis Market East Valley Dental Great Clips Southern Exposure Mr. Movies	New Horizon Mrs. Delicious It's A Hoot Mail N' Parcel (15 total stores)	9,300/ 8,000
5480 141st St W Apple Valley (1978)	13,000 0	N/A	Budo Karate Kai Domino's	Fit Figures Hair & Alterations Inc.	9,300
Sources: Maxfield Research Inc. Minnesota Shopping Center Association					

- ▶ The lease rates at the shopping centers range from \$7.00 to \$20.00, net – meaning that, in addition to the rent, tenants also pay for taxes and common area maintenance. *Rosemount Village* is the newest shopping center and is anchored by a Cub Foods. It commands the highest rents, at \$20.00 per square foot. The four other shopping centers receive a maximum rent of \$12.00 per square foot.
- ▶ *Celtic Crossing Shopping Center*, a 16,000 square foot community center located off of 150th Street and Crestview Avenue, was recently completed in 2003. The small retail center includes a 10,000 square foot liquor store and a Papa Murphy's pizza.
- ▶ The only vacant space in the shopping centers is in *Rosemount Market Square*, which lost its anchor grocery store when *Rosemount Village* opened nearby. *Rosemount Market Square* also has two smaller spaces available for lease, as a flooring store recently signed a lease for space adjacent to the old grocery store. According to a retail broker, these spaces have been difficult to market because of the lack of an anchor tenant in the center. In addition, some national retailers shy away from the space because they have existing stores in nearby Apple Valley, while other independent retailers are unable to afford the rent.

RETAIL MARKET ANALYSIS

- ▶ The tenant mix at the shopping centers in Table R-8 shows why there was only a small amount of retail sales for shopping and specialty goods shown in Rosemount in Table R-7 and that is because there are no stores selling shopping and specialty goods in the shopping centers, which account for the majority of retail sales in the community. Rosemount residents must travel to shopping centers outside of the PMA to purchase almost all items other than neighborhood items.
- ▶ There are a number of shopping centers concentrated near the 150th Street (County Road 42) and Cedar Avenue intersection in Apple Valley with a total space exceeding one million square feet. These shopping centers contain a mix of neighborhood, community, and specialty retail stores and capture a large portion of the retail expenditures by residents of Rosemount's PMA. Among the largest of the stores in these shopping centers are Home Depot, Rainbow Foods, Cub Foods, Target Greatland, Menards, Kohl's, Sam's Club, Bed, Bath & Beyond, Best Buy, Barnes and Noble, Office Max, Paper Warehouse, and Fashion Bug. The draw of this concentration of stores reduces the overall retail potential in Rosemount, because it captures a large portion of the Market Area's overall retail expenditures.

COMPETITIVE SHOPPING CENTERS



Maxfield Research Inc.

RETAIL MARKET ANALYSIS

Traffic counts are used as benchmarks by many retailers who rely heavily on drive-by traffic and the visibility of motorists as a key factor in assessing the potential revenues that may be generated by an outlet at a particular location. Many national chains have very specific traffic count ranges whereby they analyze and assess the potential of a location. The traffic counts shown in Table R-9 were obtained from the Minnesota Department of Transportation, and are from 2001.

- ▶ Robert Trail (Highway 3), the major north-south highway bisecting Downtown Rosemount had a 2001 traffic count of 13,700 vehicles per day. In Comparison, 150th Street at the Shannon Parkway intersection near Rosemount Village had traffic counts of 20,700. *Rosemount Market Square* had a traffic count of 17,800 in 2001.
- ▶ The traffic count on 150th Street, east of Cedar Avenue in Apple Valley was 29,100 vehicles per day in 2001. This traffic is generated by daily commuters traveling through the area to work and home and also by the several shopping centers that draw customers to the area.
- ▶ In comparison to other major highways that support shopping centers, we believe that the traffic volume on Robert Trail through Downtown Rosemount is sufficient to support a greater amount of retail than currently exists. In addition, the traffic counts on Robert Trail will likely increase over the next several years as the population of the surrounding neighborhoods increases, specifically development to the east of Robert Trail.

Planned and Pending Retail Developments

We interviewed community development staff in Market Area communities to determine if any new retail developments are under construction or planned in the respected communities. No pending retail projects in the portions of these communities in the Market Area were identified. Commercial land in the Eagan portion of the Market Area is nearly completely build out, while the Inver Grove Heights portion of the Market Area is zoned almost exclusively for large lot residential development. The portions that are zoned for commercial uses in Inver Grove Heights do not have water and sewer service, and are limited to uses such as outdoor storage and truck terminals.

There is one proposed retail shopping center in Rosemount that would potentially compete with stores located in Downtown Rosemount. A 16,000 square foot building has been approved on 150th Street, just west of Chippendale Boulevard. However, the development has been delayed and the projected opening is unknown.

The City of Farmington has recently rezoned a new development district for about 450 acres on the western border of the City. The district could contain several hundred homes and 600,000 square feet of retail. The City expects the first 80 acres, at the southwest corner of Highway 50 and Denmark, to be developed as a community shopping center containing big box retail and fast food restaurants. No formal applications have been made as of October 2003.

RETAIL MARKET ANALYSIS

Although located outside of the immediate Market Area, a number of retail developments are planned or under construction in Apple Valley. The following bullet points summarize planned retail developments in Apple Valley:

- ▶ An 11,500 square foot retail center is under construction on one of the Home Depot outlots, located in the *Hillcrest Acres* development off Highway 42. Two more outlots are available for retail development, with estimated building footprints of 7,500 to 9,000 square feet. Additionally, a large outlot is available that can accommodate up to 40,500 square feet of future retail.
- ▶ *Legacy Village* at Apple Valley is a residential and commercial mixed-use development located in the area of Galaxie Avenue and 153rd Street, just south of County Road 42 and east of Cedar Avenue. Developed by the Hartford Group, the \$102 million project has tentative plans for up to 300,000 total square feet of commercial space. Galaxie Avenue will become Apple Valley's "Main Street" and will be home to retail uses that are aligned in a pedestrian friendly design.
- ▶ *Cobblestone Lake* is a 323-acre master-planned community located in the Southeast corner of Apple Valley. The mixed-use development has 23 acres designated for commercial development and will have primary access off of Pilot Knob Road. The commercial district is projected to include up to 300,000 square feet of retail, office, institutional, and entertainment services.

Both of these proposed shopping centers are very preliminary, and neither has applied for city building permits to move forward. Thus, the tenant mix and timing of these projects is unknown.

While not in the Market Area, retail concentrated in Apple Valley near the intersection of 150th Street (County Road 42) and Cedar Avenue continues to expand east towards Rosemount, and has a major effect on the potential for retail in Rosemount.

Projected Demand for Retail Space

Earlier sections studied shopping patterns and factors that influence the demand for retail space in the Market Area, such as population growth and consumer expenditure trends, and reviewed the current supply of retail space. Tables R-10 and R-11 combine the "demand" and "supply" data to calculate the amount of retail space (gross leasable area in square feet) supportable within the draw area. Table R-10 calculates demand for neighborhood goods and services, while Table R-11 calculates demand for selected shopping and specialty retail goods and services.

The figures utilized for the calculations reflect the amount of dollars spent on consumer goods and services (from consumer expenditure reports from Claritas, Inc.), the estimated median sales per square foot for neighborhood retail centers (from Dollars and Cents of Shopping Centers, Urban Land Institute), and the estimated current supply of retail space in the Market Area (from the Organization of Commercial REALTOR's database and field work by Maxfield Research).

RETAIL MARKET ANALYSIS

Also shown in the Tables is a calculation for “net leakage.” Net leakage is the amount of consumer spending for convenience goods and services that is likely to be spent outside of the Market Area. This calculation is based on the proportion of consumer expenditures that can be captured by retail space in the area. Based on a comparison of total retail sales data from the Minnesota Department of Revenue with household expenditure data from Claritas, Inc., we estimate that retail space in the PMA is currently capturing only about 15 percent of the total retail expenditures by PMA residents. The net leakage figures in the demand tables are based on the estimated leakage after new space would be added in the Market Area. While leakage would be less once additional space is added in the Market Area, it would still be significant, especially for shopping and specialty goods, as many Market Area residents will continue to consistently purchase items at centers located outside of the area.

Table R-10 calculates demand for neighborhood retail space in Downtown Rosemount. The draw area for neighborhood retail is the PMA, which consists of Rosemount and the eastern portion of Apple Valley (east of Johnny Cake Ridge Road). Shopping and specialty retail draw from a larger area than neighborhood retail. Table R-11 calculates specialty retail demand using a draw area that consists of the PMA and SMA. The following bullet points summarize our demand calculations presented in Tables R-10 and R-11.

Neighborhood Retail

- ▶ Table R-10 shows a total PMA population of approximately 30,800 people in 2003. Based on our analysis of consumer expenditure data, we estimate that consumer expenditures for the types of neighborhood goods and services that could be purchased in Downtown are \$5,299 per person (36 percent of per capita total expenditures for retail goods). Per capita expenditures used in Tables R-10 are obtained from Table R-3. The categories for retail included are food away from home, alcoholic beverages, personal care products, over the counter drugs, prescription drugs, housekeeping supplies, small appliances, miscellaneous household equipment, and books/magazines/newspapers. These categories are shown in bold letters on Table R-3. *Food at Home*, or grocery, was not included because the large land requirements for a grocery would make its development infeasible in the Downtown. Multiplying \$5,299 by 30,802 people results in total retail sales of \$163 million. However, factoring in leakage of retail dollars spent by Market Area residents to centers outside of the Market Area at 60 percent, the total demand in the Market Area is reduced to \$65 million.
- ▶ Next, the amount of dollars being generated by existing neighborhood retail space for the types of neighborhood goods appropriate for Downtown must be subtracted, which is estimated to be approximately \$43 million. Dividing the average sales per square foot of retail space, we calculate demand in the Market Area for about 103,000 square feet in 2003, increasing to about 150,000 square feet in 2008.
- ▶ Downtown Rosemount will compete with other areas in the PMA for new retail stores over the next five years. Besides the fact that no one location will be able to capture 100 percent of the retail demand, Downtown Rosemount is faced with limited land and higher costs to redevelop versus building new on vacant land. We estimate that Downtown Rosemount currently can capture 20 percent of the neighborhood retail demand, or about 20,000 square feet

RETAIL MARKET ANALYSIS

in 2003. Over the next five years, a greater amount of housing in the PMA will be built east of Downtown Rosemount, therefore increasing the demand for retail. These households, because they would drive through Downtown often on their daily commutes, are more likely to shop Downtown than residents in the western portion of the PMA, many of whom do not have to drive through Downtown on a regular basis. We estimate that by 2008, Downtown would be able to capture 25 percent of additional demand for retail space in the PMA, or approximately 37,000 square feet.

TABLE R-10			
DEMAND FOR NEIGHBORHOOD RETAIL SPACE			
DOWNTOWN ROSEMOUNT			
2003 to 2008			
		2003	2008
Demand			
PMA Population		30,802	35,521
(times) Annual Per Capita Expenditures	x	\$5,299	\$5,299
(equals) Total PMA Expenditures	=	\$163,219,798	\$188,225,779
(minus) Approx. Leakage Outside PMA (60%) ¹	-	\$97,931,879	\$112,935,467
(equals) Total Estimated Demand	=	\$65,287,919	\$75,290,312
Supply			
Existing Neighborhood Retail Space in PMA		200,442	200,442
(times) Average Sales per Square Foot ²	x	\$215	\$215
(equals) Total Estimated Annual Sales in PMA	=	\$43,095,030	\$43,095,030
Net Market Support			
Excess Demand (Demand minus Supply)	=	\$22,192,889	\$32,195,282
Supportable Retail Space			
(divided by) Average Sales per Square Foot ²		\$215	\$215
(equals) Total Additional Space Supportable in Market Area	=	103,223	149,745
(times) Amount Capturable by Downtown	x	20%	25%
Total Demand for Additional Downtown Retail Space (in sq. ft.)	=	20,645	37,436
¹ Leakage is equal to the estimated amount of retail dollars spent outside the market areas.			
² From <u>Dollars and Cents of Shopping Centers</u> , Urban Land Institute.			
Sources: Claritas, Inc. <u>Dollars and Cents of Shopping Centers</u> , Urban Land Institute Maxfield Research Inc.			

Shopping and Specialty Retail

- ▶ We identified nine categories of shopping and specialty goods (bolded in Table R-4) that retail in Downtown Rosemount could capture a portion of sales from the PMA and SMA (the Market Area). Some shopping and specialty goods are sold in large stores that physically would not fit in the Downtown, such as Furniture and Major Appliances. We excluded expenditures for these categories of goods in our calculations. Multiplying the average per

RETAIL MARKET ANALYSIS

capita expenditures for the selected retail categories times the Market Area's current and projected population results in total estimated sales of \$219 million in 2003 and \$252 million in 2008.

- ▶ Factoring in a net leakage of expenditures made outside of the Market Area at 80 percent, total demand for the shopping and specialty goods in the Market Area is estimated at \$44 million in 2003 and \$50 million in 2008.

TABLE R-11			
DEMAND FOR SPECIALTY RETAIL SPACE			
DOWNTOWN ROSEMOUNT			
2003 to 2008			
		2003	2008
Demand			
PMA and SMA Population		70,053	80,586
(times) Annual Per Capita Expenditures	x	\$3,131	\$3,131
(equals) Total Market Area Expenditures	=	\$219,335,943	\$252,314,766
(minus) Approx. Leakage Outside Market Area (80%) ¹	-	\$175,468,754	\$201,851,813
(equals) Total Estimated Demand	=	\$43,867,189	\$50,462,953
Supply			
Existing Retail Space in Market Area		131,100	131,100
(times) Average Sales per Square Foot ²	x	\$230	\$230
(equals) Total Estimated Annual Sales in Market Area	=	\$30,153,000	\$30,153,000
Net Market Support			
Excess Demand (Demand minus Supply)	=	\$13,714,189	\$20,309,953
Supportable Retail Space			
(divided by) Average Sales per Square Foot ²		\$230	\$230
(equals) Total Additional Space Supportable in Market Area	=	59,627	88,304
(times) Amount Capturable by Downtown	x	20%	25%
Total Demand for Additional Downtown Retail Space (in sq. ft.)	=	11,925	22,076
¹ Leakage is equal to the estimated amount of retail dollars spent outside the market areas.			
² From <u>Dollars and Cents of Shopping Centers</u> , Urban Land Institute.			
Sources: Claritas, Inc. <u>Dollars and Cents of Shopping Centers</u> , Urban Land Institute Maxfield Research Inc.			

- ▶ We estimate that there is 131,100 square feet of space occupied by shopping and specialty goods retailers in the Market Area. About 59,000 square feet of this space is located in Downtown Rosemount, with most of the remaining space mostly concentrated along County Road 42. Based on average sales per square foot of \$230, this space generates the capacity for \$30.1 million in sales. Subtracting this supply from demand results in excess demand for \$13.7 million in sales in 2003 increasing to \$20.3 million in 2008. Dividing the average

RETAIL MARKET ANALYSIS

sales per square foot of retail space, we calculate demand in the Market Area for about 60,000 square feet in 2003, increasing to 88,000 square feet in 2008.

- ▶ Downtown Rosemount will compete with other areas in the Market Area for new shopping and specialty retail stores over the next five years. Again, no one location will be able to capture 100 percent of the retail demand. Also, because Downtown Rosemount is faced with limited land and higher costs to redevelop versus building new on vacant land, the pool of potential tenants is reduced somewhat since not all potential tenants may be able to afford the higher rents. We estimate that Downtown Rosemount currently can capture 20 percent of the shopping/specialty retail demand, or 12,000 square feet. We estimate that by 2008, Downtown would be able to capture 25 percent of additional demand for retail space in the Market Area, or 22,000 square feet.

Total Retail Demand

- ▶ Combining demand for additional neighborhood retail and shopping/specialty retail space results in total demand for about an additional 32,000 square feet in 2003, increasing to an additional 59,000 square feet in 2008. Neighborhood retail will account for an estimated 70 percent to 75 percent of the retail demand in the Downtown.
- ▶ Downtown Rosemount has about 173,000 square feet of retail space, including neighborhood and specialty retail and service businesses. Therefore, our demand calculations amount to about a 20 to 35 percent increase in the amount of retail space that can be supported through 2008. However, to support this amount, a variety of space must be provided, not only in terms of store sizes, but also price ranges.
- ▶ It should be noted that some existing space may be lost to make way for redevelopments, depending on which areas of Downtown are redeveloped. Therefore, the Downtown's overall increase in retail space may be somewhat less than the amount calculated. In effect, some older, obsolete buildings would be replaced with new buildings that are more appealing to both today's shoppers and retailers.

Downtown Retail Conclusions and Recommendations

Strengths and Weaknesses of Downtown

- ▶ The strengths of the Downtown are its access and visibility provided by South Robert Trail – which bisects the Downtown, the existing infrastructure, the existing and growing household base in close proximity to the Downtown, and the growing employment base near Downtown. Combined, these strengths create an opportunity for increased retail space.
- ▶ Adding to the Downtown potential is the fact that Rosemount has a disproportionately small amount of retail space in the community compared to retail expenditures by residents. Shopping centers in Apple Valley, Burnsville, and Eagan capture a large portion of retail expenditures by Rosemount residents, and will continue to do so in the future, even if addi-

RETAIL MARKET ANALYSIS

tional retail is developed in Rosemount. Downtown Rosemount, however, can recapture some retail expenditures by residents by providing neighborhood retail and some specialty retail that residents would find to be more conveniently located.

- ▶ Downtown's proximity to the growing residential development in Rosemount provides it with the opportunity to draw customers from the new households. Sales agents at for-sale developments that are currently marketing believe that home buyers in these new communities desire to shop closer to home and would patronize Downtown businesses. New residents in housing developments east of Highway 3 will particularly be drawn to Downtown. Traffic patterns are such that many households located west of Downtown seldom travel through the Downtown, whereas households located east of Downtown are more likely to travel through the Downtown during their daily commutes. The new households added this decade (east of Downtown) are more likely to support retail in Downtown than households added during the past decade (west of Downtown).
- ▶ While the Downtown has its strengths, it also has some weaknesses. Its primary weakness is its small size, which makes it difficult to create a critical mass of stores that would enable the Downtown to become a major draw. Also, the Downtown does not have the available area for a grocery store or discount merchandiser that could anchor smaller retail stores. Thus, smaller stores will have to survive without the spin-off traffic generated from larger stores.

Appropriate Types of Retail

- ▶ Downtown Rosemount currently has about 173,000 square feet of retail space. Our calculations show that the Downtown can support about 33,000 square feet of additional retail space, currently, and up to 60,000 square feet of additional retail in 2008. We estimate that two-thirds of the new demand will be for neighborhood retail serving the local population base. Again, although Downtown Rosemount can support the aforementioned retail space, the Downtown may not be able to accommodate the full amount due to land availability.
- ▶ The types of stores that will be successful in the Downtown will be those that are able to market their unique Downtown location as an experience that can't be found at shopping centers (the most likely store type will be specialty retailers). It will be more difficult for the Downtown to attract retailers of shopping goods, which typically require either a larger size store than can be accommodated in the Downtown (such as a discount merchandise store) or which require a greater number of stores in a small area carrying similar items for which customers can comparison shop (such as apparel).
- ▶ Types of retail that would be appropriate for the Downtown are listed in Table R-12, along with the median size (square feet) for each type of store. The store types in Table R-12 that are bolded represent new stores with the greatest potential for locating in Downtown Rosemount.
- ▶ We highlighted 13 of the neighborhood stores and ten of the specialty stores as having the greatest potential for locating in Downtown. Based on the average size of independent

RETAIL MARKET ANALYSIS

stores, a total of over 40,000 square feet of retail space would be added if each of the identified stores with the greater potential were added to the Downtown. It should be noted, however, that Downtown is not likely to attract all of these potential retailers. Some retailers, such as videotape rental, cards & gifts, radio, video, stereo, and dry cleaner, may choose not to locate Downtown because of competing stores in shopping centers along 150th Street in Rosemount. Because of existing competition, it will also be very difficult to attract a drug store/pharmacy to the Downtown, which would be an appropriate retail tenant.

TABLE R-12
RETAIL USES BY MEDIAN SIZE OF STORE
POTENTIAL RETAILERS FOR DOWNTOWN ROSEMOUNT
October 2003

Retail Uses:	Median Sq. Ft.*	Retail Uses:	Median Sq. Ft.
Neighborhood-Oriented		Specialty	
Cards & Gifts	2,400	Apparel: Family wear	5,000
Coffee/Tea	1,250	Art Gallery	2,400
Cosmetics/Beauty Supplies	1,250	Arts & Crafts	2,200
Deli/Specialty food	1,950	Athletic Footwear	2,100
Donut/Muffin shop	1,100	Computer/Software	1,250
Drugstore/Pharmacy	8,450	Day Spa	2,000
Dry Cleaner	1,450	Decorative accessories	1,650
Film Processing	1,000	Dollar Store/novelties	3,500
Floral	1,200	Eyeglasses-optician	1,400
Hardware	8,500	Fabrics	1,500
Ice Cream Parlor	1,200	Hobby	2,500
Liquor/wine	2,400	Home accessories	2,800
Mailing/Packaging	1,200	Home improvement	1,200
Nail Salon	1,050	Jewelry	1,300
Restaurant with liquor	4,000	Paint and Wallpaper/Flooring	3,200
Sandwich shop/Café	1,250	Pet Supplies	1,500
Tailor	900	Photographer	1,380
Tanning Salon	1,250	Picture Framing	1,000
Travel agent	1,000	Radio, Video, Stereo	2,100
Unisex hair	1,300	Sporting goods/bike shop	3,100
Videotape Rental	2,800	Telephone Store/Telecom	1,000
Stores in bold indicate new stores most appropriate for the Downtown			
* Median Gross Leaseable Area (GLA) for independent retailers.			
Sources: Urban Land Institute: Dollars and Cents of Shopping Centers, 2000; Maxfield Research Inc.			

- ▶ The competition for the destination goods will come primarily from shopping centers in Apple Valley, most notably in the Cedar Avenue and 150th Street area. The destination stores that will locate in Downtown will be those that sell niche items. For example, home and decorative accessories stores carrying higher quality or unique items compared to larger national retailers will appeal to the area's new households, particularly those ages 45 to 64.

RETAIL MARKET ANALYSIS

- ▶ Some of the store types in Table R-12 are already located in the Downtown, including various eating establishments, a hardware store, floral shop, tanning salon, and three hair salons. As the surrounding population and employment base increase over the decade, the Downtown will be able to support additional eating establishments and more specialty retailers. The Downtown likely would not support an additional hardware store.

Retail Lease Rates

Based on the lease rates at competitive shopping centers in the Market Area, we find that new space with net lease rates of \$14.00 to \$18.00 per square foot should be attractive to many of the potential retail tenants. Currently, many of the Downtown's retail tenants are paying gross rents of \$8.00 per square foot, and would not be able to afford net rents of \$14.00 or more. It will be important for the Downtown to retain some lower priced space, since the Downtown would not be able to support its full potential entirely with space priced at \$14.00 per square foot or more.

Redevelopment of existing commercial properties will likely require a public/private partnership. The rents necessary to make redevelopment feasible would be higher than what potential retail and office tenants could or would be willing to pay initially. Public assistance to help reduce the cost of redevelopment to the private sector will almost certainly be necessary for the commercial portion of the redevelopment to be successful.

Timing

The demand for 33,000 to 60,000 square feet of retail space is through 2008. We recommend that this space come on-line incrementally over the remainder of the decade. We would recommend several developments with approximately 10,000 to 25,000 square feet. We would not recommend that all of this space come on-line in any one year or in any one project.

To maximize the utilization of land, a portion of the retail space can be added in buildings that are mixed-use with either office or housing. In mixed-use buildings, retail should be located on the street level while housing and office would be located above. Since we find both immediate housing demand and retail demand, we believe that the first retail space could be added jointly in a mixed-use building with housing.

Locations

Since visibility and access are key to the success of retail businesses, we believe that new retail should be fronted along South Robert Trail or 145th Street.

The potential redevelopment sites for retail in Downtown are nearly equal in their appeal from a visibility and access standpoint. They are also comparable in their appropriateness for new retail from the standpoint of being a potential catalyst to further Downtown redevelopment and also having minimal negative impact on surrounding residential neighborhoods. Therefore, we recommend beginning with redevelopments that would have the least amount of acquisition and demolition costs and that would also displace the lowest number of existing downtown tenants.

Redevelopment Strategies

The following are strategies important to redevelopment efforts undertaken in Downtown Rosemount.

- ▶ ***Enhance the Downtown's Sense of Place.*** People support environments that attract them. Many of the “places” that people mention as desirable possess several important attributes, such as intimacy of scale, diversity of uses, attractive street environment, interesting architecture and individuality. Downtown Rosemount possesses some of these attributes and already has a sense of place. Enhancing its existing attributes will be essential for the Downtown to reach its full development potential.

Downtown Rosemount must be implanted in the consumer's mind as a shopping place, much like a traditional shopping center. However, it should also capitalize on its distinctive character that is more interesting than the traditional shopping center or general merchandise chain.

- ▶ ***Increase Downtown Housing.*** Additional housing will be a key component to Downtown redevelopment efforts. Besides adding needed multifamily housing units to the community, the new households will enhance the customer base for retail and commercial uses within the Downtown. Incorporating housing in a mixed-use building with commercial space on the first-floor can often make the commercial space more financially feasible by sharing the re-development costs. Also, multifamily housing can add to the Downtown's visual appeal.
- ▶ ***Establish Downtown as the Community's Center of Activity.*** Downtown Rosemount businesses will benefit from focusing community activities in the Downtown area. Non-retail uses in the Downtown, such as City Hall, American Legion, Post Office and a potential library, raise awareness of the Downtown businesses by drawing potential customers to the Downtown on a frequent basis. We also recommend utilizing events, such as farmer's markets and art fairs to promote and enhance visibility to Downtown businesses.
- ▶ ***Implement a Coordinating Entity.*** It is important to have a Downtown Advisory Committee or Board who oversees the revitalization process. It is not a substitute for municipal planning or economic development efforts, but should be responsible for engaging the community in the overall vision.

A downtown business association can be instrumental in promoting the Downtown and thereby enhancing the environment for all businesses. The association can work with its members on special promotions and work with businesses to increase awareness of Downtown Rosemount's businesses.

- ▶ ***Use a Phased Approach to Redevelopment.*** A redevelopment plan that embraces a phased strategy will prove most effective, rather than relying on a single project to revitalize the Downtown. A key first project can be an important component to create initial momentum that will then generate additional investment in the Downtown over the long-term.

Introduction

This section of the report calculates the potential for new office development in Downtown Rosemount by examining employment and business growth trends, regional office market conditions, and the existing supply of office space in the Rosemount Market Area.

Market Area Definition

As mentioned in the demographic review, the majority of demand for office space in Downtown Rosemount will be from businesses serving the growing local household and business base. Rosemount is somewhat limited in its ability to capture larger firms because of several factors. The most critical is Rosemount's distance from a major freeway, which provides access (to employees and clients) and visibility that most large office tenants demand. Rosemount's distance from existing major office parks is also a limiting factor, since existing office tenants that potentially would relocate to new office space is a major source of demand for a new office building. Another limiting factor is land constraints within the Downtown. Larger office users prefer freestanding office buildings with sufficient parking for employees and visitors. The size and character of Downtown Rosemount will largely limit potential office tenants to businesses with 20 or fewer employees.

The PMA, which includes Rosemount and Apple Valley east of Johnny Cake Ridge Road, represents the Market Area from which new office development in Downtown Rosemount would draw the majority of its tenants.

Employment and Business Growth

Overall Employment Growth

Table O-1 presents total employment growth trends and projections in the PMA from 1990 to 2010, including the estimated percentage of total employment that would occupy office space. The figures were compiled by Maxfield Research, based on data from the Minnesota Department of Trade and Economic Development, the Census Bureau, and Metropolitan Council.

- ▶ The PMA added 2,397 jobs (a 51.0 percent increase) between 1990 and 2000, increasing from 4,729 to 7,126 total jobs. From 2000 to 2010, the PMA is forecast to add 2,752 jobs (a 38.6 percent increase).
- ▶ In 1990, 13.0 percent of the jobs in the Market Area were estimated to be jobs that required office space, or about 600 jobs. That percentage increased only slightly, to 14.0 percent, in 2000, and is projected to increase to 17.0 percent in 2010. The result is that the Market Area added an estimated 383 office jobs during the 1990s and is projected to add 682 office jobs between 2000 and 2010.

OFFICE MARKET ANALYSIS

**TABLE O-1
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS
ROSEMOUNT OFFICE MARKET AREA
1990 to 2010**

	Estimate		Projection		Change			
	1990	2000	2005	2010	1990 to 2000		2000 to 2010	
					No.	Pct.	No.	Pct.
Total Jobs	4,729	7,126	8,501	9,878	2,397	50.7%	2,752	38.6%
Office Jobs*	615	998	1,275	1,679	383	62.3%	682	68.3%
% office jobs	13%	14%	15%	17%	--	--	--	--

*Office jobs include jobs primarily in the FIRE and Government Sectors and a portion of the Services Sector.

Sources: Metropolitan Council,
Bureau of the Census: County Business Patterns
Maxfield Research Inc.

- ▶ We utilize the industry standard of approximately 200 square feet per employee to determine total projected office space demand. Therefore, with the addition of 682 office jobs between 2000 and 2010, it can be roughly estimated that about 136,400 square feet of office space would be needed to accommodate these new employees. The actual amount of office space needed would likely be slightly less, because a portion of the office jobs would be from people working from home offices.

The data in Table O-2 is for 2000, the most current year available, and is from the U.S. Department of Commerce; County Business Patterns. Business growth in these sectors is an important indicator of total demand for office space and the size of businesses provides an indication of the type and sizes of office spaces required. In addition to businesses in these sectors, a small amount of office demand will be generated from other sectors, including government agencies.

The follow are key points from Table O-2.

- ▶ The six business categories in Table O-2 contain a total of 119 businesses, with most (48, or 40 percent) being in the Professional, Scientific, and Technical Services category. Approximately 80 percent of Professional, Scientific, and Technical businesses had fewer than five employees.
- ▶ Of the 119 businesses in Table O-2, 62 percent had fewer than five employees, 37 percent had between five and 49 employees, and less than one percent had 50 or more employees. Based on this information, it appears that the majority of office users in the area require smaller spaces. Assuming that office employees occupy an average of 200 square feet of office space (including common areas), many companies in the area would need 1,000 square feet or less, and only a few would need more than 4,000 square feet.

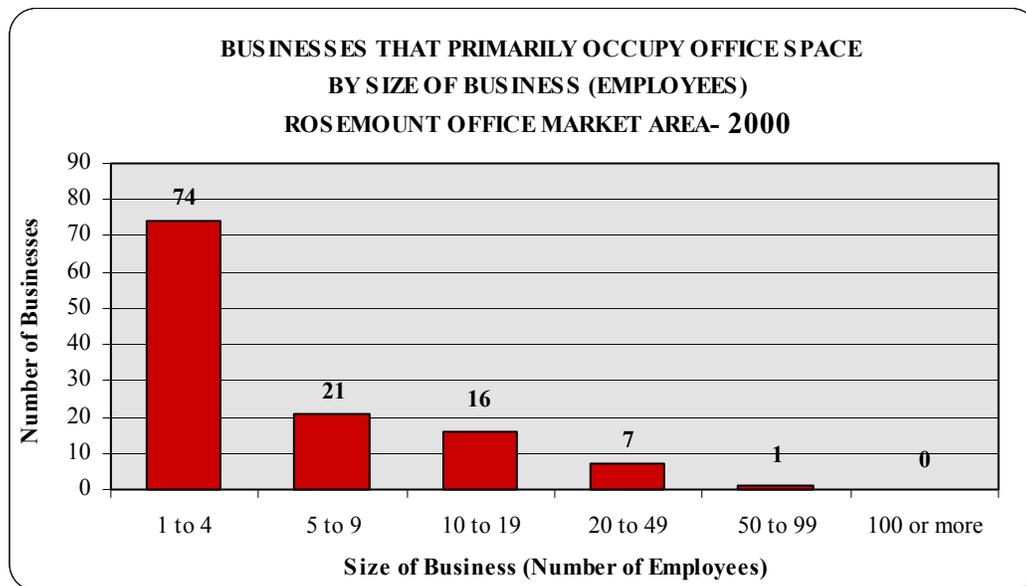
OFFICE MARKET ANALYSIS

**TABLE O-2
BUSINESSES BY INDUSTRY AND SIZE OF BUSINESS
ROSEMOUNT PRIMARY MARKET AREA
2000**

	Education & Information		Finance & Insurance		Real Estate & Rental & Leasing		Prof., Scientific & Tech. Services		Mgmt of Companies & Enterprises		Health Care & Social Assistance		Total	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Primary Market Area														
1 to 4	4	40.0	7	63.6	13	92.9	38	79.2	-	0.0	12	36.4	74	62.2
5 to 9	-	0.0	2	18.2	-	0.0	3	6.3	2	66.7	14	42.4	21	17.6
10 to 19	3	30.0	-	0.0	1	7.1	6	12.5	1	33.3	5	15.2	16	13.4
20 to 49	3	30.0	2	18.2	-	0.0	-	1.0	-	0.0	2	6.1	7	5.9
50 to 99	-	0.0	-	0.0	-	0.0	1	2.1	-	0.0	-	0.0	1	0.8
100 to 249	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	0	0.0
250 or more	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	0	0.0
Total	10	100.0	11	100.0	14	100.0	48	101.0	3	100.0	33	100.0	119	100.0
Sources: Bureau of the Census: County Business Patterns Maxfield Research Inc.														

OFFICE MARKET ANALYSIS

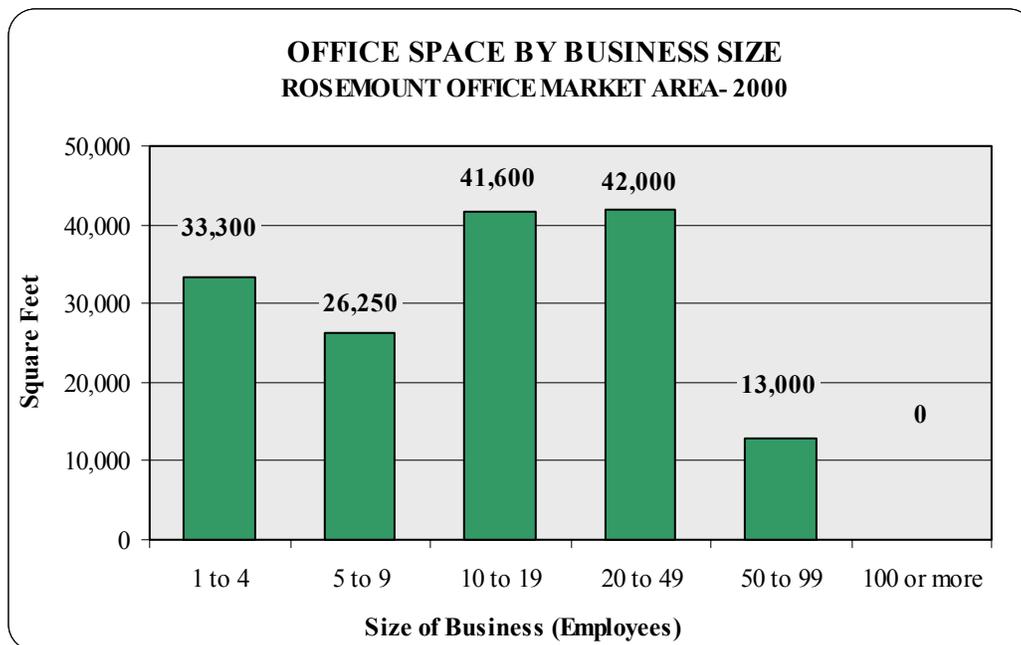
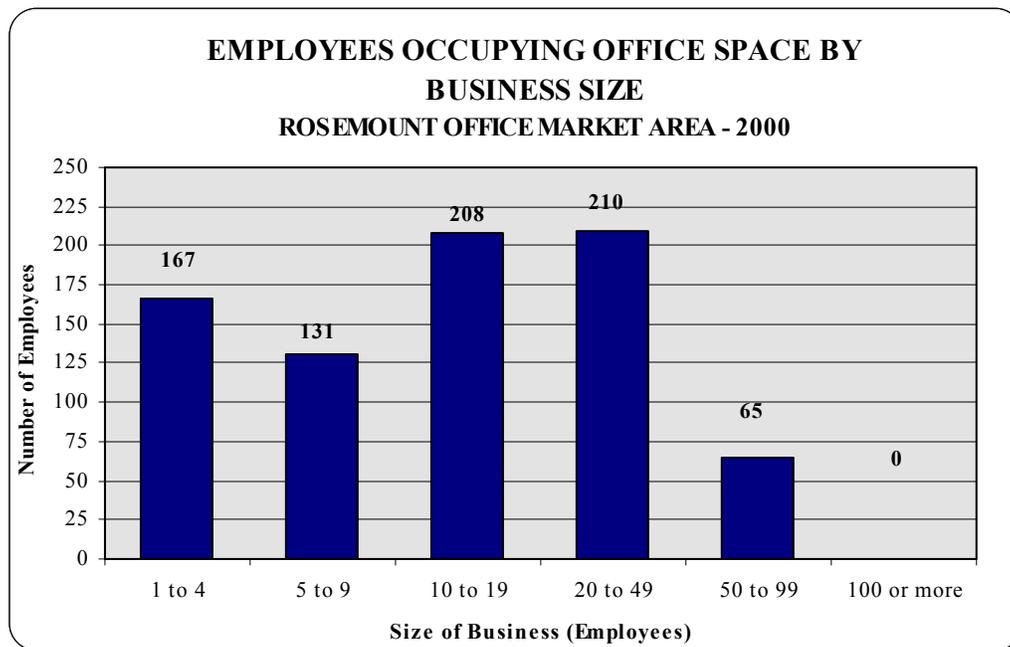
- ▶ The greatest number of businesses were Health Care and Social Assistance and Professional, Scientific and Technical Services, with a total of 81 of the 119 businesses. Health Care is an appropriate use for Downtown that would serve the growing population base.
- ▶ The Professional, Scientific and Technical Services category includes local business such as, attorneys, accountants, architects, engineers, consultants, and computer programming services.
- ▶ The Health Care and Social Assistance category includes local businesses such as, child day cares, dentists, chiropractors and other medical doctors.
- ▶ Real Estate and Rental/Leasing companies had the highest percentage of companies with one to four employees. Approximately 93 percent of these businesses had fewer than five employees. If these small businesses average 2.5 people per business, they would need an average of about 500 square feet of office space, based on 200 square feet per person. Some of these small businesses are likely to be located in home offices and if available would likely locate in office suites.
- ▶ Although almost 80 percent of businesses have fewer than ten employees, businesses with fewer than ten employees account for only about 38 percent of the total employees. The following charts highlight this. The following two charts show that businesses with ten or more employees accounted for 20 percent of the total businesses, but 62 percent of the total employees.



- ▶ The chart on the following page shows an estimate of the total amount of office space needed to accommodate the businesses listed in Table O-2 by size of business. The figures assume that employees occupy an average of 200 square feet of office space. The chart shows that about 156,000 square feet is needed to accommodate all of the businesses. How-

OFFICE MARKET ANALYSIS

ever, many of the businesses with between one and four employees are likely operated from private homes, thereby reducing total office needs to closer to 135,000 square feet.



- ▶ Based on 200 square feet of office space per employee, businesses with between five and nine employees (21 businesses) would require 1,000 to 1,800 square feet of office space, businesses with between ten and 19 employees (16 businesses) would require 2,000 to 3,800 square feet, and businesses with 20 to 49 employees (seven businesses) would require 4,000

OFFICE MARKET ANALYSIS

to 9,800 square feet. We believe that businesses with between five and 19 employees will constitute the greatest demand for office space in Downtown Rosemount.

Current Office Market Situation in the Rosemount Market Area

Table O-3 displays information on eight selected office buildings in Rosemount and Apple Valley, collected by Maxfield Research Inc. in October 2003. The table displays the building address, total space, square feet available, and tenant mix. A map showing the location of these offices is shown following the table.

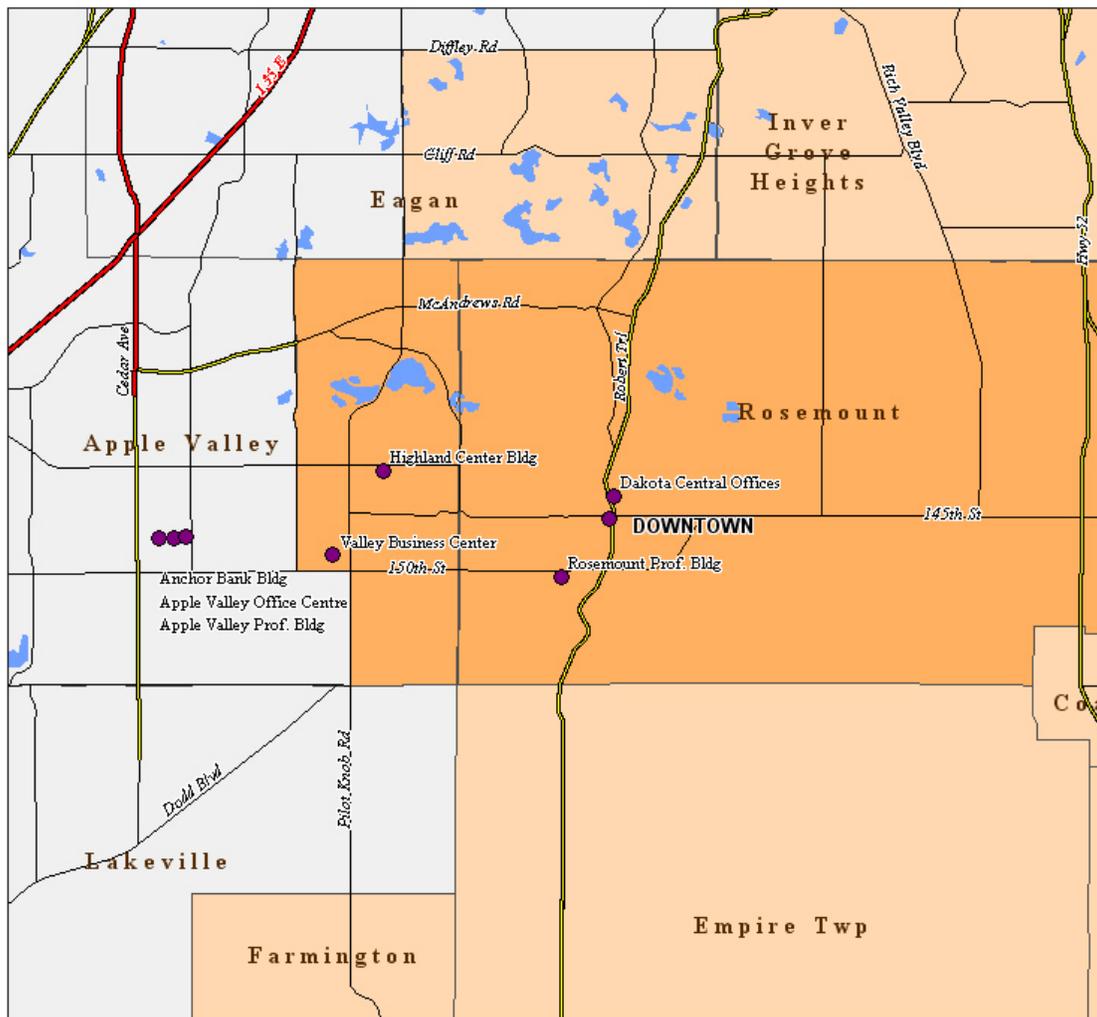
TABLE O-3 SELECTED OFFICE BUILDINGS ROSEMOUNT PRIMARY & SECONDARY MARKET AREA (SELECTED BLDG'S) October 2003				
Building/Address	Total Space/ SF Available	Lease Rate	Tenants	
PRIMARY MARKET AREA				
Dakota Central Offices 14450 Robert Trail S Rosemount	15,764 0	\$8.00- \$12.00 Gross	Mark Nelson D.D.S State Farm Insurance Hansen, McLann, & O'Connor P.A. Attourneys at Law	Rosemount Chiropractic Basic Builders Warweg & Thomas Tax and Accounting Service
Rosemount Prof. Building 15120 Chippendale Ave. Rosemount	10,421 0	N/A	Family Dentistry Vision Source	MSI Insurance CMC Heartland
Chippendale Office Bldg. 3480 Upper 149th St. Rosemount	6,000 0	N/A	Allegra Financial Group	
Highland Center Building 14100 Pilot Knob Rd. Apple Valley	7,750 0	N/A	Orthopedic Specialist	East Valley Animal Hospital
Valley Business Center 5500 147th St. W Apple Valley	62,000 5,480	\$4.75- \$9.75 Net	River Valley Church River Valley Kids Day Care Arrowhead Products Sunshine Travel Co.	PigChamp Inc, Knowledge Software SFI Graphic & Fullfilment Pioneer Press
SECONDARY MARKET AREA (Selected Office Buildings)				
Apple Valley Professional Building 7493 147th St. W Apple Valley	13,120 0	N/A	Apple Valley Family Dentistry Dakota Family Dentistry Raymond James Fin. Serv. Kathy Olson Tax Service	Orthodontist M & S Estate Financial Millenium Research Inc. (10 total tenants)
Apple Valley Office Centre 7373 147th St. W Apple Valley	24,446 528	\$10.50- Net	Castle Mortgage Chiropractor & Massage Chicago Title Dakota County Abstract	Old Republic Title Farmers Insurance Education Minnesota (13 total tenants)
Anchor Bank Building 14665 Galaxie Ave. Apple Valley	45,186 11,322	\$14.00 Net	Anchor Bancorp Ameriquest Mortgage Elfstrom Consulting General American Corp. Swank Financial	Time Home Loans Title and Closing Inc. THK American North Star Title (10 total tenants)
Source: Maxfield Research Inc.				

OFFICE MARKET ANALYSIS

The following are key points from Table O-3.

- ▶ We identified four multi-tenant office buildings in the PMA, or the Market Area for office space in Downtown Rosemount. One office building, *Dakota Central Offices*, is located in Downtown Rosemount, while one is located along 150th Street in Rosemount and two are located in Apple Valley. One of the projects in Apple Valley, *Valley Business Center*, is an office/warehouse project that would not be appropriate for development in Downtown Rosemount. However, it does contain some tenants of traditional office space. Excluding *Valley Business Center*, the average size of the office buildings in the Market Area is nearly 10,000 square feet.

SELECTED MULTI-TENANT OFFICE BUILDINGS



Maxfield Research Inc.

- ▶ The typical tenant mix in the Rosemount office buildings are businesses serving the local household and business base, such as insurance agents, accounting and tax services, medical services, attorneys, and real estate agents. The average size of the space these businesses occupy is 2,500 square feet.

OFFICE MARKET ANALYSIS

- ▶ In addition to the Market Area office buildings, we included three office developments in Apple Valley in Table O-3. These three properties offer a comparison to rents and occupancy at older office properties in Apple Valley. We believe that many of the businesses in these office buildings serve households and businesses in the Market Area. Over the long-term, new office space in Downtown Rosemount would have the ability to capture some of the tenants that are either currently in these buildings or would consider moving into these buildings.
- ▶ Net rents in the selected Apple Valley office buildings range from \$10.50 per square foot to \$14.00 per square foot. In Rosemount, rents are about \$12.00 per square foot or less and are “gross” (triple-net), which means common area maintenance and taxes are included. Currently, most office users in Rosemount are paying rents that are lower than the current costs to construct new traditional office space.
- ▶ Rents for office/warehouse space are typically less than that for traditional office space. *Valley Business Center* has net rents of \$9.75 per square foot for office space and \$4.75 per square foot for the warehouse space. *Valley Business Center* has attracted some tenants who typically would locate in traditional office space, such as River Valley Church.

Planned and Pending Office Developments

- ▶ We did not identify any pending office developments in the Market Area. However, Manley Land Development is currently constructing 11 owner occupied office and office/warehouse buildings on a 10.37-acre site west of Energy Way between County Road 42 and Upper 147th Street. The majority of the businesses will likely have less than five employees.
- ▶ Additionally, as mentioned previously, two mixed-use developments are planned or under construction in Apple Valley; *Legacy Village* and *Cobblestone Lake*. *Legacy Village* has plans for “build to suit” office developments within the master development plan which includes anywhere from 275,000 to 300,000 square feet of commercial space. *Cobblestone Lake* also is planned to accommodate up to 300,000 square feet of commercial space to be phased in between 2006 and 2007. It is unknown at this time how much square footage will be allocated specifically to office space in either development.

Projected Demand for Office Space

Earlier sections of the *Office Market Analysis* focused on factors that influence the demand for office space, including business and employment growth and current market conditions. The amount (in square feet) of additional office space supportable in Downtown Rosemount is based on projected office employment growth in the Primary Market Area. Our demand calculations are presented in Table O-4 and are summarized in the following bullet points.

OFFICE MARKET ANALYSIS

- ▶ The PMA is projected to add 682 jobs that will require office space between 2000 and 2010. Growth projections are based on the assumption that new office space will be constructed in the PMA to support business and employment growth.
- ▶ Using an industry standard of 200 square feet of office space per employee on average, we project demand for 136,400 square feet of office space in the PMA between 2000 and 2010 to accommodate office employment growth. This figure assumes that a variety of office spaces in a variety of locations will be available to meet the needs of prospective tenants.
- ▶ Based on building trends in the area, we estimate that about two-thirds of the demand for office space in the PMA will be for office/warehouse space, which is not suitable for Downtown because of the larger land requirements. Traditional office buildings are appropriate for the Downtown, while office/showrooms are generally located in business parks. Business parks in Rosemount and eastern Apple Valley will provide space for office/warehouse space. Competition with Downtown for new office development will come from office spaces along 150th Street in Rosemount and Apple Valley. In all, we estimate that Downtown can capture 15 percent to 20 percent of the total office demand in the PMA over the next ten years, or **20,000 to 27,000 square feet.**

**TABLE O-4
PROJECTED DEMAND FOR OFFICE SPACE
ROSEMOUNT PRIMARY MARKET AREA
2000 to 2010**

Projected increase in office jobs in the PMA, 2000 to 2010		682	new jobs
(times) 200 square feet of office space per employee	x	200	sq. ft./employee
(equals) Projected demand for office space in PMA, 2000 to 2010	=	136,400	square feet
(times) Estimated capture rate for Downtown Rosemount	x	<u>15% - 20%</u>	
(equals) Estimated total space supportable in the Downtown	=	20,460 - 27,280	square feet
(minus) Pending Downtown office space	-	0 - 0	square feet
(equals) Remaining total space supportable in the Downtown	=	20,460 - 27,280	square feet

Source: Maxfield Research Inc.

- ▶ Because Rosemount is located on Highway 3 and 145th Street, the base of potential office tenants is reduced primarily to small companies, particularly those that serve local residents and businesses. We believe that the businesses that Downtown is most likely to attract are those with fewer than nine employees, which, based on information presented in Table O-2, represents approximately 80 percent of the businesses that occupy office space in the PMA.

Downtown Office Conclusions and Recommendations

Our calculations above show that the Downtown can support an additional 20,000 to 27,000 square feet of office space through the remainder of this decade. Most office tenants Downtown

OFFICE MARKET ANALYSIS

will be smaller businesses (two to ten employees needing 200 to 2,000 square feet, on average) serving the local population and business base, such as medical/dental offices, attorneys, accountants, insurance agents, real estate agents, etc. Larger office users that have a customer base not tied to a local population generally locate along major transportation arteries closer to the core of the Twin Cities to have greater access to a larger labor pool. Therefore, it will be difficult to attract these types of users to Downtown Rosemount.

Downtown Rosemount currently has about 60,000 square feet of space occupied by offices. Combined with the additional demand that will be generated over this decade, we find a potential for a total of about 80,000 to 87,000 square feet in the Downtown by 2010. Like retail space, a variety of spaces will need to be provided for the Downtown to reach its potential. Some potential users will seek space in traditional office buildings, while some may prefer space located above retail stores and some may prefer street level retail space.

TABLE O-5 OFFICE USES BY MEDIAN SIZE POTENTIAL OFFICE USERS DOWNTOWN ROSEMOUNT October 2003	
Office Uses:	Median Sq. Ft.*
Small Office	
Accounting	950
Architect/Other Consultants	850
Banks	3,000
Chiropractor	1,200
Dental	1,500
Finance	1,400
Insurance	850
Legal	1,200
Medical	1,500
Optometrist	1,500
Real Estate	2,500
Uses in bold indicate most appropriate for the Downtown * Median Gross Leaseable Area (GLA) for independent retailers.	
Sources: Urban Land Institute: Dollars and Cents of Shopping Centers, 2000; Maxfield Research Inc.	

Type of Space

There are a variety of office space types that would be appealing to businesses in the Downtown. These office types are summarized below. We believe that leased office space and office suites would have the greatest demand. We would recommend that at least half of the leased office space be developed in a stand-alone building versus in a mixed-use building. Office-suites could be located in a mixed-use building, either above first-floor retail or on the first floor with housing located above.

OFFICE MARKET ANALYSIS

Leased office space: The majority of potential office users will be attracted to leased office space (excluding office suites) in either a stand-alone building or as a component of a mixed-use building. Nearly all of the medical offices will seek this type of space, as will many of the service businesses, such as attorneys, accountants, financial planners, etc.

Office Suites: A portion of the demand for office space will be from small professional businesses who desire office space near their home in the southeast Metro Area. Office suites are ideally suited for small businesses of five or less employees. Suites generally range in size from about 120 to 400 square feet and also provide shared space and services. Standard amenities and service packages provide utilities, janitorial/maintenance, 24-hour access and receptionist. Conference rooms and break rooms are often included. Standard optional features include use of fax and copy machines on a per page basis, voice mail and administrative support services.

Retail Space: Some businesses that are traditionally considered users of office space will seek first-floor retail space. These include personal service businesses that sometimes prefer the higher visibility that retail space provides. While not all of these potential types of businesses in the Downtown will seek retail space, some will prefer to be in higher visibility locations where walk-in traffic is important.

Office Condominiums: Some office users will prefer to own their space versus leasing. While these could be businesses of various types, most businesses seeking ownership space will be smaller businesses requiring less than 2,000 square feet. Common space in an office condominium should be minimal. An amenity that should be included to attract the target market, however, is underground parking.

Lease Rates

To be competitive and for the new construction costs to be financially feasible, new office space will need net lease rates of \$13.00 to \$15.00 per square foot. Rent for office suites is typically higher than traditional office space. We believe that rents that range from \$300 to \$800 per month would be competitive. The monthly rent would vary depending on building amenities and services included in the rent.

Timing

The demand for 20,000 to 27,000 square feet of office space is over the decade. We recommend bringing the space on-line in several buildings with 5,000 to 15,000 square feet over the remainder of this decade. Like retail space, we would not recommend that all of this space come on-line in any one year – or in any one project.

We estimate that approximately 15,000 square feet of office space could be built immediately to satisfy pent-up demand. We recommend that over two-thirds of this space be leased office space and the remainder office suites. The remaining office demand (up to 12,000 square feet) should be added in subsequent phases. The interest shown in the various types of space developed in the first phase and the absorptions will indicate the type of space that should be developed in the subsequent phases.

Locations

While access and visibility are not as important to office users as to retail space, locations along South Robert Trail and 145th Streets will be most appealing to potential office tenants. This is particularly true for a stand alone office building (either leased or condominium).

If office suites are to be included in a mixed-use building along South Robert Trail, it should be second floor space above first-floor retail. If the office suites are to be included in a mixed-use building off of South Robert Trail, it should be first floor space with housing located on the upper floors.