

HOUSING MARKET ASSESSMENT:
CITY OF MINNETONKA, MINNESOTA

Summer 2017

Marquette Advisors File #17011

PREPARED FOR:



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City of Minnetonka
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Marquette Advisors

Real Estate Consultants

August 18, 2017

Mr. Loren Gordon, AICP
City of Minnetonka
14600 Minnetonka Boulevard
Minnetonka, MN 55345

R.E.: Housing Market Assessment: City of Minnetonka

Marquette Advisors File # 17011

Dear Mr. Gordon:

We are pleased to present our assessment of housing needs in the City of Minnetonka. Our report examines the community's housing supply, within the context of the west-metro market and the Twin Cities metro area. Our report includes a review of the existing housing stock by product type, with a focused analysis on rental and for-sale housing trends, as well as senior housing. We have evaluated the business mix and jobs-housing balance in Minnetonka, also assessing housing affordability in the community, and the need for new housing over the short-term and long-term by product type and price/rent level. Factors considered in measuring demand for housing in Minnetonka include the characteristics of the current resident base by household type/size, age and income level, future growth trends, and the city's economic base and expanding employers.

We appreciate the opportunity to assist the City of Minnetonka in evaluating its housing needs, recognizing this work will facilitate the City's comprehensive planning process in the months ahead. As such, we remain available answer any questions regarding our analysis and to provide further assistance when required.

Sincerely,

MARQUETTE ADVISORS



Brent E. Wittenberg, CRE
Vice President

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EXECUTIVE SUMMARY

STUDY IMPETUS

The City of Minnetonka (the City), in anticipation of updating its Comprehensive Plan, requires the expertise of a consultant to provide a comprehensive housing assessment for the community. An important step in developing both short-term and long-range plans for economic development policy and strategic planning is developing an understanding of current and future housing needs in the community. Housing is in fact a critical element in economic development and in promoting community livability, attractiveness and competitiveness. Accordingly, the City retained Marquette Advisors to conduct a comprehensive analysis of housing needs in the community. Specifically, the primary objectives of the study are to assist the City and its elected officials in:

- Understanding demographic and economic growth factors which impact the housing supply/demand balance, and the attractiveness and/or affordability of the housing stock in the City of Minnetonka
- Identifying current and future housing needs by product type and price/rent level, based on demographics and market factors, City planning and economic development and housing goals
- Identify housing gaps and other specific housing needs for the County based on existing and projected demand for housing and identify barriers to development of various types of housing and/or housing products by affordability level.
- Assess the relationship between housing needs and economic development in Minnetonka and the surrounding west-metro market.
- Recommend strategies to enhance the availability of well-designed and appropriately priced housing products which are complementary to the goals/objectives of the City and supports its economic development, housing, and livability goals.

This *Executive Summary* provides a brief outline highlighting the key points from our analysis and conclusions. This section of the report is intended to summarize our findings and key issues, and is not a substitute for the full report, which contains additional information and data points which are critical to a full understanding of the basis for the conclusions drawn, and the context within which they were developed.

SUMMARY OF KEY ISSUES & CONCLUSIONS

Our report is organized into the following chapters: 1) Demographics & Economic Conditions; 2) Housing Characteristics; 3) Apartment Market Conditions; 4) Senior Housing Market Conditions; and 5) For-Sale Housing Market Conditions. The following are key findings from our analysis.

Demographics & Economic Conditions

Projected Population, Household & Employment Growth City of Minnetonka					
	2000	2010	2020	2030	2040
Population	51,102	49,734	53,863	58,000	61,500
Households	21,267	21,901	23,602	26,600	28,300
Employment	51,276	44,228	54,400	58,900	63,200

Source: Twin Cities Metropolitan Council

- Population, Household & Employment Growth** ó Minnetonka had an estimated 51,752 residents and 22,717 households in 2016. Employment in the community was estimated at 44,788. Minnetonka has accounted for just 1.3% of metro area household growth since 2010. Forecasts by both ESRI Business Information Solutions, a national econometric forecasting firm, and the Twin Cities Met Council project a fairly modest growth pattern for Minnetonka. ESRI projects average annual growth of 177 households/year over the next five years in Minnetonka. The Met Council forecasts suggest the city will add an average of 240 households per year between 2020 and 2030, decreasing to 170 per year between 2030 and 2040. These forecasts equate to 1.5% to 2.0% of expected Twin Cities metro area household growth.
- Conservative Met Council Household Growth Forecast** -- The Met Council projects that Minnetonka will account for more than 3.6% of regional employment growth over the next 20 years, but only 1.7% of household growth. This household growth forecast is deemed conservative, based on Minnetonka's economic base, expanding employers, strong schools and residential attractiveness factors. We believe an opportunity exists for Minnetonka to capture a larger share of regional household growth in the coming years; however, this will require a ramp-up in construction of new housing products, inclusive of varied for-sale and rental housing options throughout the community. Given current land use, it is clear that this will require higher development densities, and in many cases creative public private partnerships will be necessary due to rising land and construction costs.
- Jobs / Housing Balance** ó Minnetonka has a strong and expanding business community. However, given the very limited production of new housing units in the community over several years, paired with low turnover rates in the existing housing stock with many seniors aging in place, **much of the Minnetonka-based workforce resides elsewhere. This relates in part to housing affordability, certainly, as documented in this report. However, scarcity of housing is perhaps more the issue. While Minnetonka's housing stock, its rentals specifically, is relatively affordable, the fact is they are at near full**

capacity, with vacancy rates at 2.0% or lower for much of the apartment stock. Meanwhile, there is limited supply of home purchase opportunities in Minnetonka due to rising values and low turnover rates. In addressing future housing plans, the City should work to improve this jobs / housing balance through infill construction, redevelopment at higher densities, and the provision of life-cycle housing products which are sensitive to the needs of the current and future resident and worker base.

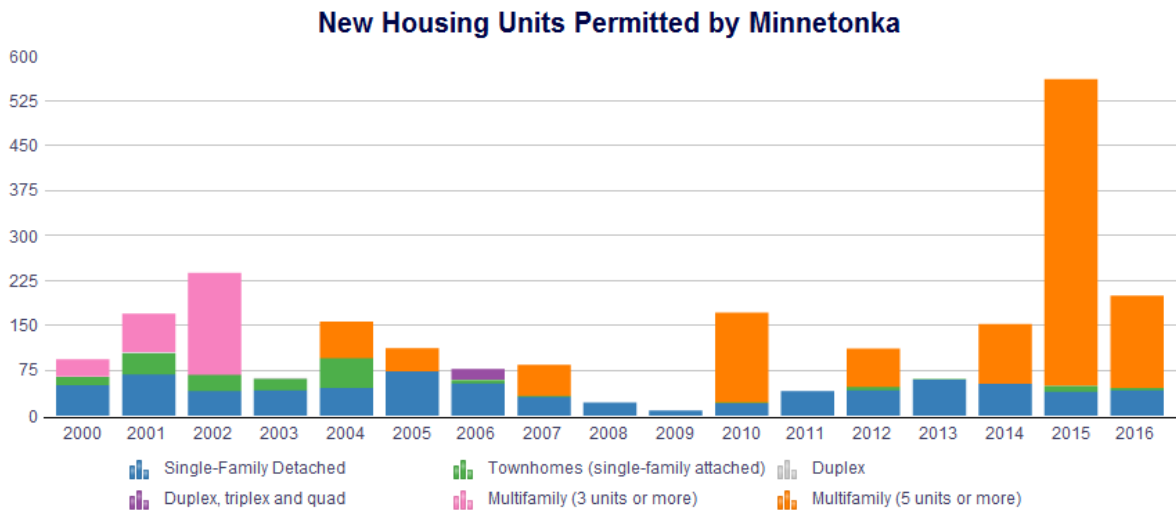
- ***An Aging Resident Base -- Senior households prominent in Minnetonka, with higher incomes compared to metro area*** -- In Minnetonka, the median household income for households ages 65-74 was estimated at \$76,457 in 2016, compared to \$58,732 for the metro area. The median for Minnetonka households aged 75+ was \$43,668, compared to \$36,436 for the metro area. The large number of senior households in Minnetonka, and the comparatively higher incomes of that senior resident base, are variables which attract senior housing developers. The increase in senior housing construction in and around the city recently relates largely to these data points.
- ***Significant number of households ages 55-64*** -- Also of note is the large group of older adult households ages 55-64 in Minnetonka, comprising an estimated 5,214 households in 2016, and their affluence, with a median income of \$107,639. Many in this group will age into their empty nester and/or retirement years over the next 5-10 years. Based on the current trend, many will continue to age in place, remaining in their single-family homes. Others may consider senior housing alternatives, although senior housing products with age restrictions and meals/care offerings typically attract a somewhat older renter profile (typically 75+). **Our assessment of household age & income data, paired with housing market factors, suggest that there may be an opportunity for developers to attract households who fall into the categories of “aging adult,” “active senior citizen,” and/or “empty nester” to alternative housing products such as condos or new rental apartment products targeting this demographic specifically. Age-restricted senior cooperative developments also fall into this category, and have been well received in Minnetonka.**

Housing Characteristics

- ***Minnetonka features large numbers of homes constructed in the 1970s and 1980s,*** including both single family homes, as well as larger multi-unit buildings. Our analysis shows that Minnetonka features a number of large apartment complexes which were built in the 1980s, especially.
- ***Minnetonka new housing construction lags metro area 2000 to date*** Only 6.6% of Minnetonka's housing units have been constructed since 2000, compared to 14.6% of metro area homes.

YEAR STRUCTURE BUILT	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
Total housing units	23,825		160,355		1,206,738	
Built 2014 or later	24	0.1%	131	0.1%	1,130	0.1%
Built 2010 to 2013	84	0.4%	1,558	1.0%	14,582	1.2%
Built 2000 to 2009	1,221	5.1%	17,669	11.0%	160,119	13.3%
Built 1990 to 1999	3,356	14.1%	22,794	14.2%	168,283	13.9%
Built 1980 to 1989	6,415	26.9%	34,917	21.8%	182,888	15.2%
Built 1970 to 1979	4,336	18.2%	27,598	17.2%	186,473	15.5%
Built 1960 to 1969	3,181	13.4%	19,567	12.2%	129,086	10.7%
Built 1950 to 1959	3,797	15.9%	20,585	12.8%	130,991	10.9%
Built 1940 to 1949	504	2.1%	7,746	4.8%	50,459	4.2%
Built 1939 or earlier	907	3.8%	7,790	4.9%	182,727	15.1%

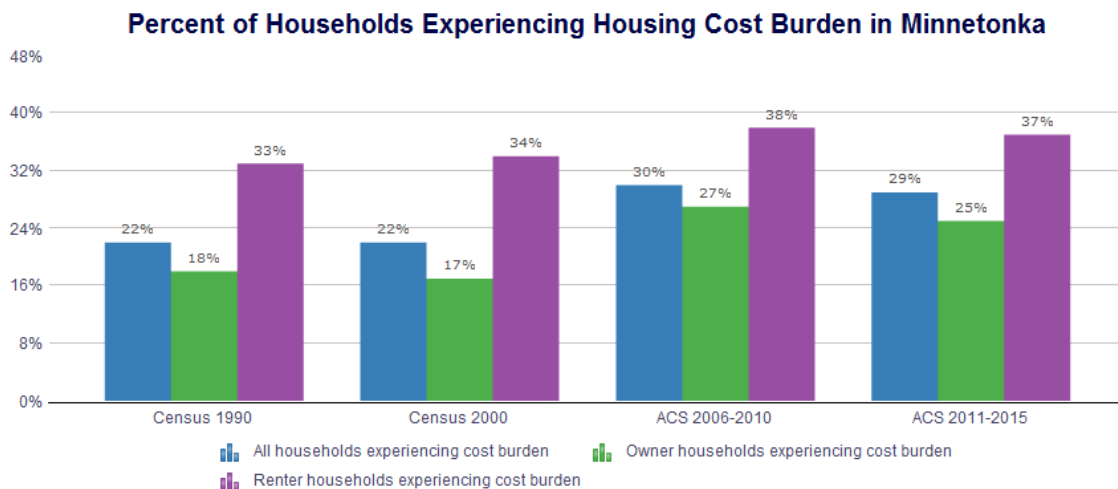
- Ramp-up in new housing construction more recently, primarily focused on luxury apartments and senior housing, with strong positive market response to both product types quickly absorbed by renters/buyers.** Considering current market conditions, with sustained low vacancy rates and rising rents, we anticipate continued strong developer interest in Minnetonka in the short term, with interest in sites that are well connected to jobs/amenities, future LRT, and feature high levels of walkability.



- Affordable housing – an increasingly scarce resource in Minnetonka.** As shown on the table, between 2010 and 2015, the number of housing units affordable to households earning <80% of the area median income decreased by more than 2,200 residential units. Meanwhile, the number of households with incomes of <80% of AMI decreased by only 465. Our market survey (presented later in the report) shows that the housing supply is nearly fully occupied. As such, it becomes difficult for households (particularly workers in the age 25-44 cohort) to find housing in the community. Thus, many Minnetonka-based employees commute to homes in other communities.

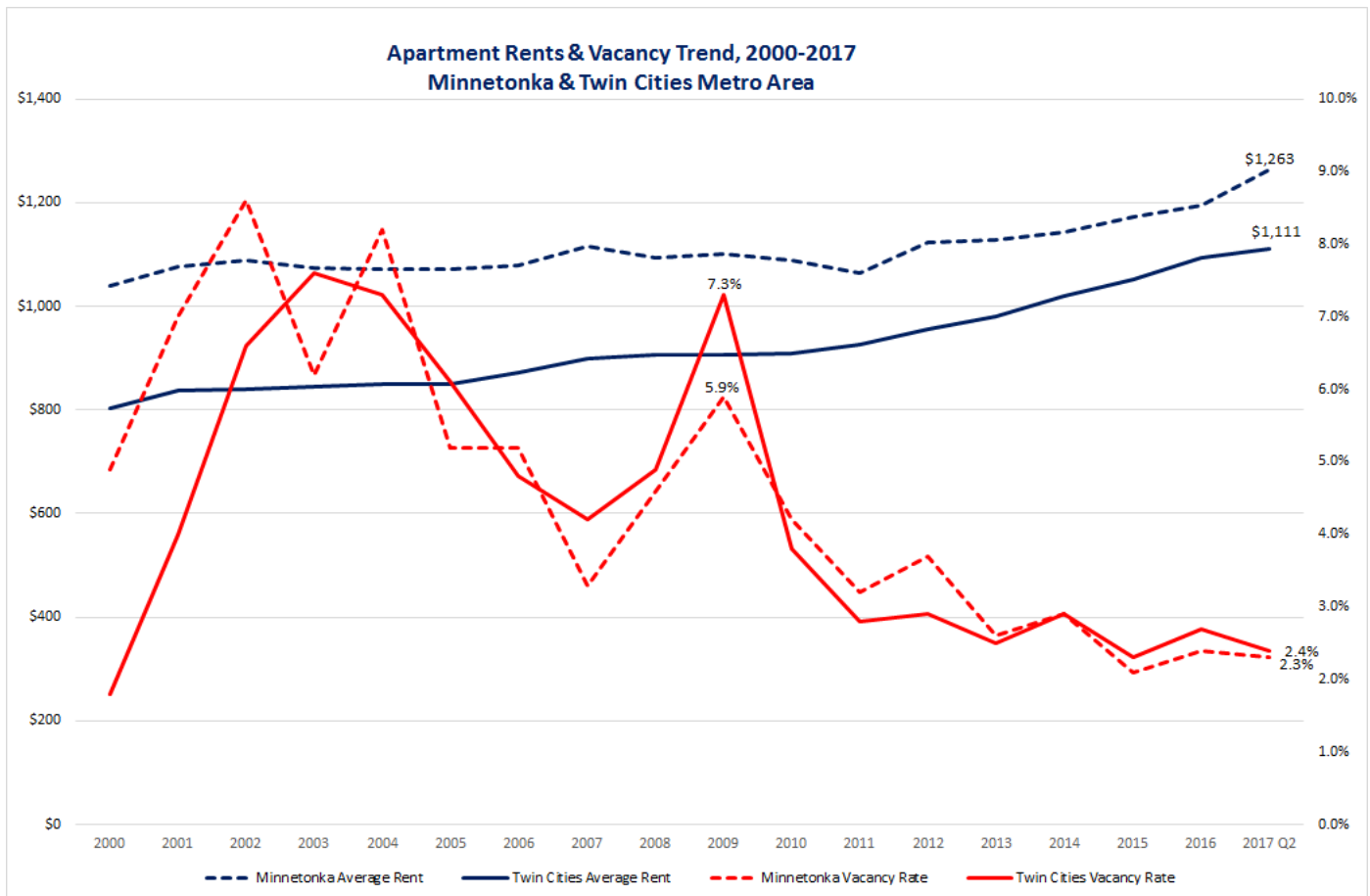
2015					
	<30% AMI	31-50% AMI	51-60% AMI	61-80% AMI	Totals, 0-80% AMI
Owner Units by Affordability Range	329	1,095	1,173	2,548	5,145
Renter Units by Affordability Range	530	657	2,072	1,461	4,720
A) Total Units by Affordability Range	859	1,752	3,245	4,009	9,865
B) Households by Income Level	1,687	2,222	1,218	980	6,107
A - B = (Insufficient Supply) or Surplus of Units	(828)	(470)	2,027	3,029	3,758
2010					
	<30% AMI	31-50% AMI	51-60% AMI	61-80% AMI	Totals, 0-80% AMI
Owner Units by Affordability Range	114	1,456	955	3,619	6,144
Renter Units by Affordability Range	666	842	2,210	2,210	5,928
A) Total Units by Affordability Range	780	2,298	3,165	5,829	12,072
B) Households by Income Level	1,723	1,950	1,073	1,826	6,572
A - B = (Insufficient Supply) or Surplus of Units	(943)	348	2,092	4,003	5,500

- Increasing number of households with housing cost burden** – according to the Met Council, utilizing ACS survey data, an estimated 29% of Minnetonka residents have an “excess housing cost burden” meaning, their housing cost is greater than 30% of their income. This is up from 22% in 2000, as shown below. Worse, an estimated 10% of owners and 19% of renters have “severe housing cost burden,” with a housing cost >50% of their incomes.



Apartment Market Conditions

- ***Sustained low vacancy over many months leads to rising rents*** – At mid-year 2017, Minnetonka apartment communities featured a combined 2.3% vacancy rate. The vacancy rate has been <3.0% since 2014. Meanwhile, the average rent was \$1,263, a full 7.4% higher than one year ago.



- ***Minnetonka accounts for small share of regional apartment construction recently*** – The city of Minnetonka has seen the addition of just 509 new market rate apartments over the past 10 years, with 457 of those units opening in the city during the past 2-1/2 years. With sustained low vacancy rates, and rising rents, developers find Minnetonka ripening for new development as well-located deals are starting to pencil out in Minnetonka.
- Market rents for new-construction apartments in Minnetonka and the SW metro area average approximately \$2.00 to \$2.10 psf (\$1,800/month) at this time, varying somewhat based on location, quality and unit size/mix. Recent luxury developments in Minnetonka have been well received, inclusive of four new properties with a combined 493 units built since 2015, all of which have experienced a rapid absorption and today feature low vacancy rates of <2.5%.

- Our analysis indicates there is strong demand for general occupancy apartment product in Minnetonka, ranging from affordable rentals to luxury apartments. Given the strong market fundamentals, with rising rents and low vacancy, paired with demand generators and other attractiveness factors relating to Minnetonka such as connectivity and freeway access, future LRT, and an expanding base of employers, we expect strong developer interest in Minnetonka will continue over the next several months.

Senior Housing Market

Marquette Advisors examined the current senior housing market, by product/service level, and summarizes this analysis as follows. Minnetonka has a strong and diversifying senior housing market, and a deep base of seniors and aging adults. Further, ongoing development and future construction of senior housing, or "active adult" products (perhaps new housing models) will have an impact upon other segments of the market going forward, notably the creation of more home ownership opportunities for younger buyers.

- ***Supply by product type/service level*** -- Minnetonka features a total of 2,922 age-restricted senior housing units. This includes 694 ownership units (condo and co-op units) and 2,228 rental units. Minnetonka's senior housing inventory is primarily market rate. The rental inventory includes a total of 83 contract-based affordable senior units, including 42 at Westridge and another 41 units at Beacon Hill.
- ***Strong senior demographics & current low vacancy rate at 3.7% signal pent-up demand for additional senior units in Minnetonka.*** We note that vacancy rates are consistently low across all properties and service levels, indicating that there has been a positive market response to all varieties of senior housing in the market area. Two additional senior campus developments are in the works (Cherrywood Pointe and Crest Ridge) which will bring another 245 combined rental units to market in 2017 and 2018.
- ***Depth of aging adult / empty nester market in Minnetonka signals an opportunity for product types including: 1) Adult/senior housing cooperatives (age 55+ or 62+), which to date have enjoyed much success in the Minnetonka market, and 2) new "active adult" housing concepts geared to attract empty nesters and active seniors.*** This may or may not be age-restricted, and will include both rental and ownership models. Developers around the country are in the process of rolling out new models geared toward this important market segment, recognizing that this market is sizable and will demonstrate a preference for housing products which differ somewhat from traditional senior housing models. Minnetonka is prime market for these housing products. Further, the provision of "lifecyle" housing for this group in Minnetonka will also "free-up" existing single family homes in the community, such that larger numbers of younger buyers will be able to find housing here, ideally near their place of employment.

For-Sale Market Conditions

- ***Minnetonka is an attractive community in which to invest in home ownership***, offering a strong economic base and quality jobs, good schools and public amenities, and a diverse mix of shopping nodes and restaurants. At the same time, the city has seen limited new construction and features large numbers of older adults and seniors aging-in-place. ***As such, there are limited opportunities for younger buyers in Minnetonka***, certainly inclusive of first-time-buyer prospects, as even young to middle-age families seeking a move-up home that is closer to their job, or in a preferred school district.
- Presented below is a summary of Minnetonka and metro area home value distribution data, showing the number of homes by value range. It is interesting to note, quite simply, the supply of owner-occupied housing in Minnetonka, which comprised an estimated 2.0% of the metro area stock. Recall that Minnetonka businesses (and government) employ more than 2.6% of the region's workforce. The fact is, most of these workers reside elsewhere.
- Further, Met Council forecasts indicate that Minnetonka will account for more than 3.6% of metro area employment growth over the next 20 years. This growth will result in 1) steady to increasing demand for housing, 2) increases in home values/pricing in Minnetonka, and, likely, 3) an increase in home owner cost burden in the community.

	City of Minnetonka		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent
HOME VALUE DISTRIBUTION				
Owner-occupied units	15,995		785,412	
Less than \$50,000	395	2.5%	28,927	3.7%
\$50,000 to \$99,999	669	4.2%	38,301	4.9%
\$100,000 to \$149,999	760	4.8%	105,382	13.4%
\$150,000 to \$199,999	1,775	11.1%	168,165	21.4%
\$200,000 to \$299,999	4,956	31.0%	227,328	28.9%
\$300,000 to \$499,999	5,188	32.4%	155,089	19.7%
\$500,000 to \$999,999	1,927	12.0%	52,708	6.7%
\$1,000,000 or more	325	2.0%	9,512	1.2%

- More relevant than current home values in the community is what is actually selling, and at what price. Below is a summary of Minnetonka and metro area sale transactions by price range, over the past several years, and through May of 2017. ***Minnetonka has accounted for 1.5% to 1.9% of metro area annual sales volume since 2008, and less than 1.3% of sales at <\$300,000 during this period.*** The average sale price in Minnetonka increased to \$355,000 in 2016, and \$386,000 through the first half of 2017.
- ***A key issue in the for-sale market in Minnetonka is the limited supply of homes available for purchase by both first-time buyers, and “move-up” buyers***, many of whom are likely employed in the community and would prefer to reside close to their place of work, in Minnetonka which offers quality schools and high livability factors as noted herein.
- ***A perhaps less obvious issue is the lack of attractive housing options for older adults and seniors in Minnetonka who continue to age in place.***

Twin Cities Metro Area -- Residential Sales Transaction Volume, 2008 to Date										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD
\$<300,000	26,642	33,647	26,883	30,286	34,152	35,019	31,437	35,232	36,094	11,939
\$300,000-\$499,999	5,497	4,733	4,573	4,277	6,180	8,304	8,271	10,437	12,223	4,492
\$500,000-\$799,999	1,680	1,232	1,322	1,302	1,790	2,318	2,522	2,923	3,355	1,247
\$800,000-\$999,999	299	202	211	201	261	376	423	489	554	206
\$1,000,000-\$1,499,999	227	154	165	167	193	226	311	323	387	131
\$1,500,000+	136	88	98	97	126	136	159	185	162	64
Total	34,481	40,056	33,252	36,330	42,702	46,379	43,123	49,589	52,775	18,079
* 2017 YTD through May 2017.										
City of Minnetonka -- Residential Sales Transaction Volume, 2008 to Date										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD
\$<300,000	303	412	333	427	486	459	474	437	488	150
\$300,000-\$499,999	167	158	164	142	220	229	237	290	340	128
\$500,000-\$799,999	34	48	60	56	70	105	68	109	129	52
\$800,000-\$999,999	15	8	5	11	10	16	21	20	27	7
\$1,000,000-\$1,499,999	10	9	7	3	10	9	10	16	13	11
\$1,500,000+	1	2	2	4	2	9	5	5	5	0
Total	530	637	571	643	798	827	815	877	1,002	348
* 2017 YTD through May 2017.										
City of Minnetonka -- % of Metro Area Sales										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 YTD
\$<300,000	1.1%	1.2%	1.2%	1.4%	1.4%	1.3%	1.5%	1.2%	1.4%	1.3%
\$300,000-\$499,999	3.0%	3.3%	3.6%	3.3%	3.6%	2.8%	2.9%	2.8%	2.8%	2.8%
\$500,000-\$799,999	2.0%	3.9%	4.5%	4.3%	3.9%	4.5%	2.7%	3.7%	3.8%	4.2%
\$800,000-\$999,999	5.0%	4.0%	2.4%	5.5%	3.8%	4.3%	5.0%	4.1%	4.9%	3.4%
\$1,000,000-\$1,499,999	4.4%	5.8%	4.2%	1.8%	5.2%	4.0%	3.2%	5.0%	3.4%	8.4%
\$1,500,000+	0.7%	2.3%	2.0%	4.1%	1.6%	6.6%	3.1%	2.7%	3.1%	0.0%
Total	1.5%	1.6%	1.7%	1.8%	1.9%	1.8%	1.9%	1.8%	1.9%	1.9%
* 2017 YTD through May 2017.										
Source: Northstar MLS										

Housing Demand Forecast

The following is a summary of our short-term and long-term demand forecast for both rental and for-sale housing in Minnetonka. Our housing demand forecast takes into account local and regional demographic and economic conditions, and growth trends.

Housing Demand Potential -- General Occupancy (Non-Senior) Rental and For-Sale Residences City of Minnetonka												
HH Group by % of AMI	1-5 Years			5-10 Years			10-15 Years			15-20 Years		
	Rental	For-Sale	Total	Rental	For-Sale	Total	Rental	For-Sale	Total	Rental	For-Sale	Total
<60% of AMI	176	0	176	206	0	206	165	0	165	159	0	159
61-80% of AMI	59	0	59	69	0	69	55	0	55	53	0	53
81-100% of AMI	176	0	176	206	0	206	165	0	165	159	0	159
100%+ of AMI	381	381	762	446	446	892	178	535	713	172	516	688
Total	792	381	1,173	927	446	1,373	563	535	1,098	543	516	1,059
(Annual Averages)	158	76	235	185	89	275	113	107	220	109	103	212
Source: Marquette Advisors												

Senior Housing Demand by Product Type/Service Level City of Minnetonka		
Product/Service Level	1-5 Years	5-10 Years
Independent	370	320
Assisted Living	192	199
Memory Care	97	89
Total	659	608
(Annual Averages)	132	122
Source: Marquette Advisors		

It is important to clarify that our forecast numbers really represent **potential demand**. The forecast assumes that an adequate number of new units will in fact be constructed in Minnetonka to meet this demand. If not, Minnetonka will likely capture a lesser share of regional population and household growth. Moreover, given the community’s business base and expansion profile, we anticipate that the housing shortage will have a negative impact upon employers’ efforts to recruit, hire and retain employees, as much of the workforce will be forced to find housing elsewhere.

We recognize the challenges related to new construction housing in Minnetonka, especially at affordable price points, given current land use, limited site availability, and land and construction costs. We look forward to working with the City in developing strategies to support life-cycle housing in the community within the context of the current and future market environment and the noted constraints.

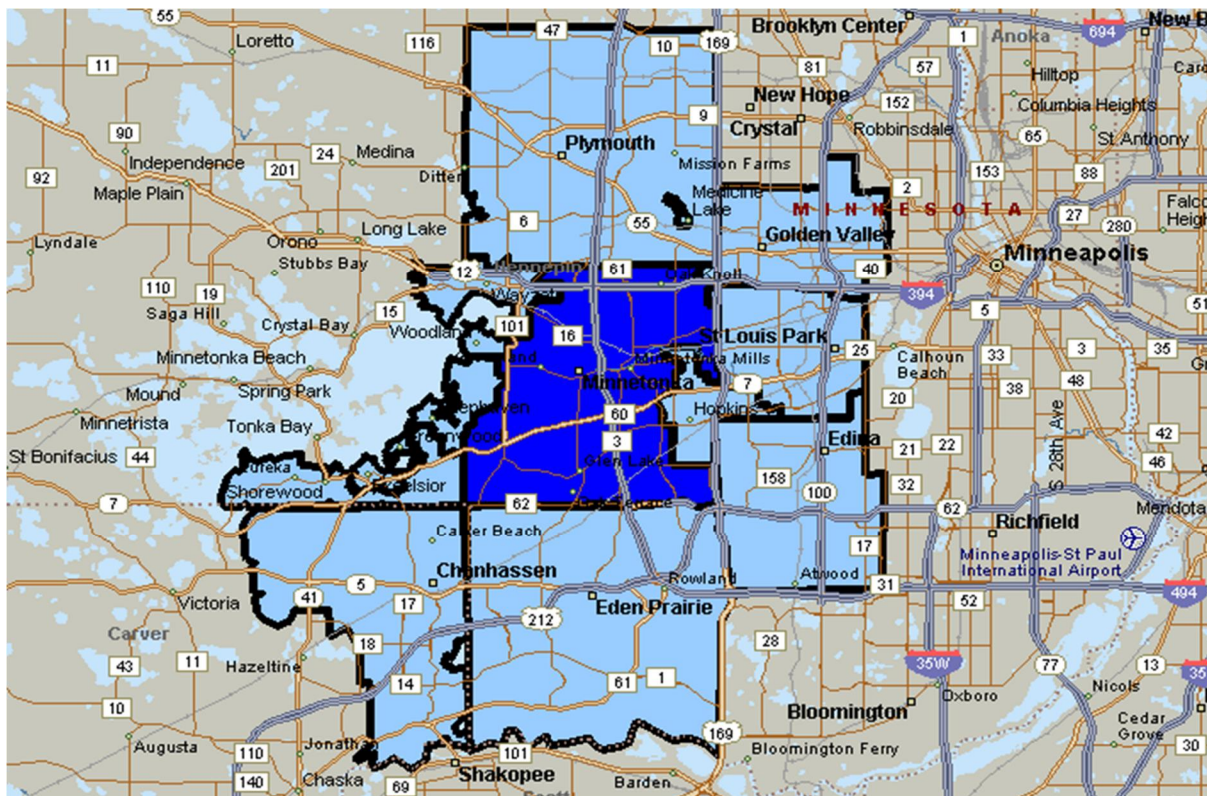
**DEMOGRAPHICS & ECONOMIC
CONDITIONS**

INTRODUCTION

Key to our analysis of housing needs within the community is a comprehensive review of relevant demographic and economic data points and growth trends. This household composition and projected growth pattern facilitates our projections of future housing needs in Minnetonka by product type and by price/rent level. Presented in this section of our report is a review of demographics and economic trends for Minnetonka and the surrounding primary market area (PMA) comprised of neighboring west suburban communities (defined herein). The seven-county Twin Cities Metro Area is also analyzed in this chapter to provide context, and to observe how Minnetonka and/or the PMA compares and relates within the Metro Area in terms of varied data points and trends.

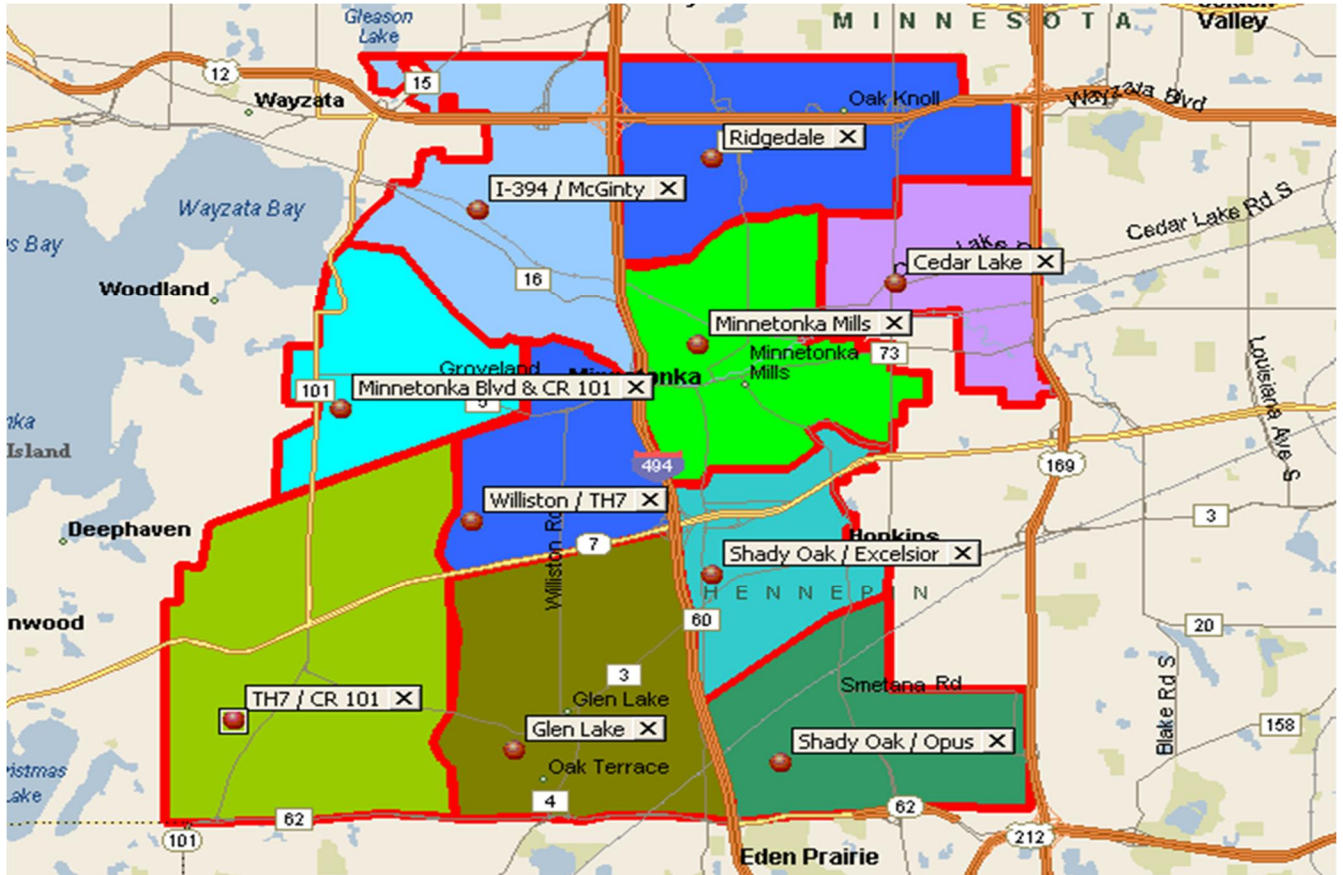
For purposes of our analysis, the primary market area (PMA) includes the City of Minnetonka and 14 surrounding west-suburban communities, as shown below.

Minnetonka Primary Market Area



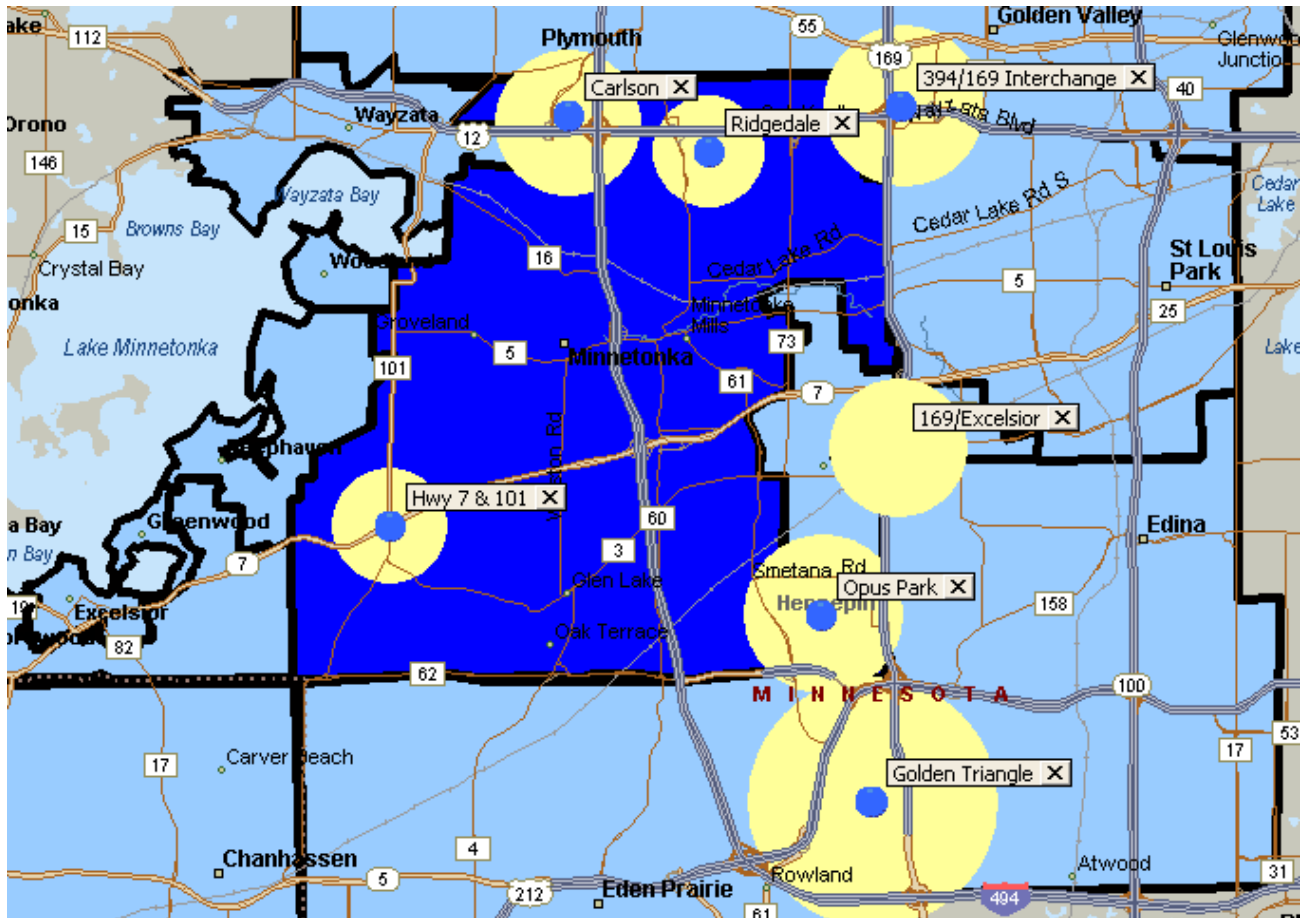
Additionally, we provide further segmentation and analysis of sub-areas within the City of Minnetonka, herein referred to as “Village Center Study Areas,” as identified on the map below. This chapter of the report provides a review of the demographic composition for each of these areas.

Minnetonka “Village Center Study Areas”



Lastly, we identified and analyzed key employment nodes both within and peripheral to the City of Minnetonka. The characteristics of the business community, overall employment growth trends, the employment growth trends, and worker incomes are all very important considerations when assessing current and future housing needs. The map on the following page identifies these key employment nodes within and proximate to Minnetonka.

Key Employment Nodes



POPULATION, HOUSEHOLD AND EMPLOYMENT GROWTH TRENDS

Population and household growth trends were analyzed for Minnetonka, the PMA, and the Twin Cities Metro Area. Historical data is from the U.S. Census Bureau. Short-term (2016-2021) population and household forecast data is sourced from ESRI Business Information Solutions, a national econometric forecasting firm. Long-term population and household growth forecasts through 2040 are from the Met Council. Employment growth is also analyzed, sourced from the MN-DEED and Met Council.

Population

Minnetonka was home to an estimated 51,752 residents in 2016, up from 48,734 in 2010. According to ESRI estimates, the city has grown by an average of 336 new residents per year since 2010, reflecting a modest 0.7% annual growth rate. As a whole, the PMA had an estimated 2016 population of 373,090, growing by an average of 3,260 persons/year (+0.9%) between 2010 and 2016. In comparison, the Twin Cities Metro Area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties) grew by an average of 26,523 persons per year between 2010 and 2016, reflecting a similar 0.9% annual growth rate.

ESRI forecasts suggest that Minnetonka will grow by an average of 422 persons/year to 53,863 residents in 2021. Longer-term forecasts by the Met Council predict the population growth rate in Minnetonka will accelerate somewhat between 2021 and 2030, adding an average of 460 residents per year, and then slowing to 350 residents per year from 2030-2040. Minnetonka is forecast to account for 1.4% of metro area population growth between 2016-2021, increasing to 1.8% between 2021-2030, before falling back to 1.3% of regional growth from 2030-2040.

Households

Household growth is a particularly relevant gauge of an area's housing needs because households, by definition, represent occupied dwelling units. In 2016, Minnetonka had an estimated 22,717 households, up from 21,901 in 2010. The city grew by an average of 136 households per year between 2010-2016, accounting for about 1.3% of metro area growth during this timeframe. As a whole, the PMA had an estimated 157,683 households in 2016 and has added an average of 1,261 new households/year since 2010. The metro area experienced growth of 10,255 new households per year between 2010 and 2016, increasing to a total of 1,179,277 households last year.

Minnetonka is predicted experience an uptick in household growth. After averaging 136 households/year between 2010-2016, Minnetonka household growth is projected to increase to 177 per year between 2016-2021 and 322 per year from 2021-2030, before pulling back to 170 per year between 2030-2040. Minnetonka is forecast to account for 1.5% of metro area household growth between 2016-2021, increasing to 2.6% between 2021-2030, and then declining to 1.6% of regional growth from 2030-2040.

Household Size

It is also interesting to note the declining average household size throughout the metro area. This trend is even more pronounced in Minnetonka. In 2000, the average household in Minnetonka comprised 2.40 persons. This had declined to 2.27 persons per household in 2010, then held fairly steady through 2016. Going forward, the average household size in Minnetonka is forecast to decline to 2.18 persons in 2030, before leveling off. This trend relates in part to a variety of factors, notably:

- Declining birth rates
- The aging of the current household base (i.e. Minnetonka residents “aging in place,” with more becoming “empty nesters”)
- Smaller households (on average) moving to Minnetonka – especially 1 and 2-person households

	Avg. # of Persons per Household					
	2000	2010	2016	2021	2030	2040
Minnetonka	2.40	2.27	2.28	2.28	2.18	2.17
Primary Market Area	2.42	2.36	2.37	2.37	2.29	2.29
Twin Cities Metro Area	2.59	2.55	2.55	2.55	2.50	2.50

Sources: US Census Bureau; ESRI Business Information Solutions; Twin Cities Met Council

Employment

Employment growth can also be a particularly meaningful indicator of housing demand, as household growth tends to lag slightly behind job growth. Economic growth and an influx of jobs to a particular area can have a significant corresponding housing impact. In the case of the Twin Cities Metro Area, the regional economy is quite strong, outperforming many US metro areas in terms of job growth and unemployment levels over the past 5+ years. Projections by the Twin Cities Met Council suggest that the region will add around 16,000 jobs per year (on average) between 2016 and 2030, decreasing to around 12,000 jobs/year between 2030 and 2040.

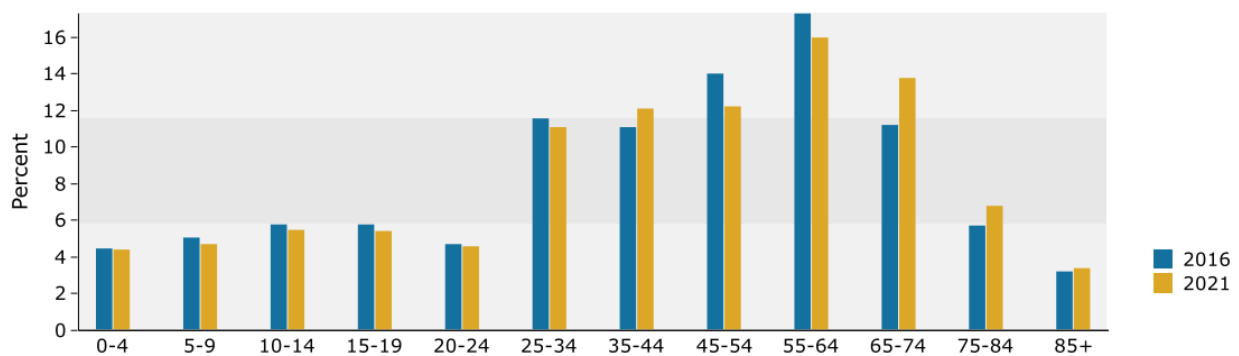
Minnetonka has an estimated 44,788 based jobs (# of employees, by place of work) in 2016, accounting for about 2.6% of metro area employment. Interestingly, the Met Council projects that Minnetonka will account for about 6.8% of metro area job growth through 2030, expanding to a base of 58,900 workers at that time, and thereafter growing to 63,200 workers in 2040.

Comments on population, household and employment growth forecasts: Our analysis suggests that the ESRI and Met Council household growth forecasts could in fact be conservative, considering the attractiveness of Minnetonka as a place of residence, and its substantial employment base. Interestingly, Minnetonka comprises 2.6% of the region's total employment presently and the Met Council forecast suggests the city will account for more than 3.6% of metro area employment growth through 2040. Yet, ESRI and Met Council forecasts indicate Minnetonka will account for less than 2.0% of metro area household growth. From our experience, we know that most households prefer to live within a relatively short commute to their place of employment. As such, assuming that Minnetonka is able to provide an adequate supply of new housing, we believe the opportunity exists for the city to capture an increasing share of regional population and household growth in the future. This is addressed more specifically in later sections of the report, as we discuss future housing demand in the community.

POPULATION AGE DISTRIBUTION

The age of the population relates to the need for different housing products -- as people age, their lifestyles change, as do their housing needs and preferences. The vast majority of young households choose to rent initially as they continue their education or begin their careers, with many delaying the purchase of a home for a variety of economic (college debt load, credit, etc) and lifestyle (mobility, maintenance, etc.) factors. Meanwhile, middle-age households are more likely to choose home-ownership, particularly in suburban markets, as they raise their families. Other middle-age singles or couples may opt for a townhouse or condo. Older adults have also comprised an important segment of the multifamily market, as they select a less maintenance-intensive housing option, allowing more time for leisure activities and travel. In recent months, we have noted a trend whereby a larger share of many household groups, regardless of age and income level, are choosing to rent, rather than purchase a home due to a variety of economic and lifestyle considerations.

Minnetonka Population Age Distribution, 2016-2021

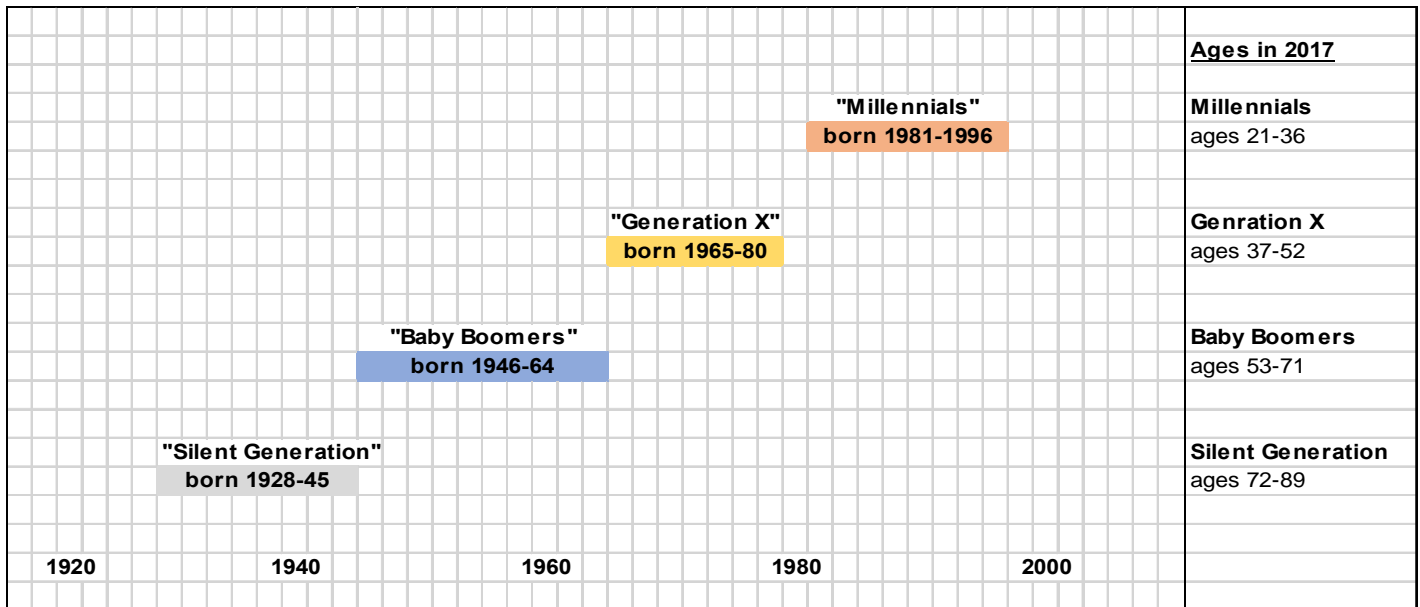


The table on the following page shows data on the population age distribution for Minnetonka and the Twin Cities Metro Area as a whole. The 2010 population figures are from the U.S. Census. The age distribution estimates for 2016 and 2021 are from ESRI. Forecasts for 2040 are from the Met Council.

Large base of older adults in Minnetonka -- First, the data clearly illustrates the difference in the age distribution in Minnetonka, as compared to the metro area. Minnetonka's population base is older, with a median age of 46.2 compared to 37.0 for the metro area. In total, Minnetonka had an estimated age 55+ population of 19,360 in 2016, accounting for 37% of the city's resident base, compared to 26% for the metro area.

We also note the large base of seniors in Minnetonka, where the age 65+ population comprises approximately 20% of the resident base, compared to 13% regionally. Minnetonka also has a large number of adults ages 55-64, comprising about 17% of the resident base, compared to about 13% for the metro area as a whole. Many persons in this age group are or will soon become "empty nesters," and will consider a housing product alternative to their current single-family home.

The graphic below illustrates the primary generational groups with the timeframe they were born, and their current age range:



The population age data also illustrates the growth trend and aging of **Millennials**, both within Minnetonka and regionally. The Twin Cities, in particular its urban submarkets and close-in suburbs, has seen a considerable influx of young renters over the past three to five years. This corresponds with a healthy economy, expanding business community, and new job opportunities throughout the region. With consistently low unemployment, Twin Cities businesses have been forced to recruit new workers from outside the region, prompting considerable in-migration of millennials to the Twin Cities.

The age distribution data shows growth and aging of many Twin Cities millennials into their late 30s and early 40s. The number of Twin Cities residents aged 25 to 34 is projected to grow by about 19,000 between 2016 and 2021, following growth of about 12,000 between 2010 and 2016. Meanwhile, the number of persons ages 35-44 in the Twin Cities metro area is expected to increase by more than 39,000 residents over the next five years, a very significant uptick. ESRI projects that Minnetonka will capture virtually no growth in age 25-34 population group, and only 757 residents ages 35-44 between 2016-2021, or less than 2% of regional population growth in the age 35-44 cohort. This relates in part to a very tight housing market and limited supply of new housing options in Minnetonka which meet the preferences and affordability threshold of many in these age groups.

We also note the impact of the large **Baby Boomer generation**. The number of persons in the metro area between the ages of 65-74 is forecast to grow by more than 60,000 between 2016 and 2021, following an increase of more than 64,000 over the past six years. This age group represents a potential market for both apartments and condos in markets such as Minnetonka. Recently, apartment leasing activity has been dominated by the Millennial segment, with fewer of these older adults and empty nesters moving in to new Twin Cities apartments. Many empty nesters have

chosen to remain in their homes, indicating a preference for condos over apartments due to housing quality and lifestyle preferences. Some have opted for senior cooperative housing. The supply of new condos has been suppressed recently by a construction warranty law placing considerable risk on developers over an extended period. Recent legislation has appropriately overturned this, with this change expected to prompt a considerable uptick in condo development, while apartment and senior housing developers are expected to introduce new rental apartment products targeting active older adults ages 55 to 75.

Met Council 2040 forecast indicates significant increase in both youngest and oldest population cohorts in Minnetonka It is also interesting to note the long-term 2040 forecast by the Met Council, which indicates significant growth in both the youngest and oldest age cohorts. The Met Council forecast suggests that the size of the age 75+ group will increase to 8,925 persons in 2040, from 4,621 residents in 2016. Meanwhile, the number of children ages 14 and under is projected to increase to 9,848 in 2040, up from 7,981 in 2016. Met Council also projects a marked increase in the age 25-44 cohorts during this time. In order for this forecast to become reality, Minnetonka will need to experience a ramp-up in housing construction to accommodate these groups. At present, there is scarcity of available housing in the community for Millennials, including single persons, couples and young families.

RACE & ETHNICITY

Minnetonka resident base is primarily White, but becoming increasingly diverse -- The table on the following page shows population race & ethnicity data for both Minnetonka and the Twin Cities metro area for 2010, according to the US Census, along with 2016 and 2021 estimates from ESRI. At present, Minnetonka is somewhat less racially diverse compared to the metro area. An estimated 24.1% of the metro area resident base in 2016 was non-white. In Minnetonka, an estimated 11.6% of the resident base was non-white in 2016, compared to 10.0% in 2010. By 2021, an estimated 13.2% of the city's residents will be non-white. The growth rate of non-white residents in Minnetonka exceeds the white population growth rate, by far. The fastest-growing segments between 2016 and 2021 are anticipated to be Black and Asian residents, growing by 17.9% and 23.3%, respectively. This compares to 17.0% (Black) and 20.3% (Asian) resident growth for the metro area during this time.

Population by Race & Ethnicity City of Minnetonka & Twin Cities Metro Area 2010, 2016, 2021						
City of Minnetonka						
Race and Ethnicity	2010		2016		2021	
	Number	Pct.	Number	Pct.	Number	Pct.
White Alone	44,780	90.0%	45,770	88.4%	46,743	86.8%
Black Alone	1,855	3.7%	2,201	4.3%	2,594	4.8%
American Indian Alone	132	0.3%	134	0.3%	143	0.3%
Asian Alone	1,565	3.1%	2,012	3.9%	2,481	4.6%
Pacific Islander Alone	9	0.0%	10	0.0%	10	0.0%
Some Other Race Alone	363	0.7%	411	0.8%	486	0.9%
Two or More Races	1,030	2.1%	1,214	2.3%	1,406	2.6%
Total	49,734	100.0%	51,752	100.0%	53,863	100.0%
Hispanic Origin (Any Race)	1,169	2.4%	1,318	2.5%	1,550	2.9%
Twin Cities Metro Area						
Race and Ethnicity	2010		2016		2021	
	Number	Pct.	Number	Pct.	Number	Pct.
White Alone	2,246,356	78.8%	2,284,313	75.9%	2,310,892	73.1%
Black Alone	238,723	8.4%	284,077	9.4%	332,407	10.5%
American Indian Alone	20,906	0.7%	21,446	0.7%	22,099	0.7%
Asian Alone	183,421	6.4%	232,679	7.7%	280,959	8.9%
Pacific Islander Alone	1,262	0.0%	1,400	0.0%	1,512	0.0%
Some Other Race Alone	74,516	2.6%	84,487	2.8%	96,767	3.1%
Two or More Races	84,383	3.0%	100,302	3.3%	116,299	3.7%
Total	2,849,567	100.0%	3,008,704	100.0%	3,160,935	100.0%
Hispanic Origin (Any Race)	167,558	5.9%	191,032	6.3%	220,327	7.0%

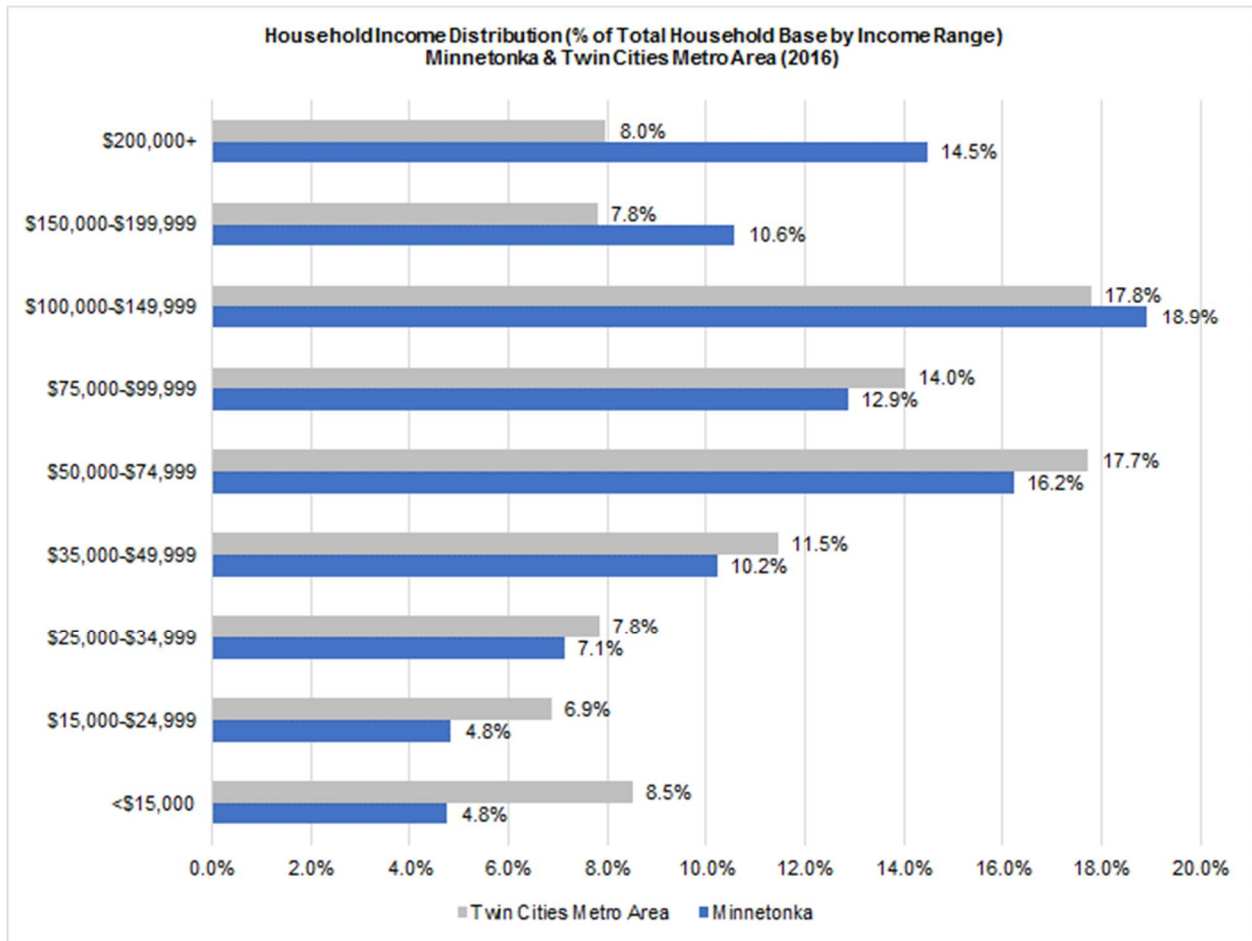
Sources: 2010 US Census; ESRI Business Information Solutions (2016-2021 estimates)

HOUSEHOLD INCOMES

The table on the following page shows household age and income distribution data for Minnetonka and the Twin Cities Metro Area in 2016, and projected to 2021, according to ESRI forecast reports. The table shows the number of households by age and by income range. The table also presents the estimated median and average household incomes for each household group.

Minnetonka, on average, is an affluent community. The median household income for the Minnetonka resident base in 2016 was estimated at \$86,559, compared to the metro area median income of \$67,795. The median household income in Minnetonka is projected to increase to \$99,801 in 2021, reflecting a 15% increase over five years. This compares to a similar increase of 16% for the Metro Area.

The graphic below further illustrates the concentration of upper-income households in Minnetonka. For example, 14.5% of Minnetonka households earned more than \$200,000 in 2016, compared to 8.0% of metro area households.



Household Age & Income Distribution, 2016-2021
City of Minnetonka and Twin Cities Metro Area

	Minnetonka								Twin Cities Metro Area							
	2016								2016							
Age of Householder	Totals	<25	25-34	35-44	45-54	55-64	65-74	75+	Totals	<25	25-34	35-44	45-54	55-64	65-74	75+
HH Income Base	22,717	506	2,946	3,163	4,066	5,214	3,613	3,209	1,179,277	48,231	203,543	215,524	236,126	227,315	141,435	107,103
<\$15,000	1,084	45	129	88	104	205	156	357	100,309	10,575	18,824	12,906	12,341	17,655	11,231	16,777
\$15,000-\$24,999	1,101	49	136	84	73	143	206	410	81,044	6,839	13,498	9,715	8,580	11,192	13,068	18,152
\$25,000-\$34,999	1,620	69	243	164	164	229	293	458	92,443	6,874	18,077	13,815	11,871	12,654	13,157	15,995
\$35,000-\$49,999	2,321	85	378	277	245	354	407	575	135,150	7,327	26,548	22,668	18,375	20,444	20,338	19,450
\$50,000-\$74,999	3,683	119	576	458	485	704	705	636	209,109	7,983	41,386	35,662	37,801	39,538	28,839	17,900
\$75,000-\$99,999	2,922	52	442	459	519	723	510	217	165,361	3,623	30,336	32,564	37,608	36,210	18,033	6,987
\$100,000-\$149,999	4,297	57	587	661	979	1,128	577	308	209,848	3,441	34,601	47,739	53,426	43,914	19,352	7,375
\$150,000-\$199,999	2,401	18	265	436	599	663	312	108	92,054	876	12,782	20,828	26,652	20,836	7,918	2,162
\$200,000+	3,288	12	190	536	898	1,065	447	140	93,960	693	7,491	19,627	29,472	24,872	9,499	2,306
Median HH Income	\$86,559	\$50,646	\$75,455	\$102,536	\$117,216	\$107,639	\$76,457	\$43,668	\$67,795	\$34,667	\$62,526	\$83,240	\$92,965	\$81,757	\$58,732	\$36,436
Average HH Income	\$122,329	\$65,894	\$96,624	\$137,289	\$156,256	\$147,371	\$112,665	\$67,285	\$88,238	\$49,164	\$79,869	\$105,477	\$119,276	\$108,911	\$85,252	\$53,022
	2021								2021							
Age of Householder	Totals	<25	25-34	35-44	45-54	55-64	65-74	75+	Totals	<25	25-34	35-44	45-54	55-64	65-74	75+
HH Income Base	23,602	507	2,834	3,523	3,617	4,923	4,511	3,687	1,238,956	47,714	208,597	232,948	218,535	232,524	174,507	124,131
<\$15,000	1,118	55	131	89	78	157	196	412	109,292	11,462	20,428	14,199	11,728	16,964	14,590	19,921
\$15,000-\$24,999	1,073	45	121	75	45	112	225	450	80,124	6,413	12,798	9,098	6,762	10,175	14,662	20,216
\$25,000-\$34,999	1,420	62	195	148	101	166	299	449	84,160	6,014	15,963	12,542	8,806	10,753	13,869	16,213
\$35,000-\$49,999	2,423	92	351	288	208	309	492	683	146,301	8,117	28,082	23,816	17,204	20,638	25,153	23,291
\$50,000-\$74,999	2,692	92	378	360	292	447	600	523	152,531	5,652	29,188	26,567	23,129	27,353	24,948	15,694
\$75,000-\$99,999	3,094	62	447	512	454	665	675	279	186,720	4,152	34,450	37,651	36,623	39,187	25,178	9,479
\$100,000-\$149,999	4,951	65	644	793	922	1,195	848	484	253,099	4,031	41,697	58,354	55,123	52,627	29,457	11,810
\$150,000-\$199,999	3,067	21	343	592	650	772	501	188	118,212	1,114	16,887	27,417	29,974	26,498	12,566	3,756
\$200,000+	3,764	13	224	666	867	1,100	675	219	108,511	759	9,104	23,304	29,186	28,325	14,084	3,749
Median HH Income	\$99,801	\$49,887	\$86,602	\$113,453	\$129,026	\$119,797	\$89,740	\$45,714	\$78,669	\$34,930	\$72,510	\$93,831	\$102,802	\$92,967	\$67,367	\$37,712
Average HH Income	\$134,335	\$69,659	\$109,251	\$151,796	\$171,432	\$162,350	\$128,802	\$79,798	\$100,083	\$51,792	\$88,197	\$115,571	\$129,596	\$120,589	\$95,945	\$60,440
	Change, 2016-2021								Change, 2016-2021							
Age of Householder	Totals	<25	25-34	35-44	45-54	55-64	65-74	75+	Totals	<25	25-34	35-44	45-54	55-64	65-74	75+
HH Income Base	885	1	-112	360	-449	-291	898	478	59,679	-517	5,054	17,424	-17,591	5,209	33,072	17,028
<\$15,000	34	10	2	1	-26	-48	40	55	8,983	887	1,604	1,293	-613	-691	3,359	3,144
\$15,000-\$24,999	-28	-4	-15	-9	-28	-31	19	40	-920	-426	-700	-617	-1,818	-1,017	1,594	2,064
\$25,000-\$34,999	-200	-7	-48	-16	-63	-63	6	-9	-8,283	-860	-2,114	-1,273	-3,065	-1,901	712	218
\$35,000-\$49,999	102	7	-27	11	-37	-45	85	108	11,151	790	1,534	1,148	-1,171	194	4,815	3,841
\$50,000-\$74,999	-991	-27	-198	-98	-193	-257	-105	-113	-56,578	-2,331	-12,198	-9,095	-14,672	-12,185	-3,891	-2,206
\$75,000-\$99,999	172	10	5	53	-65	-58	165	62	21,359	529	4,114	5,087	-985	2,977	7,145	2,492
\$100,000-\$149,999	654	8	57	132	-57	67	271	176	43,251	590	7,096	10,615	1,697	8,713	10,105	4,435
\$150,000-\$199,999	666	3	78	156	51	109	189	80	26,158	238	4,105	6,589	3,322	5,662	4,648	1,594
\$200,000+	476	1	34	130	-31	35	228	79	14,551	66	1,613	3,677	-286	3,453	4,585	1,443

Source: ESRI Business Information Solutions

Senior households prominent in Minnetonka, with higher incomes compared to metro area --

Previously, we have noted that age of Minnetonka resident base. It is of interest here to compare household income levels across all age cohorts, but especially the older households, of which there are significant numbers in Minnetonka. In Minnetonka, the median household income for households ages 65-74 was estimated at \$76,457 in 2016, compared to \$58,732 for the metro area. The median for Minnetonka households aged 75+ was \$43,668, compared to \$36,436 for the metro area. The large number of senior households in Minnetonka, and the comparatively higher incomes of that senior resident base, are variables which attract senior housing developers. The increase in senior housing construction in and around the city of Minnetonka relates largely to these data points.

Significant number of households ages 55-64 -- Also of note is the large group of older adult households ages 55-64 in Minnetonka, comprising an estimated 5,214 households in 2016, and their affluence, with a median income of \$107,639. Many in this group will age into their empty nest and/or retirement years over the next 5-10 years. Based on the current trend, many will continue to age in place, remaining in their single-family homes. Others may consider senior housing alternatives, although senior housing products with age restrictions and meals/care offerings typically attract a somewhat older renter profile (typically 75+). Our assessment of household age & income data, paired with housing market factors, suggest that there may be an opportunity for developers to attract households who fall into the categories of aging adult, active senior citizen, and/or empty nester to alternative housing products such as condos or new rental apartment products targeting this demographic specifically. Age-restricted senior cooperative developments also fall into this category, and have had much recent success in Minnetonka.

Minnetonka is home to only 1.5 % of metro area households ages 25-44 -- In spite of its strong economic base, comprising an estimated 2.6% of regional employment, with growing businesses working to attract employees from throughout the country and internationally, Minnetonka is home to only about 1.9% of metro area households, and 1.5% of those ages 25-44. From our analysis, we are aware that this is partly due to the housing supply in the community, which features large numbers of older single family homes, many of which are occupied by older adults or seniors who are aging in place. Meanwhile, Minnetonka until very recently has seen limited development of new housing products (for rent or sale) which might appeal to younger households. This includes Millennials, who are a prime segment of the apartment market. Meanwhile, the leading edge of the Millennial generation will age into their late 30s to early 40s in the coming 5-10 years and will consider new housing alternatives. They will weigh rent vs. buy options, as well as product options (apartment vs. condo vs. townhome vs. single-family home). For Millennials opting to purchase a home, likely coming out of an apartment, a townhome or condo can be an appealing intermediate housing option, perhaps for a few years prior to investing in a larger single-family home. Others may in fact consider a condo or townhouse as a more permanent option, especially those who remain single and/or delay having children. We know these trends are prominent among Millennials, and thus we anticipate a ramp-up in demand for townhouse and condo products as more in this generational group consider a move from a rental to home ownership.

HOUSING TENURE

Housing tenure, as defined by the U.S. Census, refers to the financial arrangement under which someone occupies a housing unit, either by renting or owning. The number of owners and renters is shown below for Minnetonka and the metro area. Data for 2010 is from the U.S. Census, with 2016 estimates sourced from ESRI.

Housing Tenure Data						
City of Minnetonka and Twin Cities Metro Area						
Area / Housing Type	2010		2016		Change, 2010-2016	
	No.	Pct.	No.	Pct.	No.	Pct.
Minnetonka						
Owner Occupied Units	16,076	73.4%	16,476	72.5%	400	2.5%
Renter Occupied Units	5,825	26.6%	6,241	27.5%	416	7.1%
Total Occupied Units	21,901	100.0%	22,717	100.0%	816	3.7%
Twin Cities Metro Area						
Owner Occupied Units	782,475	70.0%	814,595	69.1%	32,120	4.1%
Renter Occupied Units	335,274	30.0%	364,682	30.9%	29,408	8.8%
Total Occupied Units	1,117,749	100.0%	1,179,277	100.0%	61,528	5.5%
Sources: US Census; ESRI Business Information Solutions						

In 2016, according to estimates by ESRI, Minnetonka was home to an estimated 16,476 (72.5%) home owners and 6,241 (27.5%) renters. By comparison, an estimated 30.9% of metro area households rented their housing. Minnetonka was home to an estimated 1.7% of the metro area's renter households in 2016, and 2.0% of the region's homeowners.

Increasing propensity among households to rent, rather than buy -- From our analysis of recent apartment developments in the Twin Cities and interviews with property managers, we are aware that many household groups at a full range of income levels are currently showing a much greater propensity to rent, rather than buy, in the Twin Cities market, particularly in urban locations, but also suburban sites with good access to employment nodes and goods/services. There are several lifestyle and economic factors which contribute to this trend:

- ***Supply side issues*** -- For one, we have seen a considerable increase in the supply of attractive new apartments in the metro area, with apartment construction being very active. Meanwhile, for those preferring a multifamily housing product, rental apartments are simply more available. Meanwhile, there have been very, very few condos added in the region for several months. Also compared to apartments, there have been far fewer new for-sale housing units added recently such as townhomes or single-family homes in both urban and suburban markets
- ***Mobility*** -- Mobility is particularly important to young renters, who have shown a tendency to move with greater frequency, often related to a job change. Renting provides mobility, while homeownership can create challenges related to moving in today's marketplace, as there is much uncertainty regarding sale price and the time required to market and sell a home.

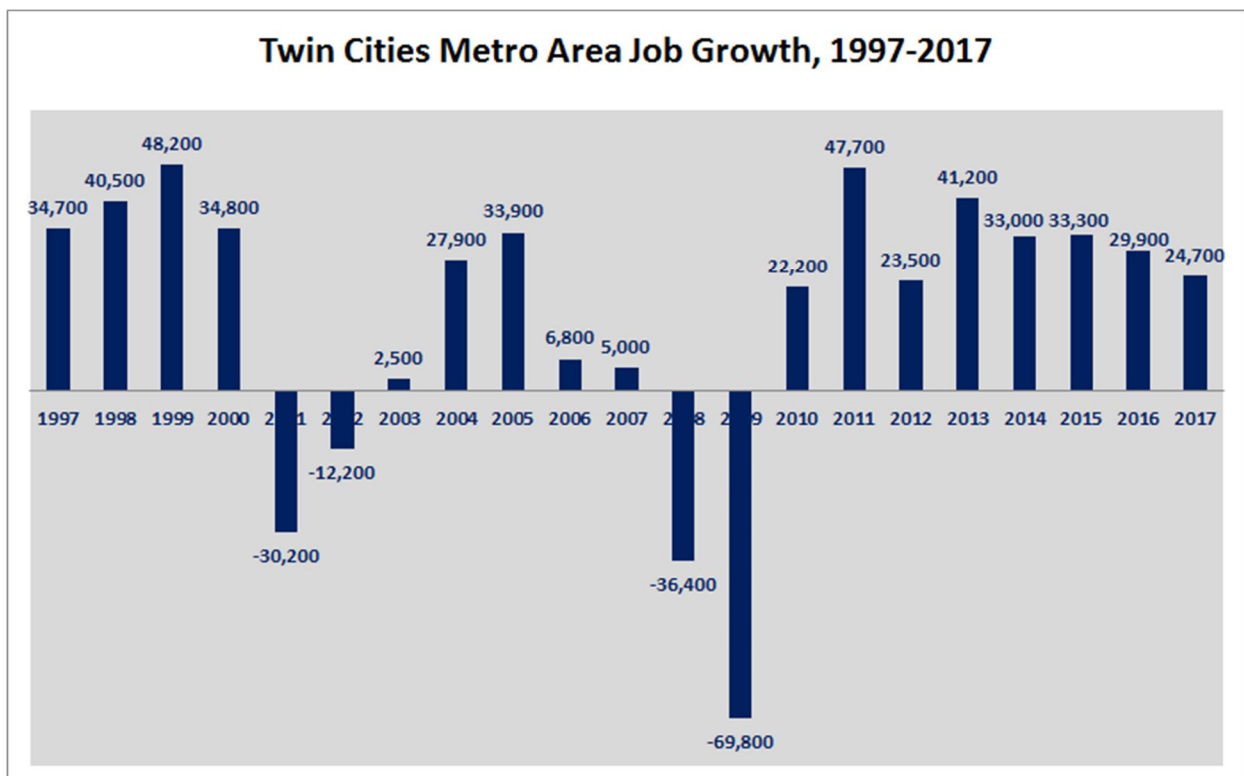
- ***Lack of savings for down payment*** -- We are also aware that down payment requirements are having an impact on the rent vs. buy decision, particularly for young renters. Many lenders now require a 10% to 20% down payment, depending on a variety of factors, which on a \$400,000 condo or house equates to approximately \$40,000 to \$80,000. Those in the early stages of their careers are much less likely to have enough savings for such a down payment, even though they may have a very good job and earn a relatively high income.
- ***Debt, specifically student loan debt*** -- Many young households, while perhaps earning a good income, are carrying significant college debt. According to a 2016 national study by the Institute for College Access and Success, Minnesota ranked 6th highest in the U.S. in terms of student debt. According to the study, 70% of Minnesota college students graduated during the prior year with at least some debt. The average debt load for a MN college student that year was \$31,526.

ECONOMY AND JOB GROWTH

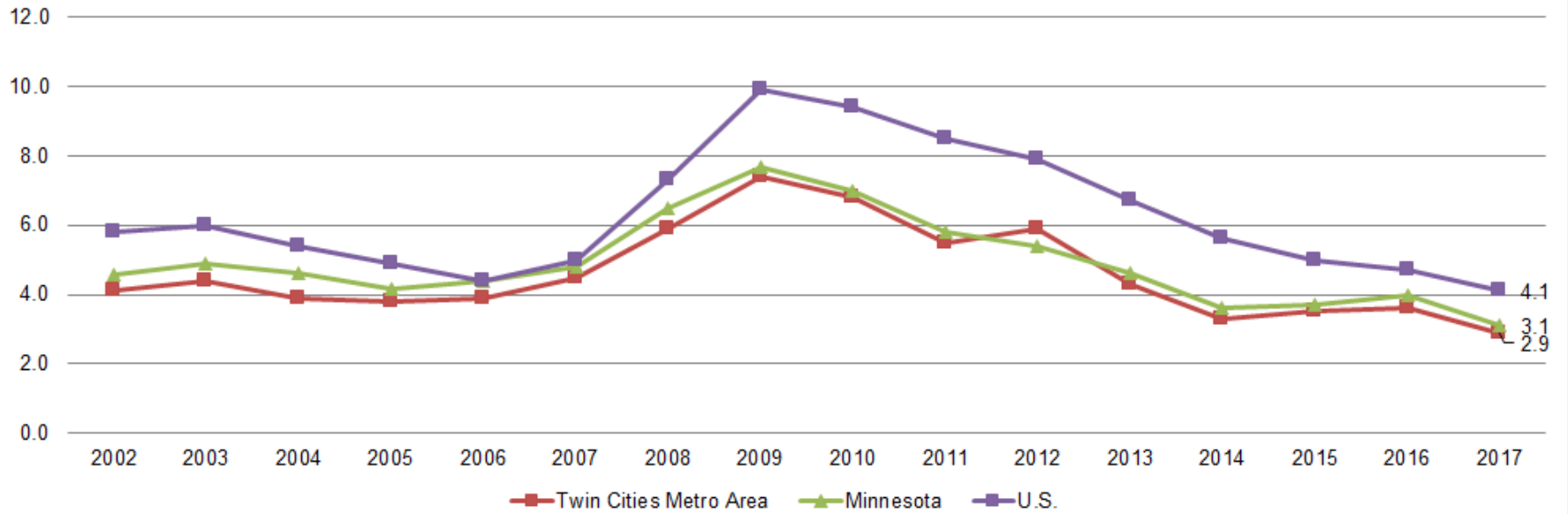
We have also examined local and regional economic trends, including business development and job growth & hiring trends, as well as unemployment statistics. The graph on the following page shows annual employment increases (or declines, in some years) for the 13-county Twin Cities Metro Area, according data from the Minnesota Department of Employment and Economic Development. *It is important to note that the employment numbers presented here represent the defined 13-county metro area, while the employment figures presented previously in this chapter were sourced from the Met Council and covered the 7-county metro area.*

Twin Cities Job Growth

The Twin Cities economy suffered through a serious recession, shedding more than 106,000 jobs in 2008-2009, dwarfing the prior recession of 2001-2002, when about 42,000 jobs were lost. The Twin Cities economy entered a recovery phase beginning in 2010 and remains one of the most robust economies nationally. Over the past eight years, the 13-county metro area has seen the addition of more than 255,000 jobs, representing a full recovery from the recession, with sustained economic growth over several months. An average of 31,900 new jobs have been created annually from 2010-2017. Job growth has slowed somewhat, with 24,700 jobs added in 2017, according to MN-DEED statistics. This relates in part, however, due to the limited supply of labor, with consistently low unemployment in the region over many months. Unemployment stood at just 2.9% in the Twin Cities Metro Area at the end of 2017, compared to 3.1% statewide and 4.1% nationally.



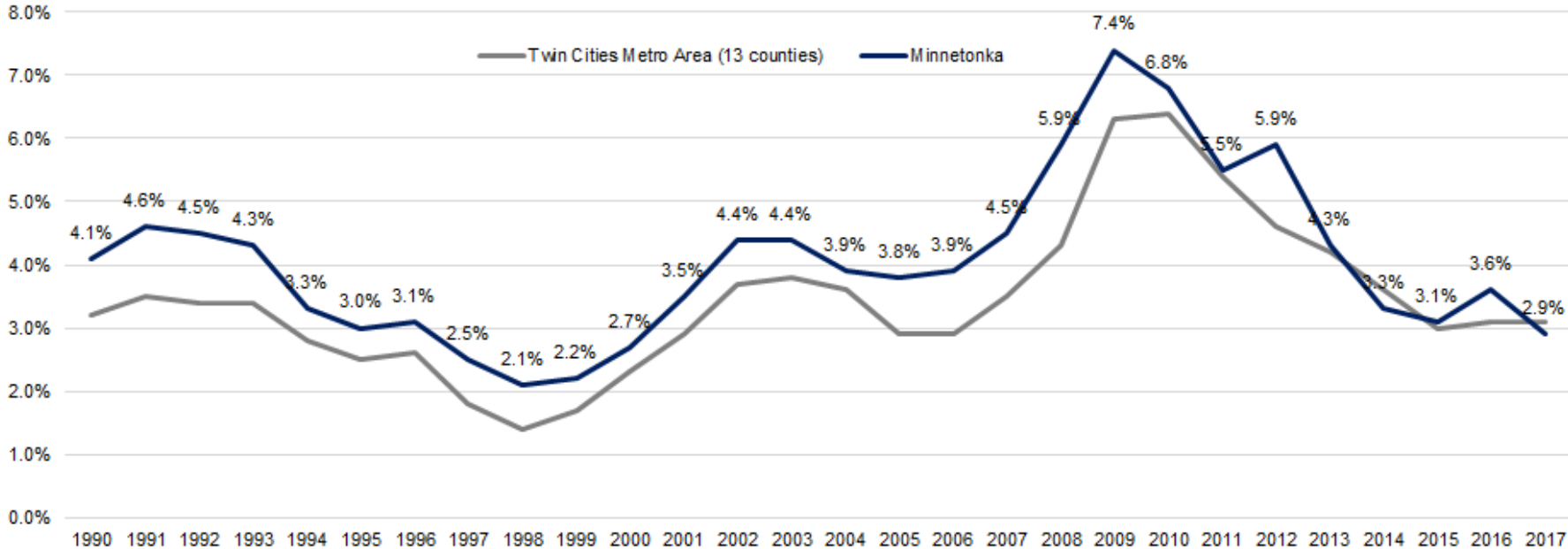
**Historical Unemployment Rates (seasonally adjusted)
Twin Cities Metro, State of MN, United States**



Unemployment Rates (December)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Twin Cities Metro Area	4.1	4.4	3.9	3.8	3.9	4.5	5.9	7.4	6.8	5.5	5.9	4.3	3.3	3.1	3.6	2.9
Minnesota	4.6	4.9	4.6	4.2	4.4	4.8	6.5	7.7	7.0	5.8	5.4	4.6	3.6	3.5	4.0	3.1
U.S.	5.8	6.0	5.4	4.9	4.4	5.0	7.3	9.9	9.4	8.5	7.9	6.7	5.6	5.0	4.7	4.1

Source: U.S. Bureau of Labor Statistics, MN-DEED

Unemployment Rate Trend
Minnetonka Residents & Twin Cities Metro Area (13 counties)



Unemployment Rates – Minnetonka & Twin Cities Metro Area

Unemployment rate for Minnetonka residents has been consistently low ó The graph on the preceding page shows historical unemployment rates for the City of Minnetonka (Minnetonka residents) and the metro area. Current unemployment in Minnetonka, at 3.1% (as 2017 year-end), was slightly higher than the 2.9% metro area unemployment rate. However, Minnetonka unemployment has been quite low over a long period of time, and is typically lower than the metro area rate.

Relating labor force issues & job growth to housing needs -- Economists and employers together have noted the impacts related to more limited availability of labor, with unemployment declining to the low to mid 3% range over several months. As such, many Twin Cities businesses are forced to recruit new employees from beyond the immediate region. This has, in turn, fueled considerable in-migration to the metro area, with a corresponding demand for added housing. Many of these relocating employees are choosing to rent, rather than buy, at least initially in the Twin Cities market. Some will seek to become homeowners over time, although large numbers will rent long term, and perhaps permanently, due to the varied lifestyle and economic factors noted previously.

Employment by Industry – Twin Cities Metro Area

In developing an understanding of housing needs, it is also important to examine job growth trends and the types of jobs being added within the regional economy. We have evaluated historical job growth by industry sector for the Twin Cities Metro Area from MN-DEED. The table on the following page shows the change in employment by industry, by year, for 2006 year-end through mid-year 2017. When 106,000 jobs were lost during the recession of 2008-2009, the Trade, Transportation and Utilities Sector (-33,700 jobs) and the Manufacturing Sector (-30,600 jobs) were hit particularly hard. All sectors saw significant employment declines during this timeframe, with the exception of Education and Health Services, which continued to expand throughout the recession, adding a total of 13,500 employees between 2007 and 2009.

The regional economy has since improved greatly, and continues to expand. Total employment as of year-end 2017 surpassed the pre-recession level by approximately 150,000 jobs. Almost every industry sector has shown a marked increase in employment over the past 2-5 years. We've noted considerable growth in Business and Professional Services, along with Education and Health Services since 2010. More recently, there have been notable increases in Manufacturing employment, as well as Construction.

In 2016, 29,900 jobs were added in the metro area, following 33,000 during each of the prior two years. In 2017, 24,700 jobs were added, as the Twin Cities saw big employment gains in a number of sectors, notably Leisure & Hospitality (+11,800) and Trade, Transportation & Utilities (+15,900).

Twin Cities Seasonally Adjusted Employment by Industry (13-county metro area)
(data in thousands)

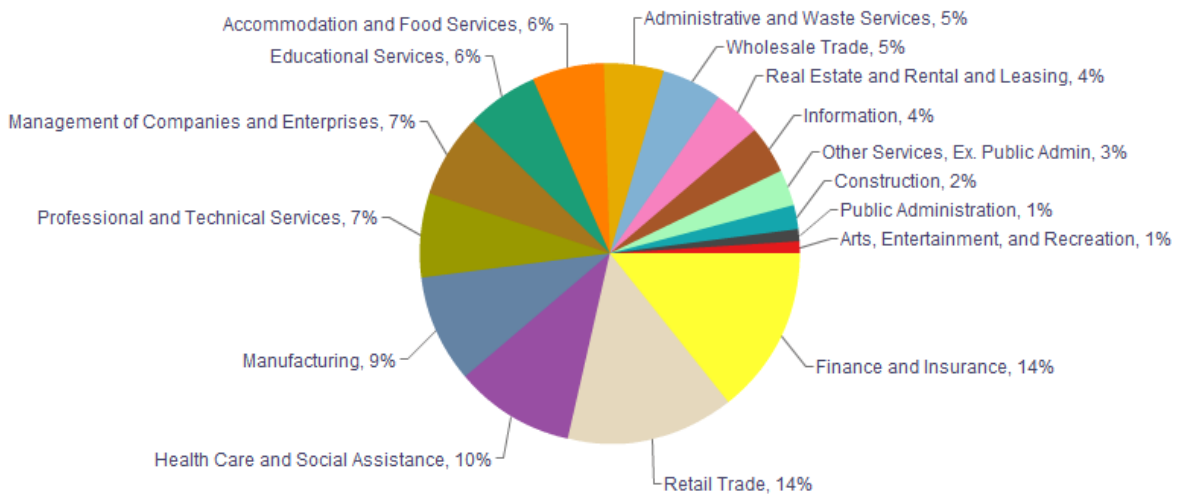
Date	Total Nonfarm	Construction	Manufacturing	Trade, Transport. & Utilities	Information	Financial Activities	Professional & Bus Services	Education & Health Services	Leisure & Hospitality	Other Services	Government
December 2006	1,842.8	83.1	207.2	353.3	42.9	145.3	273.7	247.2	163.2	78.2	248.7
December 2007	1,847.8	77.2	204.9	354.6	43.3	144.5	276.5	258.3	166.1	78.4	244.0
December 2008	1,811.4	66.7	195.3	339.0	42.3	141.4	270.5	267.5	162.8	78.4	247.5
December 2009	1,741.6	59.2	174.3	320.9	40.3	138.8	259.5	271.8	157.6	76.8	242.4
December 2010	1,763.8	55.6	178.7	324.0	40.2	141.1	270.1	276.6	158.1	76.6	242.8
December 2011	1,811.5	59.5	183.3	331.7	41.0	141.5	286.7	286.7	164.1	78.5	238.4
December 2012	1,835.0	61.9	185.4	333.6	40.7	144.1	288.5	293.4	167.2	78.5	241.7
December 2013	1,876.2	68.3	187.5	340.3	40.0	145.2	294.6	303.9	172.3	78.4	245.7
December 2014	1,909.2	71.7	193.5	345.6	39.7	145.4	303.8	306.8	176.1	80.5	246.0
December 2015	1,942.5	70.1	196.1	342.1	39.4	149.5	313.8	320.0	184.6	80.1	247.1
December 2016	1,972.4	76.4	194.3	350.1	38.9	151.2	316.8	333.4	175.5	84.1	251.6
December 2017	1,997.1	81.4	197.0	366.0	37.2	145.3	318.0	333.4	187.3	81.0	250.6
Annual Change											
2006-07	5.0	-5.9	-2.3	1.3	0.4	-0.8	2.8	11.1	2.9	0.2	-4.7
2007-08	-36.4	-10.5	-9.6	-15.6	-1.0	-3.1	-6.0	9.2	-3.3	0.0	3.5
2008-09	-69.8	-7.5	-21.0	-18.1	-2.0	-2.6	-11.0	4.3	-5.2	-1.6	-5.1
2009-10	22.2	-3.6	4.4	3.1	-0.1	2.3	10.6	4.8	0.5	-0.2	0.4
2010-11	47.7	3.9	4.6	7.7	0.8	0.4	16.6	10.1	6.0	1.9	-4.4
2011-12	23.5	2.4	2.1	1.9	-0.3	2.6	1.8	6.7	3.1	0.0	3.3
2012-13	41.2	6.4	2.1	6.7	-0.7	1.1	6.1	10.5	5.1	-0.1	4.0
2013-14	33.0	3.4	6.0	5.3	-0.3	0.2	9.2	2.9	3.8	2.1	0.3
2014-15	33.3	-1.6	2.6	-3.5	-0.3	4.1	10.0	13.2	8.5	-0.4	1.1
2015-16	29.9	6.3	-1.8	8.0	-0.5	1.7	3.0	13.4	-9.1	4.0	4.5
2016-17	24.7	5.0	2.7	15.9	-1.7	-5.9	1.2	0.0	11.8	-3.1	-1.0
Source: MN Dept. of Employment & Economic Development											

Employment by Industry - Minnetonka

Employment by industry for the City of Minnetonka is shown below, sourced again from MN-DEED. The data clearly illustrates the diversity of the local economy, with 10 industry sectors employing more than 2,000 workers. The top five industry sectors in Minnetonka are as follows:

1. Finance & Insurance (6,148 employees),
2. Retail Trade (6,076)
3. Healthcare & Social Assistance (4,568)
4. Manufacturing (4,201)
5. Professional & Technical Services (3,327)

Employment by Industry in Minnetonka



Employment by Industry, 2016 City of Minnetonka		
Industry	# of Jobs	Pct.
Accommodation and Food Services	2,602	5.8%
Administrative and Waste Services	2,427	5.4%
All Other Industries	129	0.3%
Arts, Entertainment, and Recreation	511	1.1%
Construction	1,037	2.3%
Educational Services	2,775	6.2%
Finance and Insurance	6,148	13.7%
Information	1,832	4.1%
Health Care and Social Assistance	4,568	10.2%
Management of Companies and Enterprises	3,258	7.3%
Manufacturing	4,201	9.4%
Other Services, Ex. Public Admin	1,340	3.0%
Professional and Technical Services	3,327	7.4%
Public Administration	564	1.3%
Real Estate and Rental and Leasing	1,851	4.1%
Retail Trade	6,076	13.6%
Transportation and Warehousing	2,142	4.8%
Total	44,788	100.0%

Source: MN-Dept. of Employment & Economic Development (MN-DEED)

Large Employers in Minnetonka

Below is a listing of the 10 largest employers in Minnetonka, sourced from GreaterMSP. The job totals as noted reflect only those jobs based in the city of Minnetonka. The city is home to six employers with more than 1,000 workers and 55 businesses with 200+ Minnetonka-based employees.

Top 10 Employers in Minnetonka (# of Minnetonka-based jobs) (2017)				
Company Name	Primary Address	City	Business	# of Employees at this Location
Michael Foods Group, Inc.	301 Carlson Pkw y Ste 400	Minnetonka	Chicken eggs	3,822
United Healthcare Services Inc.	9900 Bren Rd E Ste 300w	Minnetonka	Accident and health insurance	3,200
Carlson Holdings, Inc.	701 Carlson Pkw y	Minnetonka	Hotels and motels	3,118
Minnetonka Indep. School District 276	17310 Minnetonka Blvd	Minnetonka	Elementary and secondary schools	2,735
Boston Scientific Corporation	10700 Bren Rd W	Minnetonka	Surgical and medical instruments	2,200
American Medical Systems, LLC	10700 Bren Rd W	Minnetonka	Surgical appliances and supplies	1,200
General Electric Company	5951 Clearwater Dr	Minnetonka	General industrial machinery	460
Multiband Subscriber Services Inc	5605 Green Circle Dr	Minnetonka	Cable and other pay television services	350
City of Minnetonka	14600 Minnetonka Blvd	Minnetonka	Municipal offices	325
TCF National Bank	11100 Wayzata Blvd Ste 801	Minnetonka	Banking	325
Source: GreaterMSP				

Employment & Wages – Twin Cities Metro Area & City of Minnetonka

We also examined industry employment and wages in Minnetonka, and for the 7-county metro area, as shown below. This data is sourced from MN-DEED Quarterly Census of Employment & Wages. Employee (by place of work) wages for most, but not all, industry sectors are higher in the City of Minnetonka, when compared to the metro area. MN-DEED estimates an average weekly wage of \$1,481 for Minnetonka-based employees in 2016, compared to \$1,181 for the metro area.

Employment & Wages by Industry (2016)					
City of Minnetonka & Twin Cities Metro Area (7 counties)					
	Employment		Employee Earnings		
	#	Pct.	Avg. Weekly Wage	Annual	
City of Minnetonka					
Natural Resources and Mining (1011)	10	0.0%	N/A	N/A	
Construction (1012)	1,083	2.4%	\$1,293	\$67,236	
Manufacturing (1013)	4,210	9.3%	\$1,400	\$72,800	
Trade, Transportation and Utilities (1021)	8,420	18.7%	\$1,087	\$56,524	
Information (1022)	1,890	4.2%	\$1,850	\$96,200	
Financial Activities (1023)	8,275	18.4%	\$2,098	\$109,096	
Professional and Business Services (1024)	9,031	20.0%	\$2,194	\$114,088	
Education and Health Services (1025)	7,282	16.1%	\$762	\$39,624	
Leisure and Hospitality (1026)	2,968	6.6%	\$450	\$23,400	
Other Services (1027)	1,379	3.1%	\$1,640	\$85,280	
Public Administration (1028)	542	1.2%	\$892	\$46,384	
Total	45,090	100.0%	\$1,481	\$76,994	
7-County Twin Cities Metro Area					
Natural Resources and Mining (1011)	3,414	0.2%	N/A	N/A	
Construction (1012)	68,302	4.0%	\$1,439	\$74,828	
Manufacturing (1013)	169,480	9.8%	\$1,439	\$74,828	
Trade, Transportation and Utilities (1021)	326,459	18.9%	\$1,001	\$52,052	
Information (1022)	37,135	2.2%	\$1,544	\$80,288	
Financial Activities (1023)	130,955	7.6%	\$1,812	\$94,224	
Professional and Business Services (1024)	293,955	17.0%	\$1,597	\$83,044	
Education and Health Services (1025)	401,980	23.3%	\$986	\$51,272	
Leisure and Hospitality (1026)	166,624	9.7%	\$497	\$25,844	
Other Services (1027)	56,592	3.3%	\$688	\$35,776	
Public Administration (1028)	69,284	4.0%	\$1,182	\$61,464	
Total	1,724,180	100.0%	\$1,181	\$61,436	
Source: MN-DEED, Quarterly Census of Employment & Wages					

If we assume that households will spend up to 30% of their incomes on housing costs, we can also estimate the maximum monthly housing cost associated with each industry sector, based on the median income, and applying this 30% maximum threshold. We also must make some assumptions regarding the number of workers per household, ranging from 1.0 to 1.5 and 2.0 workers per household, as shown on the following page.

Employment & Wages by Industry (2016)							
City of Minnetonka & Twin Cities Metro Area (7 counties)							
	Employment		Average Annual Earnings/Worker	Maximum Monthly Housing Cost*			
	#	Pct.		# of Workers per Household			
				1.0	1.5	2.0	
City of Minnetonka							
Natural Resources and Mining (1011)	10	0.0%	N/A	N/A	N/A	N/A	
Construction (1012)	1,083	2.4%	\$67,236	\$1,681	\$2,521	\$3,362	
Manufacturing (1013)	4,210	9.3%	\$72,800	\$1,820	\$2,730	\$3,640	
Trade, Transportation and Utilities (1021)	8,420	18.7%	\$56,524	\$1,413	\$2,120	\$2,826	
Information (1022)	1,890	4.2%	\$96,200	\$2,405	\$3,608	\$4,810	
Financial Activities (1023)	8,275	18.4%	\$109,096	\$2,727	\$4,091	\$5,455	
Professional and Business Services (1024)	9,031	20.0%	\$114,088	\$2,852	\$4,278	\$5,704	
Education and Health Services (1025)	7,282	16.1%	\$39,624	\$991	\$1,486	\$1,981	
Leisure and Hospitality (1026)	2,968	6.6%	\$23,400	\$585	\$878	\$1,170	
Other Services (1027)	1,379	3.1%	\$85,280	\$2,132	\$3,198	\$4,264	
Public Administration (1028)	542	1.2%	\$46,384	\$1,160	\$1,739	\$2,319	
Total	45,090	100.0%	\$76,994	\$1,925	\$2,887	\$3,850	
7-County Twin Cities Metro Area							
Natural Resources and Mining (1011)	3,414	0.2%	N/A	N/A	N/A	N/A	
Construction (1012)	68,302	4.0%	\$74,828	\$1,871	\$2,806	\$3,741	
Manufacturing (1013)	169,480	9.8%	\$74,828	\$1,871	\$2,806	\$3,741	
Trade, Transportation and Utilities (1021)	326,459	18.9%	\$52,052	\$1,301	\$1,952	\$2,603	
Information (1022)	37,135	2.2%	\$80,288	\$2,007	\$3,011	\$4,014	
Financial Activities (1023)	130,955	7.6%	\$94,224	\$2,356	\$3,533	\$4,711	
Professional and Business Services (1024)	293,955	17.0%	\$83,044	\$2,076	\$3,114	\$4,152	
Education and Health Services (1025)	401,980	23.3%	\$51,272	\$1,282	\$1,923	\$2,564	
Leisure and Hospitality (1026)	166,624	9.7%	\$25,844	\$646	\$969	\$1,292	
Other Services (1027)	56,592	3.3%	\$35,776	\$894	\$1,342	\$1,789	
Public Administration (1028)	69,284	4.0%	\$61,464	\$1,537	\$2,305	\$3,073	
Total	1,724,180	100.0%	\$61,436	\$1,536	\$2,304	\$3,072	
* Maximum monthly housing cost based on 30% of income toward housing, and # of assumed workers per household.							
Source: MN-DEED, Quarterly Census of Employment & Wages							

It is apparent that single workers in some industries are more likely to experience difficulty in finding affordable housing near their place of work. For example, in Minnetonka, single persons working in the **Leisure & Hospitality** sector (which includes a large number of restaurant jobs), **Public Administration** and **Education & Health Services** are likely to experience difficulty in finding housing in the community that is affordable to them. Both of these are significant industries in Minnetonka. Average rents for 1BR and 2BR apartments in Minnetonka are shown below.

Minnetonka Avg. Apartment Rents by Unit Type (2017 mid-year)

1BR: \$1,107
2BR: \$1,292

Meanwhile, the average home sale price in Minnetonka during the first half of 2017 was approximately \$386,000. Assuming a 5% down payment and a 30-yr. mortgage at 4.5%, the corresponding monthly housing cost at this price point is in excess of \$2,100, including taxes and

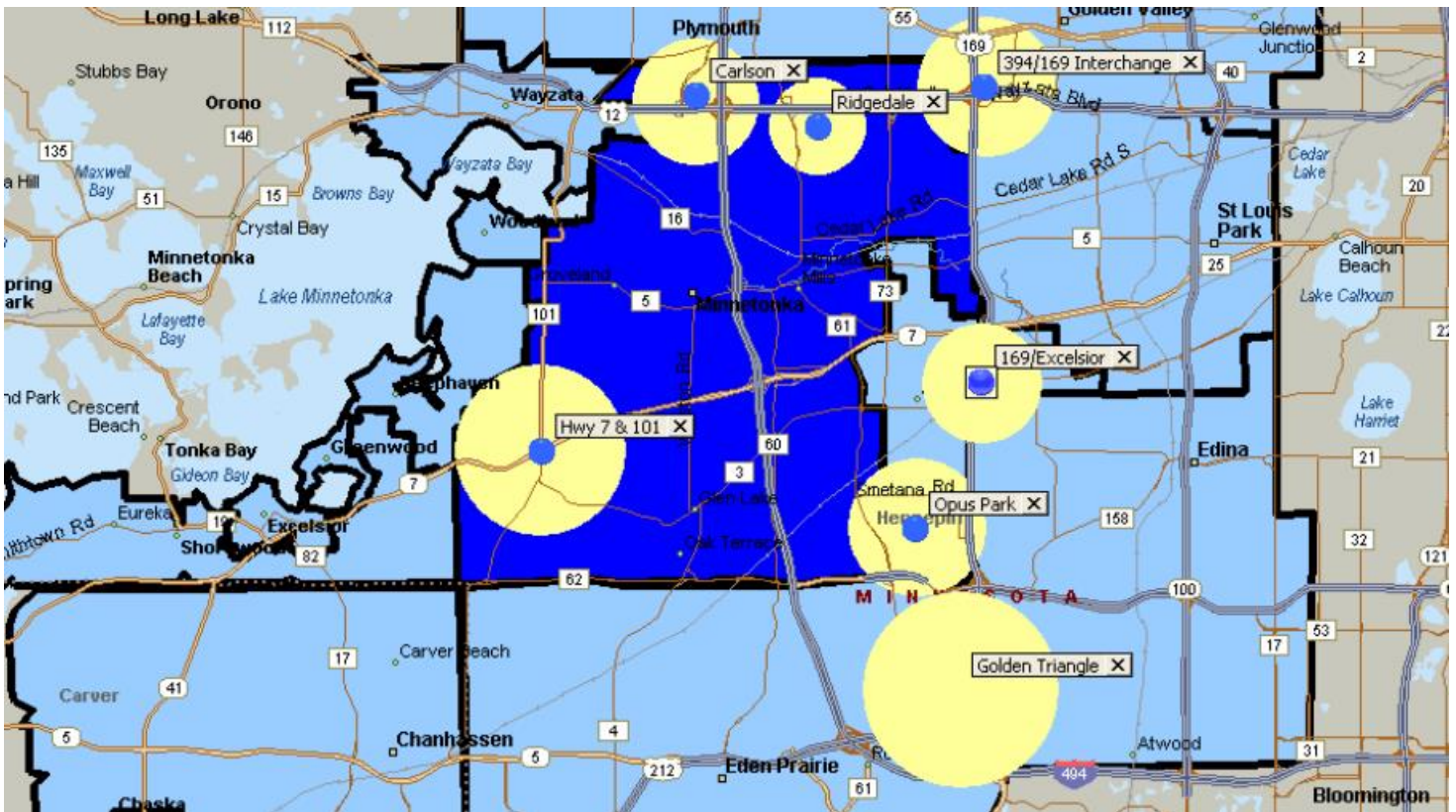
insurance. Single workers earning the average salary in 7 out of the 11 primary industries shown for Minnetonka would not be able to afford such a mortgage.

Another, and perhaps more relevant housing issue here is **scarcity**. For workers seeking housing in Minnetonka presently, there is very limited availability. The issues of supply and demand are addressed later in the report. To summarize, though, our analysis showed a vacancy rate of just 2.1% for 1BR apartments in Minnetonka, and 2.0% for 2BR apartments. So, even though a substantial stock of naturally occurring affordable housing exists in Minnetonka, it is nearly fully occupied. Further complicating the problem, from a renter's perspective, is the rising cost of rental housing, as 1BR rents increased 9% over the past year, while 2BR rents were up almost 5%.

Key Employment Nodes

Additionally, we identified and analyzed the business mix and employee base in several key employment nodes, both within and peripheral to the City of Minnetonka. Seven key employment nodes were analyzed, herein referred to as 1) Opus, 2) Golden Triangle, 3) US 169/Excelsior Blvd., 4) 394/169 Interchange, 5) Ridgedale, 6) Carlson, and 7) Hwy 101 & 7. These nodes are not meant to be cumulatively exhaustive, (or mutually exclusive) and are simply those areas with large concentrations of jobs within or proximate to Minnetonka.

Key Employment Nodes



Below is a summary of the employment base, with important industry sectors and major employers in each node. The Appendix contains a more detailed tabular analysis of the business mix (# of businesses by sector) and the number of employees (by place of work) in each of the seven nodes.

Key Employment Nodes Summary Statistics					
Key Job Nodes	Total Employment	No. of Businesses	Average Business Size	Key Industries (# of Jobs)	Major Employers
Located within City of Minnetonka					
Carlson Center Area (I-494 & I-394)	24,308	609	40	Health Care & Social Assistance (6,817), Accomodation & Food Services (5,209), Manufacturing (4,172), F.I.R.E (2,469)	Carlson Companies, Michael Foods
Opus Park Area	14,845	640	23	FIRE (3,169), Wholesale Trade (2,087), Professional & Business Services (1,693)	United Health Group, Opus, Boston Scientific
Ridgedale Area	9,735	653	15	Retail (4,512), Accomodation & Food Services (1,138)	Ridgedale Center (shopping mall), Target
Hwy 7 & 101 Area	2,879	277	10	Retail (602), Information (405)	Target, Cub Foods, Minnetonka High School
Peripheral to Minnetonka					
Golden Triangle Area	19,736	760	26	Retail (3,704), Professional & Business Services (2,839), Manufacturing (2,541), FIRE (2,540), Wholsale Trade (2,229)	Optum, Starkey Hearing, SuperValu, Cigna, CH Robinson
I-394/US 169 Interchange Area	19,551	873	22	Manufacturing (6,671), Retail (2,280), Professional & Business Services (2,280)	General Mills
US 169/Excelsior Blvd Area	14,356	741	19	Professional, Scientific & Technical Services (4,667), Retail (2,436)	Cargill, Super Valu
Sources: ESRI, Greater MSP					

More than 100,000 workers are based at businesses within these seven key employment nodes. Presented previously in this section was a summary of weekly wages and estimated annual income levels for primary industries in Minnetonka, with a discussion of corresponding housing affordability. Planning initiatives related to housing, both city-wide and within or proximate to each of these employment nodes, should certainly consider the dynamics of the employee base and their earnings. We are aware from our research and interviews that Twin Cities employers are recruiting large numbers of new workers to the region from other markets, with many showing a preference to live close to their place of work.

KEY FINDINGS & CONSIDERATIONS

The following are key findings & considerations from our analysis of local and regional demographics and economic conditions, relating to current and future housing needs in Minnetonka:

Population & Household Growth Lag Employment Growth in Minnetonka ó Minnetonka had an estimated 51,752 residents and 22,717 households in 2016. Employment in the community was estimated at 44,788. Forecasts by both ESRI and the Met Council project that Minnetonka will experience a fairly modest increase in household growth. We believe these forecasts are in fact conservative, especially considering the deep and diverse base of employers in Minnetonka. Presently, Minnetonka accounts for 2.6% of metro area employment. The Met Council projects that Minnetonka will account for more than 3.6% of regional employment growth over the next 20 years. Given its strong base of employers, we believe Minnetonka has the potential to exceed ESRI and Met Council forecasts, capturing a larger share of regional household growth in the coming years. **However**, this will require a ramp-up in construction of new housing products, inclusive of varied for-sale and rental housing options throughout the community. Given current land use, it is clear that this will necessitate higher development densities, and in many cases creative public private partnerships will be required due to rising land and construction costs.

Jobs / Housing Balance ó Minnetonka has a strong and expanding business community. However, given the very limited production of new housing units in the community over several years, paired with low turnover rates in the existing housing stock, much of the Minnetonka-based workforce resides elsewhere. This relates in part to housing affordability, certainly, as documented in this chapter. However, scarcity of housing is a more relevant issue. While Minnetonka's housing stock, its rentals specifically, is relatively affordable, the fact is they are at near full capacity, with vacancy rates at 2.0% or lower for much of the apartment stock. Meanwhile, there is limited supply of home purchase opportunities in Minnetonka due to rising values and low turnover rates. In addressing future housing plans, the City should work to improve this jobs / housing balance through infill construction, redevelopment at higher densities, and the provision of life-cycle housing products which are sensitive to the needs of the current and future resident and worker base.

HOUSING CHARACTERISTICS

INTRODUCTION

This section provides a snapshot of the current housing supply in the City of Minnetonka. The primary data source in this case is the 2015 American Community Survey (ACS) from the US Census. Note that later report chapters on the rental, senior and for-sale housing markets account for 2015-2017 new construction activity and adjusted inventories. So, while the data presented in this chapter does not in all cases align with current market inventories as presented elsewhere in the report, the intent of this chapter is to provide a profile of the Minnetonka housing stock and recent trends/changes in supply, drawing comparisons to the surrounding Primary Market Area (PMA) and the Twin Cities Metro Area, as well as the state and US as a whole. US Census/ACS survey data, current as of 2015, provides the most comprehensive mechanism for analyzing the housing stock and drawing these comparisons.

Additionally, we provide an overview of the housing stock within each of the defined Village Center Study Areas within the City of Minnetonka. Also presented is a summary of housing affordability in Minnetonka, comparing housing costs with household income groups, and a discussion of households with excess housing cost burden.

Presented below and on the following page is a summary of the Minnetonka housing stock, with a comparison to the Minnetonka PMA as a whole, and the Twin Cities Metro Area. This is followed by a discussion of individual data points.

Housing Characteristics Summary (US Census/ACS Survey Data, 2015) City of Minnetonka, Minnetonka PMA, Twin Cities Metro Area						
	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
HOUSING INVENTORY						
Total housing units	23,825		160,355		1,206,738	
Occupied housing units	22,676	95.2%	152,794	95.3%	1,150,154	95.3%
Vacant housing units	1,149	4.8%	7,561	4.7%	56,584	4.7%
HOUSING TENURE						
Occupied housing units	22,676		152,794		1,150,154	
Owner-occupied	15,995	70.5%	105,254	68.9%	785,412	68.3%
Renter-occupied	6,681	29.5%	47,540	31.1%	364,742	31.7%
UNITS IN STRUCTURE						
Total housing units	23,825		160,355		1,206,738	
1-unit, detached	13,308	55.9%	87,901	54.8%	705,956	58.5%
1-unit, attached	2,535	10.6%	20,259	12.6%	136,368	11.3%
2 units	131	0.5%	1,336	0.8%	32,815	2.7%
3 or 4 units	476	2.0%	2,375	1.5%	26,100	2.2%
5 to 9 units	253	1.1%	4,154	2.6%	29,698	2.5%
10 to 19 units	249	1.0%	5,550	3.5%	50,258	4.2%
20 or more units	6,818	28.6%	38,482	24.0%	209,824	17.4%
Mobile home	41	0.2%	280	0.2%	15,366	1.3%
Boat, RV, van, etc.	14	0.1%	18	0.0%	353	0.0%

Housing Characteristics Summary (US Census/ACS Survey Data, 2015) -- Continued City of Minnetonka, Minnetonka PMA, Twin Cities Metro Area						
	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
YEAR STRUCTURE BUILT						
Total housing units	23,825		160,355		1,206,738	
Built 2014 or later	24	0.1%	131	0.1%	1,130	0.1%
Built 2010 to 2013	84	0.4%	1,558	1.0%	14,582	1.2%
Built 2000 to 2009	1,221	5.1%	17,669	11.0%	160,119	13.3%
Built 1990 to 1999	3,356	14.1%	22,794	14.2%	168,283	13.9%
Built 1980 to 1989	6,415	26.9%	34,917	21.8%	182,888	15.2%
Built 1970 to 1979	4,336	18.2%	27,598	17.2%	186,473	15.5%
Built 1960 to 1969	3,181	13.4%	19,567	12.2%	129,086	10.7%
Built 1950 to 1959	3,797	15.9%	20,585	12.8%	130,991	10.9%
Built 1940 to 1949	504	2.1%	7,746	4.8%	50,459	4.2%
Built 1939 or earlier	907	3.8%	7,790	4.9%	182,727	15.1%
# of BEDROOMS						
Total housing units	23,825		160,355		1,206,738	
No bedroom	167	0.7%	2,390	1.5%	25,050	2.1%
1 bedroom	3,464	14.5%	23,152	14.4%	165,252	13.7%
2 bedrooms	6,258	26.3%	42,759	26.7%	314,838	26.1%
3 bedrooms	6,969	29.3%	43,527	27.1%	375,753	31.1%
4 bedrooms	5,348	22.4%	35,108	21.9%	248,655	20.6%
5 or more bedrooms	1,619	6.8%	13,419	8.4%	77,190	6.4%
YEAR HOUSEHOLDER MOVED INTO UNIT						
<i>Occupied housing units</i>	22,676		152,794		1,150,154	
Moved in 2015 or later	242	1.1%	2,694	1.8%	17,517	1.5%
Moved in 2010 to 2014	6,460	28.5%	45,445	29.7%	351,996	30.6%
Moved in 2000 to 2009	6,947	30.6%	51,668	33.8%	399,011	34.7%
Moved in 1990 to 1999	4,296	18.9%	28,975	19.0%	198,007	17.2%
Moved in 1980 to 1989	2,556	11.3%	13,593	8.9%	95,563	8.3%
Moved in 1979 and earlier	2,175	9.6%	10,419	6.8%	88,060	7.7%
HOME VALUE DISTRIBUTION						
<i>Owner-occupied units</i>	15,995		105,254		785,412	
Less than \$50,000	395	2.5%	2,264	2.2%	28,927	3.7%
\$50,000 to \$99,999	669	4.2%	3,719	3.5%	38,301	4.9%
\$100,000 to \$149,999	760	4.8%	6,553	6.2%	105,382	13.4%
\$150,000 to \$199,999	1,775	11.1%	12,128	11.5%	168,165	21.4%
\$200,000 to \$299,999	4,956	31.0%	28,673	27.2%	227,328	28.9%
\$300,000 to \$499,999	5,188	32.4%	32,769	31.1%	155,089	19.7%
\$500,000 to \$999,999	1,927	12.0%	16,014	15.2%	52,708	6.7%
\$1,000,000 or more	325	2.0%	3,134	3.0%	9,512	1.2%
MORTGAGE STATUS						
<i>Owner-occupied units</i>	15,995		105,254		785,412	
Housing units with a mortgage	11,015	68.9%	75,260	71.5%	578,737	73.7%
Housing units without a mortgage	4,980	31.1%	29,994	28.5%	206,675	26.3%

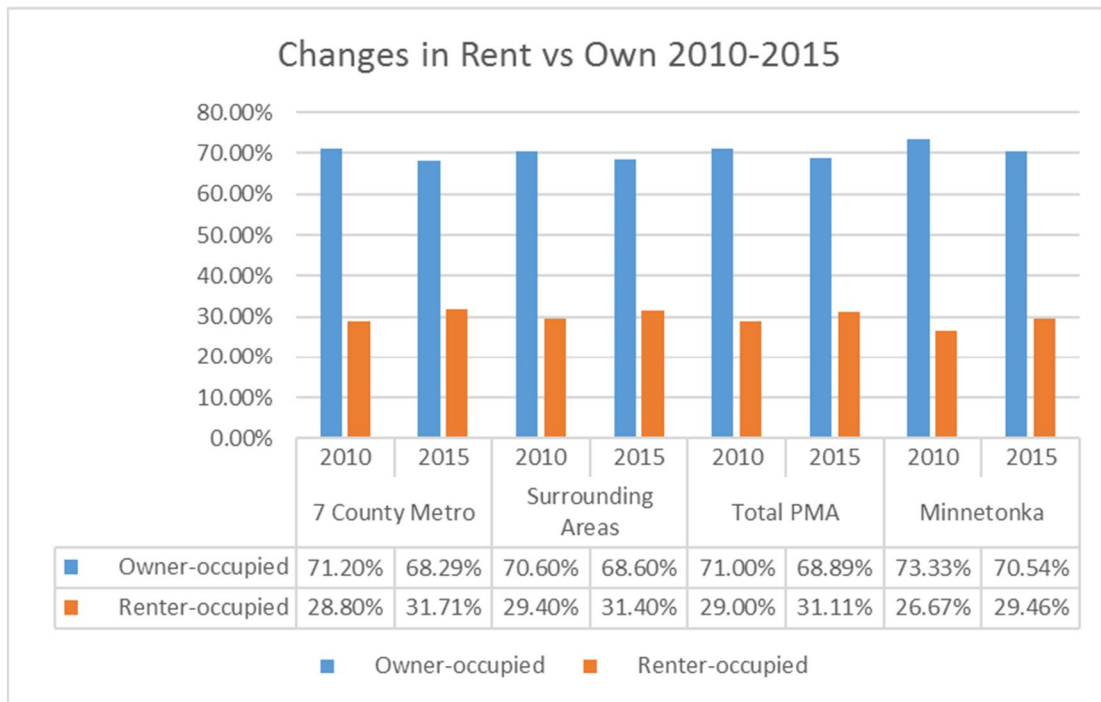
Housing Characteristics Summary (US Census/ACS Survey Data, 2015) -- Continued						
City of Minnetonka, Minnetonka PMA, Twin Cities Metro Area						
	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
SELECTED MONTHLY OWNER COSTS						
<i>Housing units with a mortgage</i>	11,015		75,260		578,737	
Less than \$500	64	0.6%	489	0.6%	5,148	0.9%
\$500 to \$999	790	7.2%	5,569	7.4%	61,150	10.6%
\$1,000 to \$1,499	2,380	21.6%	15,061	20.0%	166,617	28.8%
\$1,500 to \$1,999	2,416	21.9%	18,244	24.2%	161,130	27.8%
\$2,000 to \$2,499	1,968	17.9%	13,814	18.4%	89,051	15.4%
\$2,500 to \$2,999	1,440	13.1%	8,543	11.4%	43,491	7.5%
\$3,000 or more	1,957	17.8%	13,540	18.0%	52,150	9.0%
MONTHLY OWNER COSTS AS A % OF HH INCOME						
<i>Housing units with a mortgage</i>	11,015		75,101		577,102	
Less than 20.0 percent	4,912	44.6%	35,706	47.5%	255,084	44.2%
20.0 to 24.9 percent	1,749	15.9%	12,087	16.1%	102,609	17.8%
25.0 to 29.9 percent	1,064	9.7%	8,253	11.0%	69,159	12.0%
30.0 to 34.9 percent	820	7.4%	5,084	6.8%	42,191	7.3%
35.0 percent or more	2,470	22.4%	13,971	18.6%	108,059	18.7%
GROSS RENT -- RENTER HOUSEHOLDS						
<i>Occupied units paying rent</i>	6,510		46,398		355,124	
Less than \$500	490	7.5%	2,878	6.2%	36,845	10.4%
\$500 to \$999	1,590	24.4%	15,944	34.4%	163,251	46.0%
\$1,000 to \$1,499	3,008	46.2%	18,456	39.8%	106,969	30.1%
\$1,500 to \$1,999	999	15.3%	6,383	13.8%	35,255	9.9%
\$2,000 to \$2,499	216	3.3%	1,643	3.5%	8,518	2.4%
\$2,500 to \$2,999	133	2.0%	598	1.3%	2,423	0.7%
\$3,000 or more	74	1.1%	496	1.1%	1,863	0.5%
No rent paid	171	2.6%	1,142	2.5%	9,618	2.7%
GROSS RENT AS A % OF HOUSEHOLD INCOME						
<i>Occupied units paying rent</i>	6,476		46,059		350,585	
Less than 15.0 percent	917	14.2%	7,138	15.5%	40,776	11.6%
15.0 to 19.9 percent	1,117	17.2%	7,853	17.0%	47,353	13.5%
20.0 to 24.9 percent	1,160	17.9%	7,298	15.8%	49,436	14.1%
25.0 to 29.9 percent	914	14.1%	5,025	10.9%	42,885	12.2%
30.0 to 34.9 percent	488	7.5%	4,066	8.8%	31,860	9.1%
35.0 percent or more	1,880	29.0%	14,679	31.9%	138,275	39.4%

Source: US Census, ACS Survey Data (2015)

HOUSING TENURE

Housing tenure, as defined by the U.S. Census, is the basis for which households occupy their home – either by renting or in ownership.

The homeownership rate in Minnetonka, at 70.5%, is slightly higher when compared with the surrounding PMA and the metro area – In Minnetonka, and throughout the metro area, we have seen slight declines in the homeownership rate. This relates to a variety of trends, both economic and lifestyle-oriented, which are discussed later in our analysis of apartment market conditions. A growing share of households, all types, and at all income levels, are showing a preference for renting. The shift also relates to the market cycle, as large numbers of apartments and senior rental housing communities have been built locally and throughout the region in recent years, while comparatively few new for-sale housing units have been delivered.



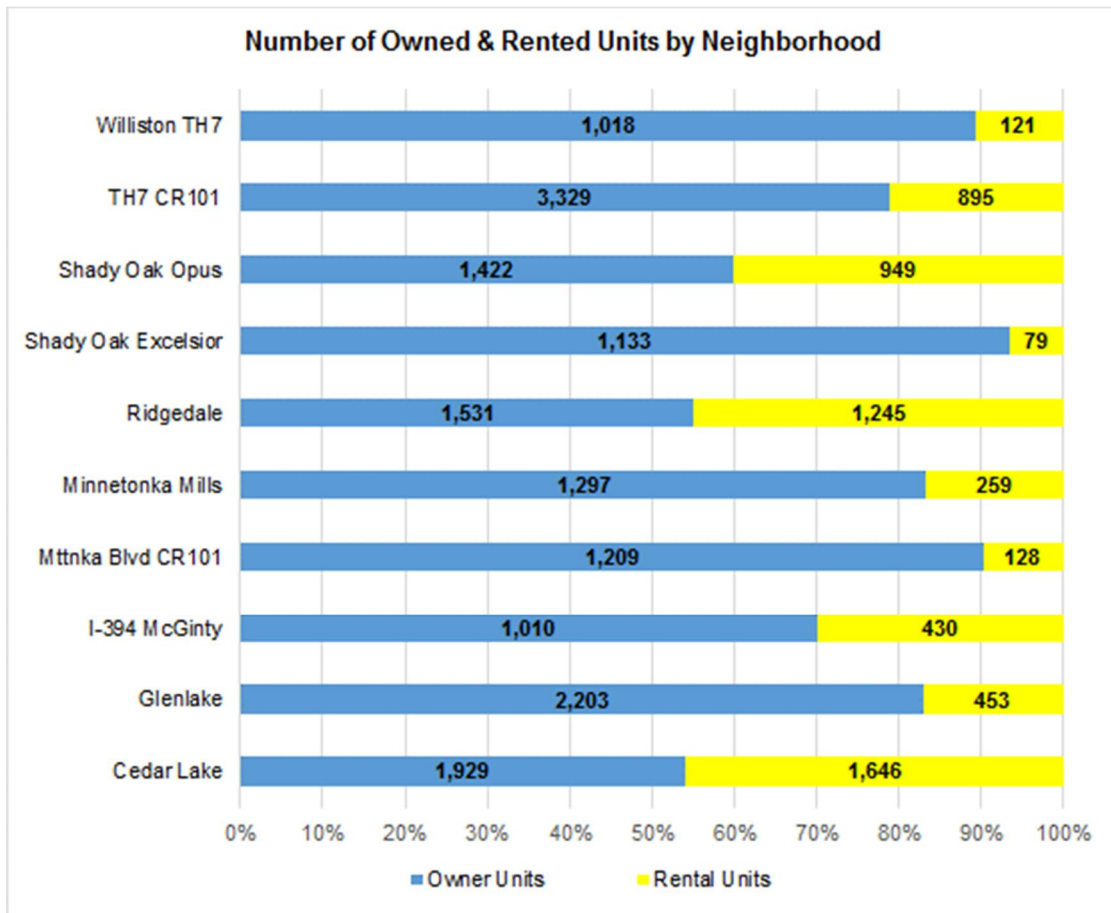
Source: American Community Survey (ACS) Housing Data (2015)

	Twin Cities Metro Area		Minnetonka PMA		Minnetonka	
	2010	2015	2010	2015	2010	2015
Owner-occupied	790,821	785,412	103,481	105,254	15,844	15,995
Renter-occupied	319,896	364,742	42,262	47,540	5,763	6,681

The Cedar Lake, Shady Oak/Opus, and Ridgedale areas have the largest numbers of rental units in Minnetonka. These are also the areas which have or are proximate to concentrated employment nodes. The Shady Oak-Excelsior village center study area has the smallest percentage of rental units.

Village Center Study Areas	Owner Occupied		Renter Occupied		Total
	No.	Pct.	No.	Pct.	
Williston TH7	1,018	89.4%	121	10.6%	1,139
TH7 CR101	3,329	78.8%	895	21.2%	4,224
Shady Oak Opus	1,422	60.0%	949	40.0%	2,371
Shady Oak Excelsior	1,133	93.5%	79	6.5%	1,212
Ridgedale	1,531	55.2%	1,245	44.8%	2,776
Minnetonka Mills	1,297	83.4%	259	16.6%	1,556
Mtnka Blvd CR101	1,209	90.4%	128	9.6%	1,337
I-394 McGinty	1,010	70.1%	430	29.9%	1,440
Glenlake	2,203	82.9%	453	17.1%	2,656
Cedar Lake	1,929	54.0%	1,646	46.0%	3,575

Source: US Census-ACS Housing Summary, 2015



LENGTH OF RESIDENCY

Large number of Minnetonka residents aging in place -- We also analyzed data on the length of residency for Minnetonka, as well as the PMA as a whole and the metro area. The table below shows the number of households segmented by the year (range) they moved into their current housing unit. Minnetonka has many long-time residents who have occupied the same home for several decades. In fact, a full 39.8% of Minnetonka residents (9,027 households) moved into their current residence in the city prior to 2000. This compares to 34.7% for the PMA and 33.2% for the metro area.

	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
YEAR HOUSEHOLDER MOVED INTO UNIT						
<i>Occupied housing units</i>	22,676		152,794		1,150,154	
Moved in 2015 or later	242	1.1%	2,694	1.8%	17,517	1.5%
Moved in 2010 to 2014	6,460	28.5%	45,445	29.7%	351,996	30.6%
Moved in 2000 to 2009	6,947	30.6%	51,668	33.8%	399,011	34.7%
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Moved in 1980 to 1989	2,556	11.3%	13,593	8.9%	95,563	8.3%
Moved in 1979 and earlier	2,175	9.6%	10,419	6.8%	88,060	7.7%

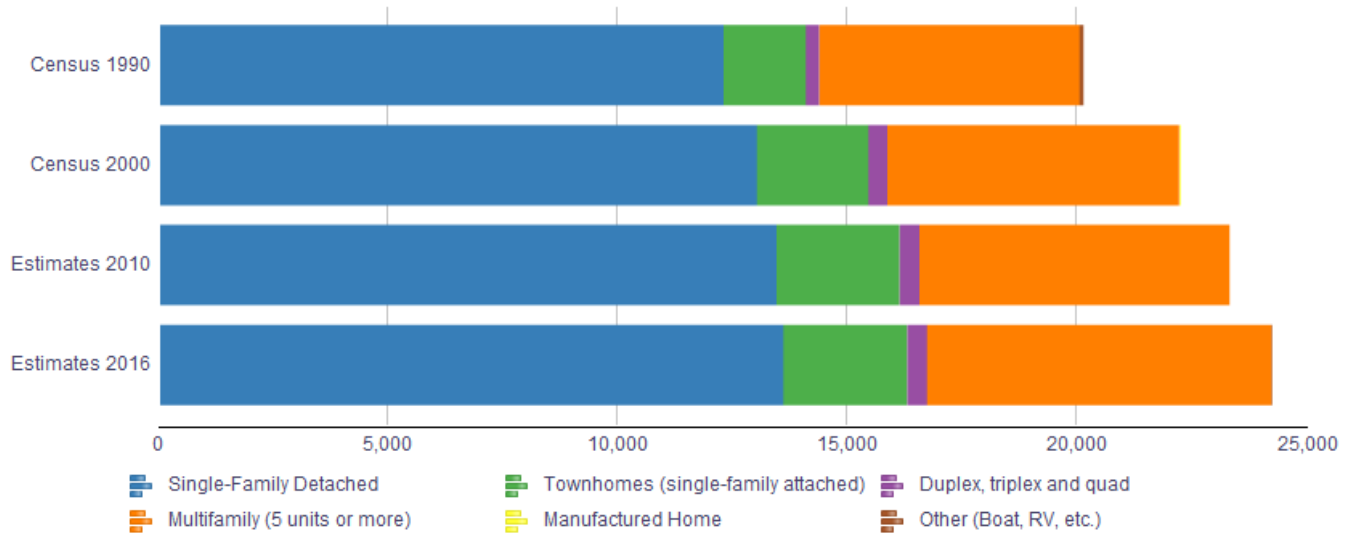
Source: US Census, ACS Survey Data (2015)

HOUSING TYPE (# of units in structure)

The table and graph below shows the distribution of housing units by size and type of structure. The mix of housing products in Minnetonka is generally similar when compared to the PMA and the metro area. Detached single-family residences comprise 55.9% of the housing stock in the city, compared to 58.5% for the metro area. Minnetonka features a somewhat greater percentage of its inventory in buildings with 20+ units, comprising 28.6% of the city's housing, compared to 17.4% for the metro area. This includes larger rental and condominium complexes, as well as senior housing communities.

UNITS IN STRUCTURE	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
Total housing units	23,825		160,355		1,206,738	
1-unit, detached	13,308	55.9%	87,901	54.8%	705,956	58.5%
1-unit, attached	2,535	10.6%	20,259	12.6%	136,368	11.3%
2 units	131	0.5%	1,336	0.8%	32,815	2.7%
3 or 4 units	476	2.0%	2,375	1.5%	26,100	2.2%
5 to 9 units	253	1.1%	4,154	2.6%	29,698	2.5%
10 to 19 units	249	1.0%	5,550	3.5%	50,258	4.2%
20 or more units	6,818	28.6%	38,482	24.0%	209,824	17.4%
Mobile home	41	0.2%	280	0.2%	15,366	1.3%
Boat, RV, van, etc.	14	0.1%	18	0.0%	353	0.0%

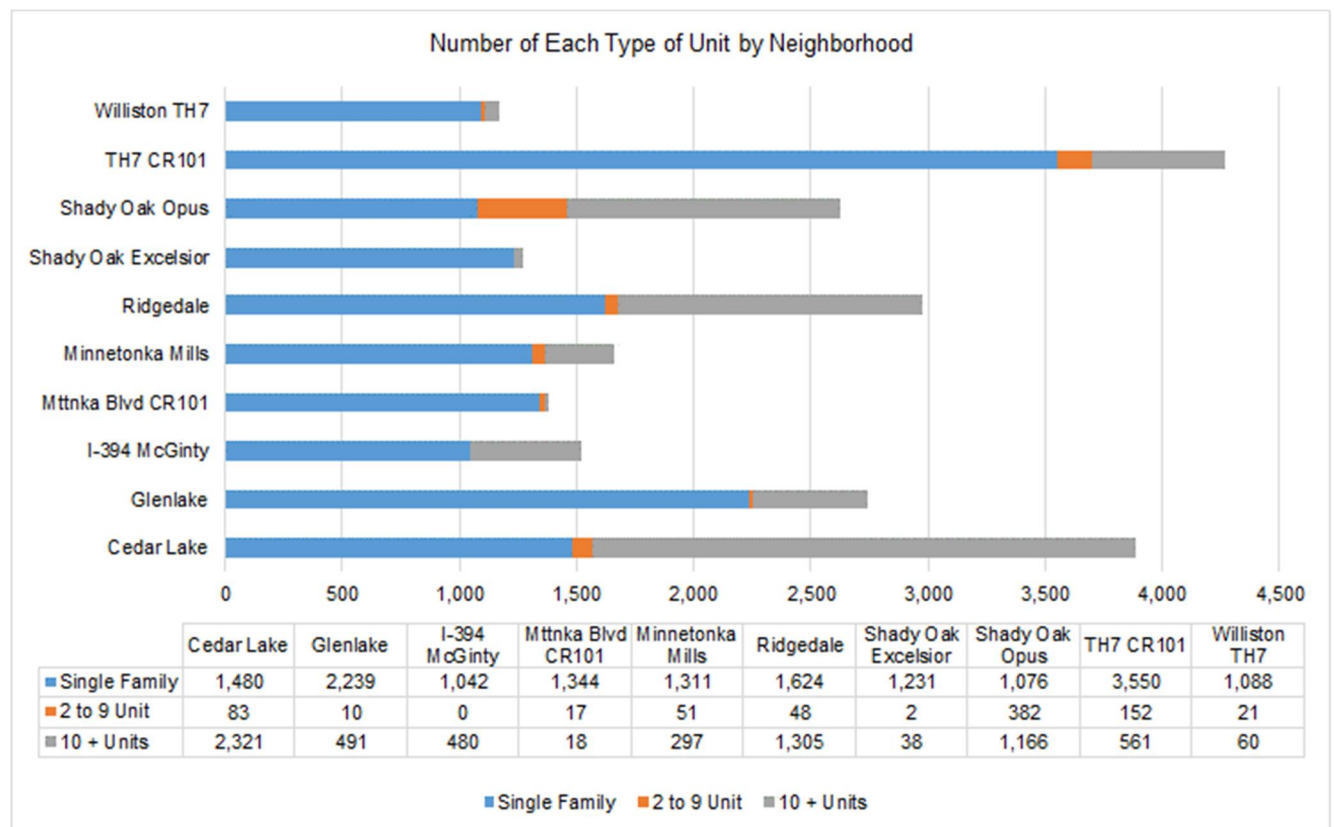
Housing Type in Minnetonka



By neighborhood, or ÷Village Center Study Area,ö the largest concentration of multi-unit buildings is in the Ridgedale, Shady Oak/Opus, and Cedar Lake areas, as shown below. Again, this includes by rental product, as well as condos and senior housing.

<i>Village Center</i>	Housing Type (by # of Units in Structure)								
<i>Study Area</i>	<i>1, detached</i>	<i>1, attached</i>	<i>2</i>	<i>3 or 4</i>	<i>5 to 9</i>	<i>10 to 19</i>	<i>20 to 49</i>	<i>50 or more</i>	<i>mobile home</i>
Williston TH7	1,022	66	20	0	1	11	0	49	0
TH7 CR101	2,843	707	67	75	10	19	162	380	7
Shady Oak Opus	386	690	0	232	150	64	274	828	0
Shady Oak Excelsior	1,143	88	0	2	0	2	31	5	0
Ridgedale	1,352	272	0	24	24	36	324	945	0
Minnetonka Mills	1,191	120	15	33	3	25	196	76	0
Mtnka Blvd CR101	1,193	151	0	0	17	0	0	18	24
I-394 McGinty	1,021	21	0	0	0	8	124	348	0
Glenlake	2,154	85	10	0	0	9	129	353	9
Cedar Lake	1,088	392	27	22	34	53	554	1,714	0

Source: US Census/ACS Survey (2015)



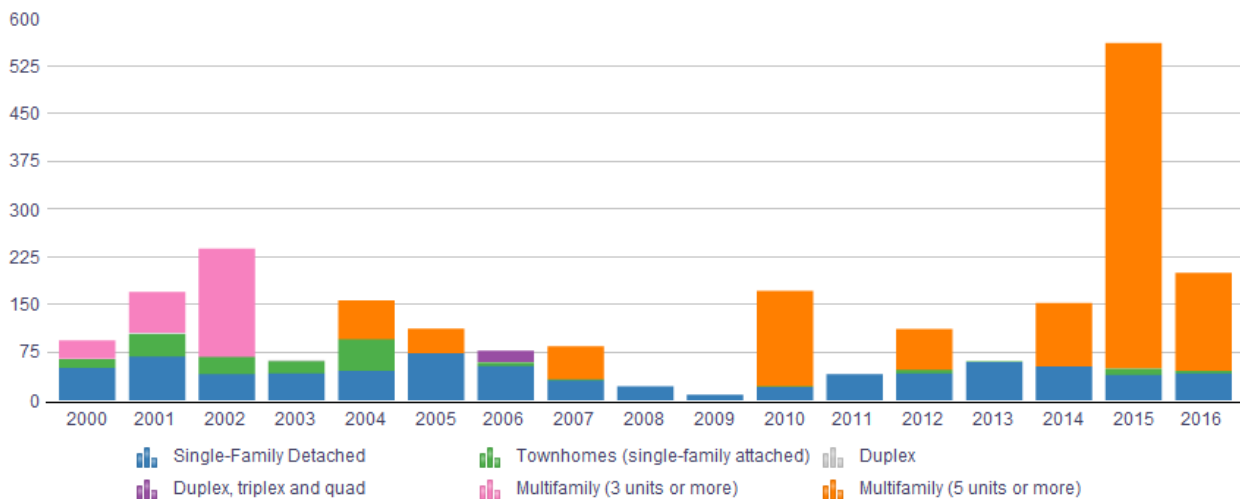
AGE OF THE HOUSING STOCK

Housing construction in Minnetonka from 2000-2015 significantly lags that of the surrounding market area and the metro area In Minnetonka, only 5.5% of the housing stock was built between 2000-2015, compared to 12.1% for the PMA and 14.6% for the metro area. Minnetonka features large numbers of homes constructed in the 1970s and 1980s, including both single family homes, as well as larger multi-unit buildings. Our analysis shows that Minnetonka features a number of large apartment complexes which were built in the 1980s, especially.

YEAR STRUCTURE BUILT	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
Total housing units	23,825		160,355		1,206,738	
Built 2014 or later	24	0.1%	131	0.1%	1,130	0.1%
Built 2010 to 2013	84	0.4%	1,558	1.0%	14,582	1.2%
Built 2000 to 2009	1,221	5.1%	17,669	11.0%	160,119	13.3%
Built 1990 to 1999	3,356	14.1%	22,794	14.2%	168,283	13.9%
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Built 1960 to 1969	3,181	13.4%	19,567	12.2%	129,086	10.7%
Built 1950 to 1959	3,797	15.9%	20,585	12.8%	130,991	10.9%
Built 1940 to 1949	504	2.1%	7,746	4.8%	50,459	4.2%
Built 1939 or earlier	907	3.8%	7,790	4.9%	182,727	15.1%

We also obtained a summation of building permit activity for Minnetonka for 2000 through 2016, sourced from the Met Council Residential Building Permit Survey, as shown below. This demonstrates the considerable ramp-up on new construction apartments, as well as senior housing, in Minnetonka over the past 2+ years. Our *Apartment and Senior Housing Market Conditions* chapters provide a detailed profile of this new housing product, in terms of unit mix/sizes, rental rates and occupancy levels. Our analysis indicates that both renters and buyers have demonstrated a strong positive response to these new developments, which have enjoyed a brisk lease up or sell-out period.

New Housing Units Permitted by Minnetonka



OWNED HOUSING – MONTHLY OWNER COSTS

In Minnetonka, an estimated 68.9% of home owners had a mortgage in 2015, with 31.1% owning their homes free and clear. This percentage is slightly higher compared to free-and-clear owners throughout the Minnetonka PMA and the metro area and reflects, in part, the large numbers of older adult home owners in the community.

Also shown below is a summary of monthly home owners costs, both on a gross dollar basis and also as a percentage of monthly household income. Noteworthy is the fact that in Minnetonka, an estimated 29.8% of home owners with a mortgage have a monthly housing cost of >30% of their incomes. In fact, this includes a full 22.4% who contribute more than 35% of their monthly incomes toward their housing cost. These figures are 4+% higher compared to the PMA and the metro area.

Also of note is the number of home owners in Minnetonka and throughout the PMA with a monthly cost of >\$2,500. In Minnetonka, nearly 31% of home owners with a mortgage pay more than \$2,500/month, compared to about 29% in the PMA and only 16.5% for the metro area.

The data is illustrative of 1) the rising cost of ownership housing in Minnetonka, and 2) the desirability of the community as a place to live. A disproportionate share of households in the community appear to be stretching in order to afford their current home, at least based on the 30% of income affordability threshold typically used by housing analysts. Obviously, this does not account for other living costs – perhaps some households in Minnetonka are willing to contribute more toward their housing cost, but in turn have less to spend on transportation or other costs.

	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
MORTGAGE STATUS						
<i>Owner-occupied units</i>	15,995		105,254		785,412	
Housing units with a mortgage	11,015	68.9%	75,260	71.5%	578,737	73.7%
Housing units without a mortgage	4,980	31.1%	29,994	28.5%	206,675	26.3%
SELECTED MONTHLY OWNER COSTS						
<i>Housing units with a mortgage</i>	11,015		75,260		578,737	
Less than \$500	64	0.6%	489	0.6%	5,148	0.9%
\$500 to \$999	790	7.2%	5,569	7.4%	61,150	10.6%
\$1,000 to \$1,499	2,380	21.6%	15,061	20.0%	166,617	28.8%
\$1,500 to \$1,999	2,416	21.9%	18,244	24.2%	161,130	27.8%
\$2,000 to \$2,499	1,968	17.9%	13,814	18.4%	89,051	15.4%
\$2,500 to \$2,999	1,440	13.1%	8,543	11.4%	43,491	7.5%
\$3,000 or more	1,957	17.8%	13,540	18.0%	52,150	9.0%
MONTHLY OWNER COSTS AS A % OF HH INCOME						
<i>Housing units with a mortgage</i>	11,015		75,101		577,102	
Less than 20.0 percent	4,912	44.6%	35,706	47.5%	255,084	44.2%
20.0 to 24.9 percent	1,749	15.9%	12,087	16.1%	102,609	17.8%
25.0 to 29.9 percent	1,064	9.7%	8,253	11.0%	69,159	12.0%
30.0 to 34.9 percent	820	7.4%	5,084	6.8%	42,191	7.3%
35.0 percent or more	2,470	22.4%	13,971	18.6%	108,059	18.7%

MONTHLY RENTER COSTS

Below is a summary of monthly renter costs as of 2015 according to the ACS summary data. In Minnetonka, the percentage of renters paying more than 30% of their incomes toward their monthly housing cost was estimated at 36.5%, with 29.0% paying more than 35%. These percentages, while a concern, are actually lower in comparison to the PMA as a whole, where 40.7% pay more than 30% toward housing costs, and 48.5% for the Twin Cities metro area. The data reflects in part 1) the age/quality of the apartment stock in Minnetonka, much of which was constructed during the 1980s, and 2) the household income levels of Minnetonka residents, which on average are considerably higher compared to the metro area.

	City of Minnetonka		Minnetonka PMA		Twin Cities Metro Area	
	2015 Estimate	Percent	2015 Estimate	Percent	2015 Estimate	Percent
GROSS RENT -- RENTER HOUSEHOLDS						
<i>Occupied units paying rent</i>	6,510		46,398		355,124	
Less than \$500	490	7.5%	2,878	6.2%	36,845	10.4%
\$500 to \$999	1,590	24.4%	15,944	34.4%	163,251	46.0%
\$1,000 to \$1,499	3,008	46.2%	18,456	39.8%	106,969	30.1%
\$1,500 to \$1,999	999	15.3%	6,383	13.8%	35,255	9.9%
\$2,000 to \$2,499	216	3.3%	1,643	3.5%	8,518	2.4%
\$2,500 to \$2,999	133	2.0%	598	1.3%	2,423	0.7%
\$3,000 or more	74	1.1%	496	1.1%	1,863	0.5%
No rent paid	171	2.6%	1,142	2.5%	9,618	2.7%
GROSS RENT AS A % OF HOUSEHOLD INCOME						
<i>Occupied units paying rent</i>	6,476		46,059		350,585	
Less than 15.0 percent	917	14.2%	7,138	15.5%	40,776	11.6%
15.0 to 19.9 percent	1,117	17.2%	7,853	17.0%	47,353	13.5%
20.0 to 24.9 percent	1,160	17.9%	7,298	15.8%	49,436	14.1%
25.0 to 29.9 percent	914	14.1%	5,025	10.9%	42,885	12.2%
30.0 to 34.9 percent	488	7.5%	4,066	8.8%	31,860	9.1%
35.0 percent or more	1,880	29.0%	14,679	31.9%	138,275	39.4%

HOUSING AFFORDABILITY

We also examined the affordability of housing in Minnetonka, by comparing household incomes with the cost of housing in the community. For purposes of this analysis, we assume that housing is affordable if the monthly rent or mortgage payment consumes no more than 30% of a household's income. This is the standard utilized by HUD and most industry analysts. In the table below, we compare the number of households in Minnetonka by income range, as a % of the area median income (AMI) as determined by HUD, with the number of housing units affordable within the designated rent/cost affordability range, also determined by HUD. The source of the housing unit and household counts by income/affordability range is the Twin Cities Metropolitan Council. The table shows the change in the housing stock and the number of households by income range over time, from 2010 to 2015.

Household Base & Affordable Housing Stock Matrix						
# of Households by Income Range vs. Affordable Housing Units by Cost/Rent Range						
City of Minnetonka						
Number of Households by Income (% of AMI)						
	<u><30% AMI</u>	<u>31-50% AMI</u>	<u>51-60% AMI</u>	<u>61-80% AMI</u>	<u>>80% AMI</u>	<u>Totals</u>
2010	1,723	1,950	1,073	1,826	15,329	21,901
2011	1,741	1,868	1,236	1,839	15,449	22,133
2012	1,589	2,053	1,279	1,843	15,469	22,233
2013	1,413	2,304	1,199	2,115	15,385	22,416
2014	1,553	2,175	1,072	1,566	16,111	22,477
2015	1,687	2,222	1,218	980	16,690	22,797
Number of Housing Units by Affordability Range (Owned & Rental Units Combined)						
	<u><30% AMI</u>	<u>31-50% AMI</u>	<u>51-60% AMI</u>	<u>61-80% AMI</u>	<u>>80% AMI</u>	<u>Totals</u>
2010	780	2,298	3,165	5,502	11,549	23,294
2011	755	2,282	2,716	4,658	13,022	23,433
2012	1,481	2,118	3,015	5,721	11,146	23,481
2013	1,248	1,715	2,882	5,143	12,592	23,580
2014	1,010	1,699	2,474	4,198	14,308	23,689
2015	859	1,752	3,245	4,009	13,862	23,727
Number of Rental Units by Affordability Range						
	<u><30% AMI</u>	<u>31-50% AMI</u>	<u>51-60% AMI</u>	<u>61-80% AMI</u>	<u>>80% AMI</u>	<u>Totals</u>
2010	666	842	2,210	1,883	832	6,433
2011	684	1,028	1,908	2,007	1,017	6,644
2012	956	703	2,101	2,038	1,138	6,936
2013	448	766	1,947	2,074	1,596	6,831
2014	569	763	1,773	2,075	1,573	6,753
2015	530	657	2,072	1,461	2,427	7,147
Number of Ownership Units by Affordability Range						
	<u><30% AMI</u>	<u>31-50% AMI</u>	<u>51-60% AMI</u>	<u>61-80% AMI</u>	<u>>80% AMI</u>	<u>Totals</u>
2010	114	1,456	955	3,619	10,717	16,861
2011	71	1,254	808	2,651	12,005	16,789
2012	525	1,415	914	3,683	10,008	16,545
2013	800	949	935	3,069	10,996	16,749
2014	441	936	701	2,123	12,735	16,936
2015	329	1,095	1,173	2,548	11,435	16,580
Source: Twin Cities Metropolitan Council						

When reviewing this data, and the differences from one year to the next, it is important to note that the supply of units by affordability level does not reflect entirely actual changes in inventory. Rather, the change reflects increases or decreases in housing prices (or rent levels) over time, in addition, of course, to the construction of new units. Shown below is a summary of the affordable housing supply by affordability level compared to the # of households by income range in 2010 and 2015.

2015					
	<30% AMI	31-50% AMI	51-60% AMI	61-80% AMI	Totals, 0-80% AMI
Owner Units by Affordability Range	329	1,095	1,173	2,548	5,145
Renter Units by Affordability Range	530	657	2,072	1,461	4,720
A) Total Units by Affordability Range	859	1,752	3,245	4,009	9,865
B) Households by Income Level	1,687	2,222	1,218	980	6,107
A - B = (Insufficient Supply) or Surplus of Units	(828)	(470)	2,027	3,029	3,758
2010					
	<30% AMI	31-50% AMI	51-60% AMI	61-80% AMI	Totals, 0-80% AMI
Owner Units by Affordability Range	114	1,456	955	3,619	6,144
Renter Units by Affordability Range	666	842	2,210	2,210	5,928
A) Total Units by Affordability Range	780	2,298	3,165	5,829	12,072
B) Households by Income Level	1,723	1,950	1,073	1,826	6,572
A - B = (Insufficient Supply) or Surplus of Units	(943)	348	2,092	4,003	5,500

It is interesting to note Minnetonka's supply of housing that is affordable to households earning <80% of AMI. If we compare the number of households <80% of AMI (6,107 in 2015) with the number of housing units affordable to them in the community (9,865 in 2015), it would appear that Minnetonka actually has an excess of affordable housing at <80% of AMI by more than 3,700 units. **HOWEVER, while this supply of affordable housing is clearly an asset to the community, it is also an increasingly scarce asset.** Our market survey (presented later in the report) shows that the housing supply is nearly fully occupied. As such, it becomes difficult for households (particularly workers in the age 25-44 cohort) to find housing in the community. Thus, many Minnetonka-based employees commute to homes in other communities.

- As shown on the table, between 2010 and 2015, the number of housing units affordable to households earning <80% of the area median income decreased by more than 2,200 residential units. Meanwhile, the number of households with incomes of <80% of AMI decreased by only 465.
- Further, while the data might suggest that in 2015 Minnetonka had a sufficient supply of housing units for those earning between 50-80% of AMI, based on the comparison of housing unit counts to households by income/affordability range, the data does not account for higher-income households occupying these affordable units, perhaps paying significantly less than 30% of their incomes toward this housing.

- Additionally, as discussed further in the *Apartment Market Conditions* chapter, Minnetonka has seen considerable increases in rental rates over the past several months. This includes a 7.4% increase in the average rent over the past 12 months as of 2017 Q2.

Excess Housing Cost Burden

Another way to examine housing affordability in the community is by measuring the number of households with “excess housing cost burden.” The U.S. Department of Housing and Urban Development (HUD), defines “cost burdened” households as those who pay more than 30% of their income for housing (either rent or mortgage) and may have difficulty affording necessities such as food, clothing, transportation and medical care. HUD defines various levels of cost-burden, as follows:

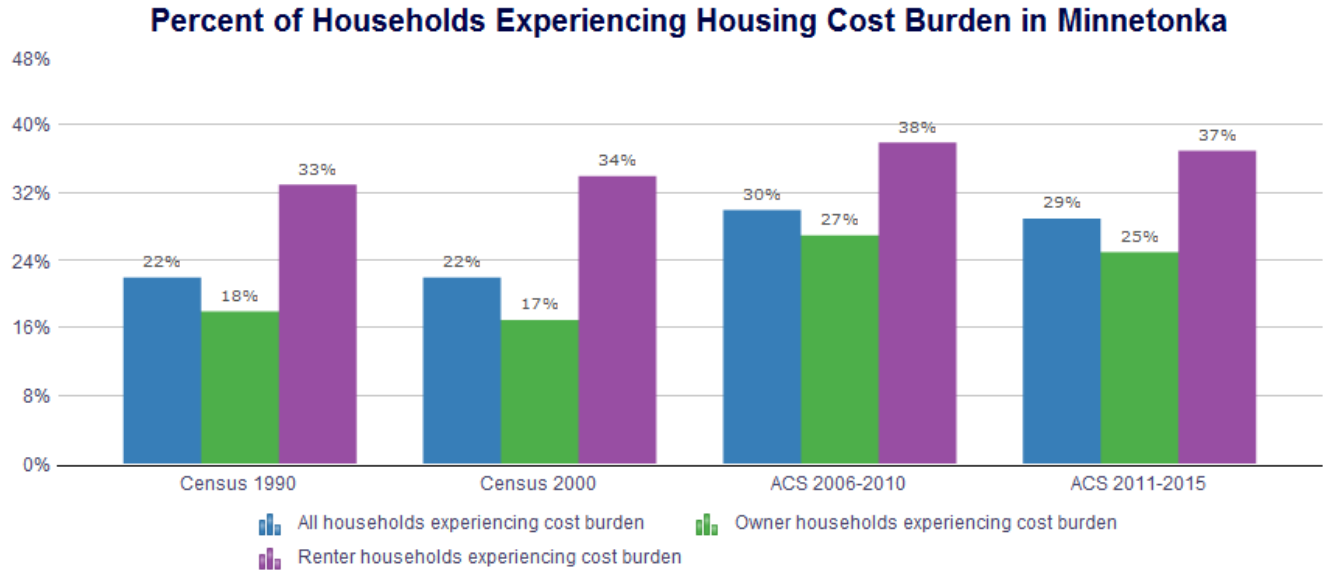
- “Moderately cost-burdened” households pay 35% or more of their income for housing.
- A household paying 50% or more of their income on housing is considered to be “severely” cost-burdened.

Housing Cost Burden in Minnetonka and Twin Cities Metro Area (2015)				
	Minnetonka		Twin Cities Metro Area	
	Number	Pct.	Number	Pct.
Owner Households				
All owner Households	16,110		784,050	
Cost Burden < 30%	12,045	74.8%	601,980	76.8%
Owner Cost Burden 30% to 50%	2,515	15.6%	114,215	14.6%
Cost Burden > 50%	1,550	9.6%	64,525	8.2%
Renter Households				
All owner Households	6,195		355,575	
Cost Burden < 30%	3,910	63.1%	189,025	53.2%
Owner Cost Burden 30% to 50%	1,125	18.2%	78,360	22.0%
Cost Burden >50%	1,160	18.7%	83,212	23.4%
All Households				
All Households	22,305		1,139,625	
Cost Burden <30%	15,955	71.5%	791,005	69.4%
Owner Cost Burden 30% to 50%	3,640	16.3%	192,575	16.9%
Cost Burden > 50%	2,710	12.1%	147,737	13.0%
Source: US Census/American Community Survey and Marquette Advisors				

The table shows that in 2015 an estimated 29% of Minnetonka households had excess housing cost burden at >30%, including a full 12% who were severely cost burdened, with housing payments equating to >50% of their incomes. The figures were similar for the metro area, with 30% having excess housing cost burden at >30% and 13% with severe housing cost burden at >50%.

Shown on the following page is a summary of housing cost burden estimates for the City of Minnetonka for 1990, 2000, 2010 and 2015, according to the US Census and ACS Survey data. Clearly, with strong demand for housing in Minnetonka, paired with rising home prices and

apartment rents, a growing share of Minnetonka residents are feeling financial stress, with 29% of households experiencing housing cost burden in 2015, compared to 22% in 2000 and 1990.



APARTMENT MARKET CONDITIONS

INTRODUCTION

In this section, we first present a review and update of regional apartment market conditions. We then present an analysis of rent and vacancy information for general-occupancy market rate apartment properties, with a segmentation of rental product by class and by rent level. As well we evaluate the supply of contract-based and naturally occurring rental housing in Minnetonka. Next, we provide a review of the development pipeline, with a summary of projects planned or construction in Minnetonka. We conclude with our demand analysis, segmenting short- and long-term senior housing needs in Minnetonka by product type/service level.

REGIONAL APARTMENT MARKET CONDITIONS

Twin Cities Apartment Demand Trends

The graphic on the following page displays data on apartment unit absorption in comparison with job growth (losses) over the past several years for the Twin Cities Metro Area. Job growth was robust during the 1990s, particularly in the latter part of the decade, while apartment supply increases were nominal. The Twin Cities metro area added an average of 38,000 jobs per year between 1995 and 2000. During that time, the regional apartment market maintained occupancy levels of 98% and higher.

However, the recession of 2001/2002 led to the loss of about 42,000 jobs in the region over a two-year period. Meanwhile, the apartment market saw the metro-wide physical vacancy rate spike to 7.6% by 2003, with apartment owners offering deep rent concessions in an attempt retain current renters and lure others from competing properties. Between 2003 and 2007, the economy improved, with the Twin Cities region adding approximately 75,000 jobs. Meanwhile, we saw the absorption of nearly 6,700 market rate rental units over these four years, and a decline in the apartment vacancy rate to 4.2%.

A serious economic recession took a major toll on all real estate sectors nationally in 2008 and 2009, including the Twin Cities apartment market. In 2008 and 2009, the Twin Cities economy shed more than 106,000 jobs. The regional apartment market saw a spike in physical vacancy to 7.9% by the end of 2009. Negative absorption totaled nearly 3,500 apartment units during 2009. (This includes only those units in apartment complexes of 10+ units, thereby understating negative absorption since our surveys exclude smaller buildings, duplexes, and single family rentals.)

The recession of 2008/09 caused many Twin Cities renters to downsize, move in with a roommate, parents or other family members. 2010 brought dramatic improvement in the Twin Cities apartment market, spurred by economic improvement and modest job growth, along with a de-bundling of Twin Cities households, as improvement in the economy prompted many of these renters to move back into apartments. A total of 22,200 jobs were added in 2010, while apartment absorption totaled a record 6,433 units. At the same time, the apartment industry benefited to some degree from foreclosures in the housing market, with rental properties attracting many former

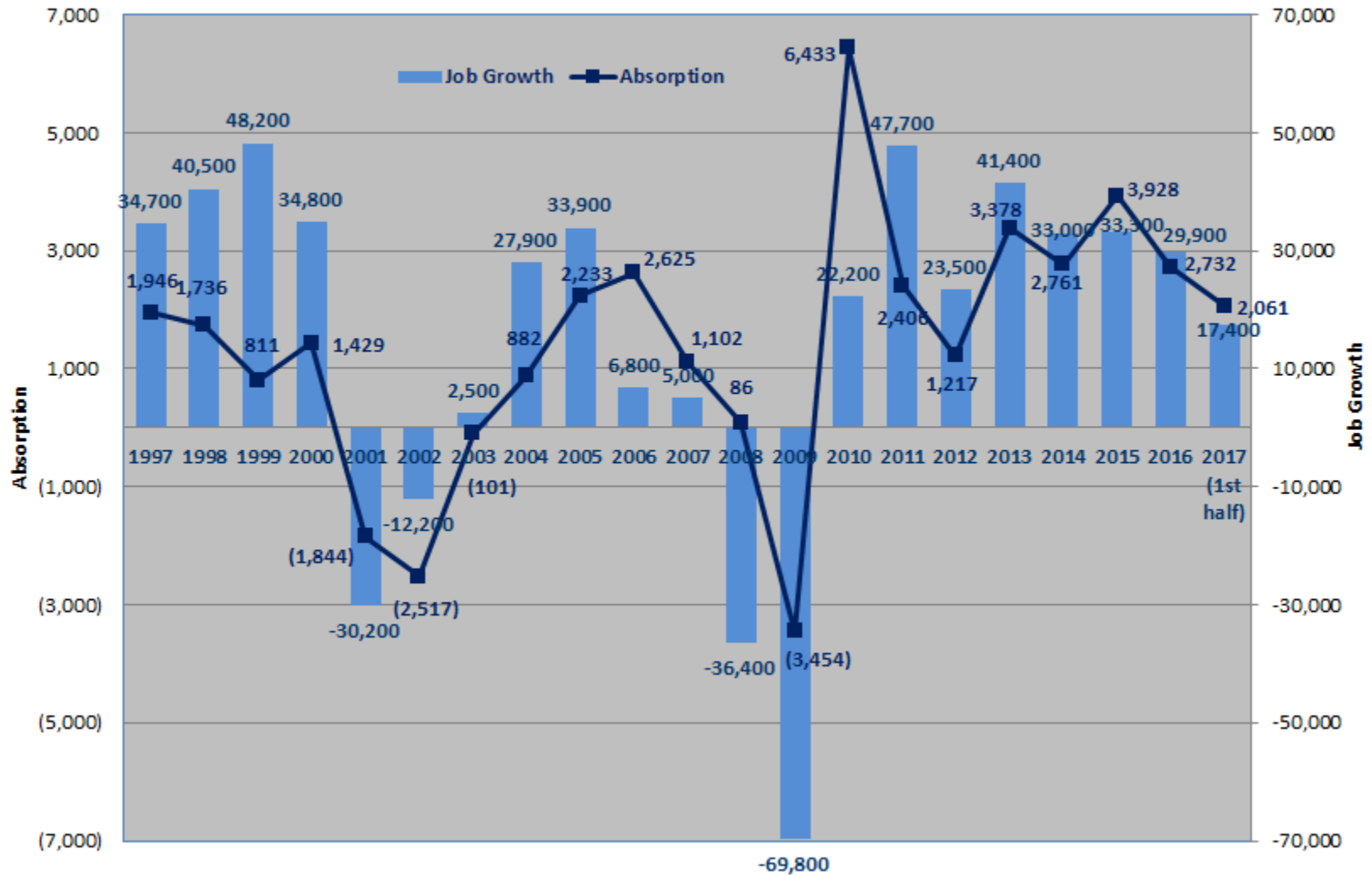
homeowners. During 2010, apartment vacancy in the Twin Cities Metro Area declined from 7.3% to 3.8%.

2011 and 2012 brought continued economic improvement, as another 67,000 jobs were added over this two-year period. Apartment vacancy declined to 2.9% by year-end 2012, as 2011 and 2012 absorption totaled more than 3,600 units, compared to fewer than 2,200 units added during this time through new construction. Urban submarkets led the resurgence in demand during 2011 and 2012, although the recovery became more widespread in 2012 and 2013, and continues to date, with sustained low vacancy and demand for all rental product types, at all rent levels, and in all submarkets. The Twin Cities apartment market has sustained a sub-3.0% vacancy rate since mid-2011.

Absorption totaled 4,656 units in 2016, following 3,922 units in 2015, following 2,761 in 2014 and 3,378 units in 2013. In spite of temporary vacancy adjustments in some active new construction submarkets such as Downtown and Uptown Minneapolis, the Twin Cities metro area vacancy rate at 2.7% (3.1% adjusted for new inventory) remained one of the lowest vacancy rates among all major U.S. markets at the end of 2016.

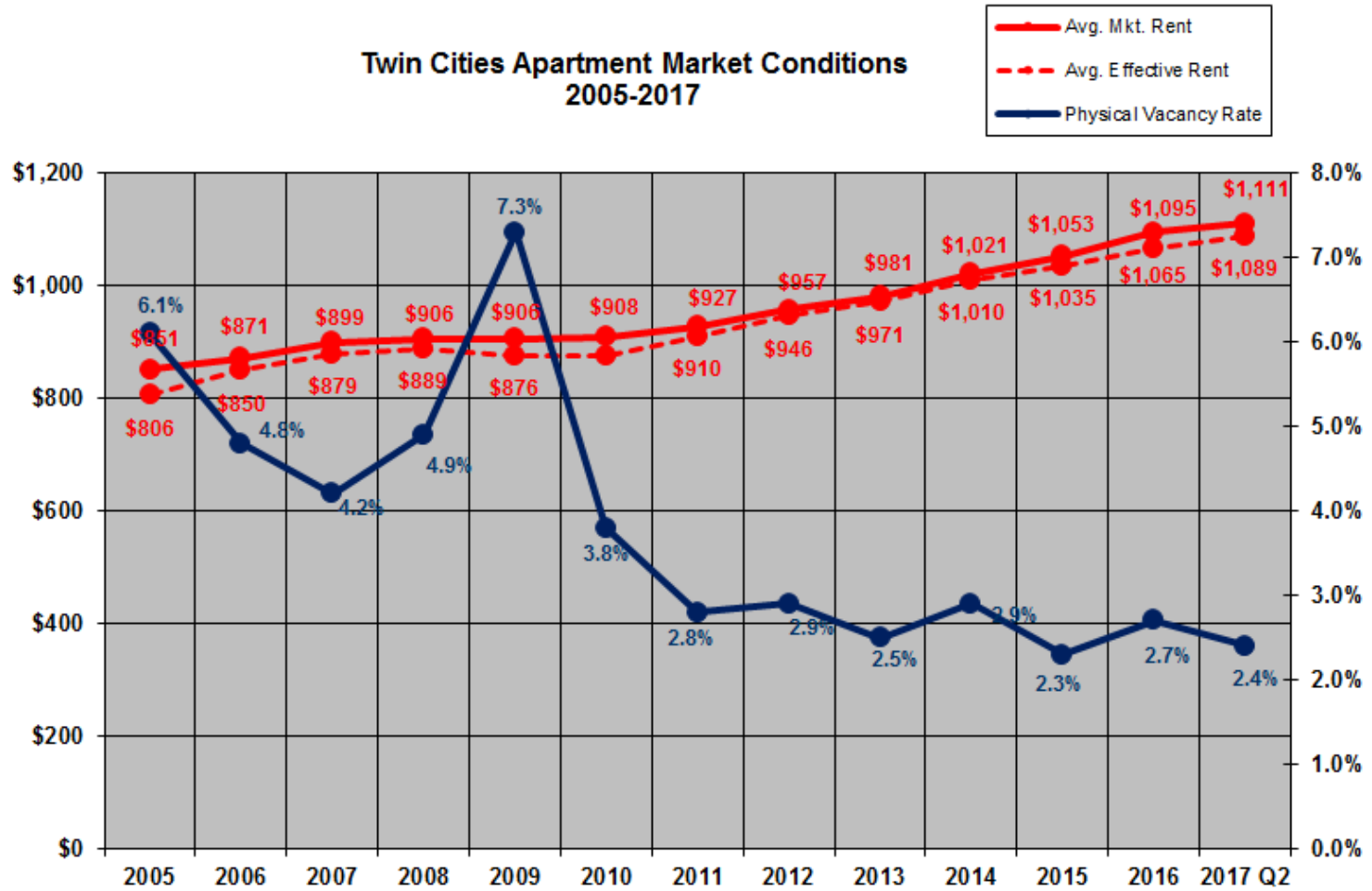
2017 to date has been a very strong year for the Twin Cities apartment market. Through the first half of 2017, we saw the absorption of 2,061 units. This compares to 2,621 units absorbed during all of 2016. Metro area apartment vacancy declined to 2.4% at mid-year 2017. Demand fundamentals remain strong. In particular, we note that Twin Cities businesses added 34,900 workers to their payrolls through the first six months of 2017. To put this into perspective -- this surpasses total annual job growth in the Twin Cities during each of the past three years.

Twin Cities Apartment Unit Absorption & Job Growth Trends, 1997-2017



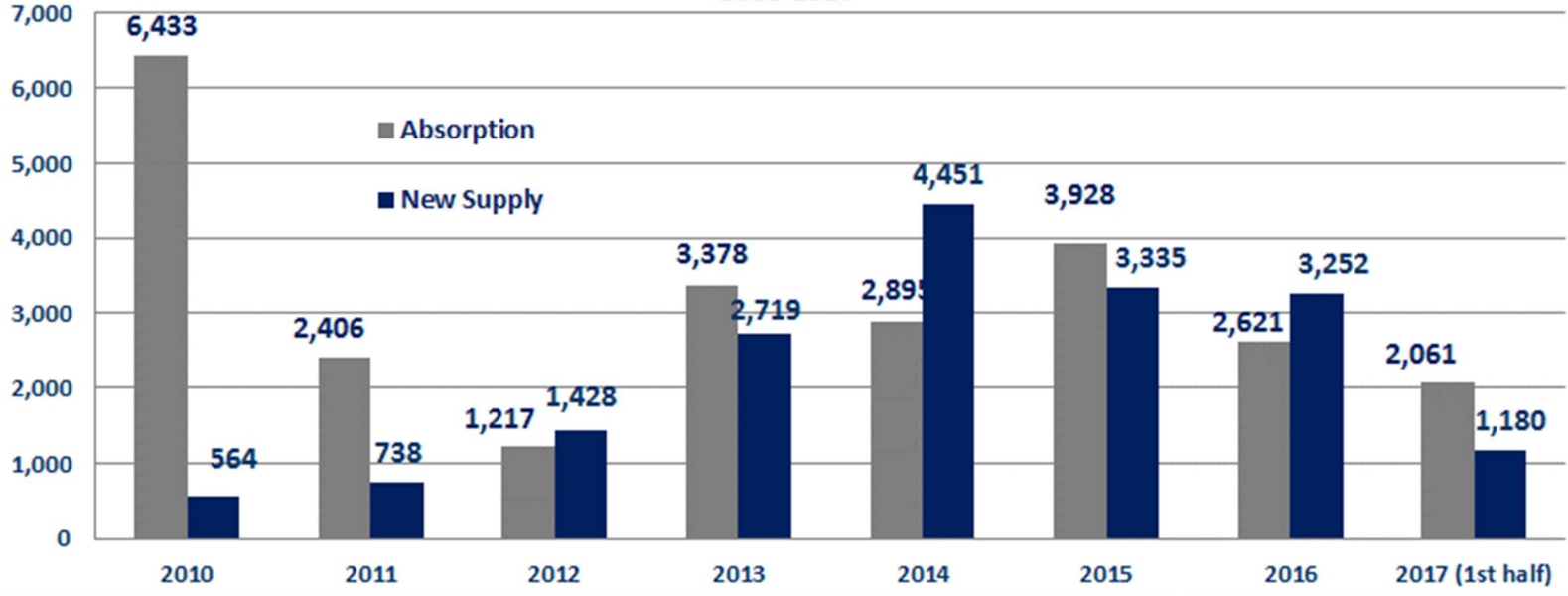
Sources: Marquette Advisors (apartment absorption data); MN Dept. of Employment & Economic Development (job growth)

Twin Cities Apartment Market Conditions 2005-2017



Source: Marquette Advisors

**Twin Cities Apartment Supply & Demand Trend
2010-2017**



Source: Marquette Advisors

Twin Cities Apartment Supply Trends

Very few apartments were constructed leading into and during the 2008/2009 recession timeframe. This was followed by very modest supply increases from 2010-2012. Over a 10-year period through 2012, the Twin Cities region saw the construction of just 10,300 market rate apartments, compared to absorption of more than 13,400 units during this timeframe. With improving demand, and limited numbers of new units, we saw apartment occupancy levels improve to 97%+ by 2012.

Strong and sustained demand fundamentals, paired with improvement in the availability of capital for new developments, prompted more substantive supply increases commencing in 2013. That trend continues today. Approximately 13,700 new market rate apartments were constructed in the metro area between 2013-2016, with another 16,500 or so units under construction or proposed for 2017-2019.

Urban markets led the resurgence in construction during 2013 and 2014, with more deals starting to pencil out in prime suburban locations over the past 12-24 months. While suburban units accounted for just 27% of the region's new inventory in 2014, this figure increases to more than 50% in 2015 and nearly 65% in 2016. Roughly 50% to 55% of the expected new supply in the Twin Cities metro area in 2017-2019 is expected to be in suburban locations. The Edina and Bloomington markets in the south have several new projects underway or planned, while the west suburbs of St. Louis Park, Golden Valley and Minnetonka are now seeing an increase in development activity as well.

Renters have shown a positive response to central city developments, as well as dynamic urban locations in Twin Cities suburbs, showing a preference for modern apartments which are highly walkable, proximate to major job centers, restaurants and shopping centers, as well as transit and/or major highways. Young Millennials are the key demand segment.

Twin Cities Apartment Construction Trend (as of 2017 Q1)							Pct. Distribution		
	DT Mpls.	Other Mpls	DT St. Paul	Other St. Paul	Suburbs	Twin Cities Metro	Mpls	St. Paul	Suburbs
2013	1,246	414	234	148	721	2,763	60%	14%	26%
2014	1,441	1,050	342	391	1,227	4,451	56%	16%	28%
2015	878	380	0	206	1,858	3,322	38%	6%	56%
2016	465	252	203	223	1,995	3,138	23%	14%	64%
Projected 2017	688	433	325	439	1,994	3,879	29%	20%	51%
Projected 2018	1,558	1,462	150	28	3,605	6,803	44%	3%	53%
Projected 2019	1,467	336	575	170	3,297	5,845	31%	13%	56%

Source: Marquette Advisors

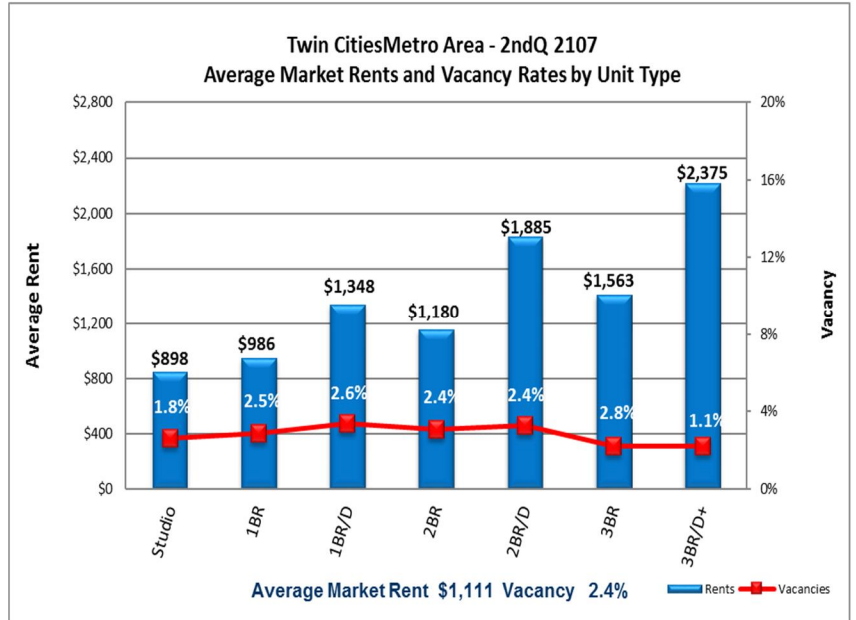
**Twin Cities Metro Area
Annual Apartment Construction by Submarket**

Submarket	2013		2014		2015		2016		Forecast (as of 2017 Q1)					
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	2017		2018		2019	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Mpls-Downtown	1,246	45.1%	1,441	32.4%	878	26.4%	465	14.8%	688	17.7%	1,558	22.9%	1,467	25.1%
Mpls-Non-Downtown	414	15.0%	1,050	23.6%	380	11.4%	252	8.0%	433	11.2%	1,462	21.5%	336	5.7%
St. Paul-Downtown	234	8.5%	342	7.7%	0	0.0%	203	6.5%	325	8.4%	150	2.2%	575	9.8%
St. Paul-Non-Downtown	148	5.4%	391	8.8%	206	6.2%	223	7.1%	439	11.3%	28	0.4%	170	2.9%
SW Suburban	491	17.8%	398	8.9%	661	19.9%	164	5.2%	1,147	29.6%	1,203	17.7%	1,145	19.6%
NW Suburban	0	0.0%	433	9.7%	128	3.9%	652	20.8%	416	10.7%	1,088	16.0%	994	17.0%
NC Suburban	230	8.3%	164	3.7%	0	0.0%	0	0.0%	0	0.0%	134	2.0%	493	8.4%
SC Suburban	0	0.0%	232	5.2%	984	29.6%	1,179	37.6%	431	11.1%	1,046	15.4%	0	0.0%
SE Suburban	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	134	2.0%	520	8.9%
NE Suburban	0	0.0%	0	0.0%	85	2.6%	0	0.0%	0	0.0%	0	0.0%	145	2.5%
Total	2,763	100.0%	4,451	100.0%	3,322	100.0%	3,138	100.0%	3,879	100.0%	6,803	100.0%	5,845	100.0%

Source: Marquette Advisors

Twin Cities Average Rents & Vacancy

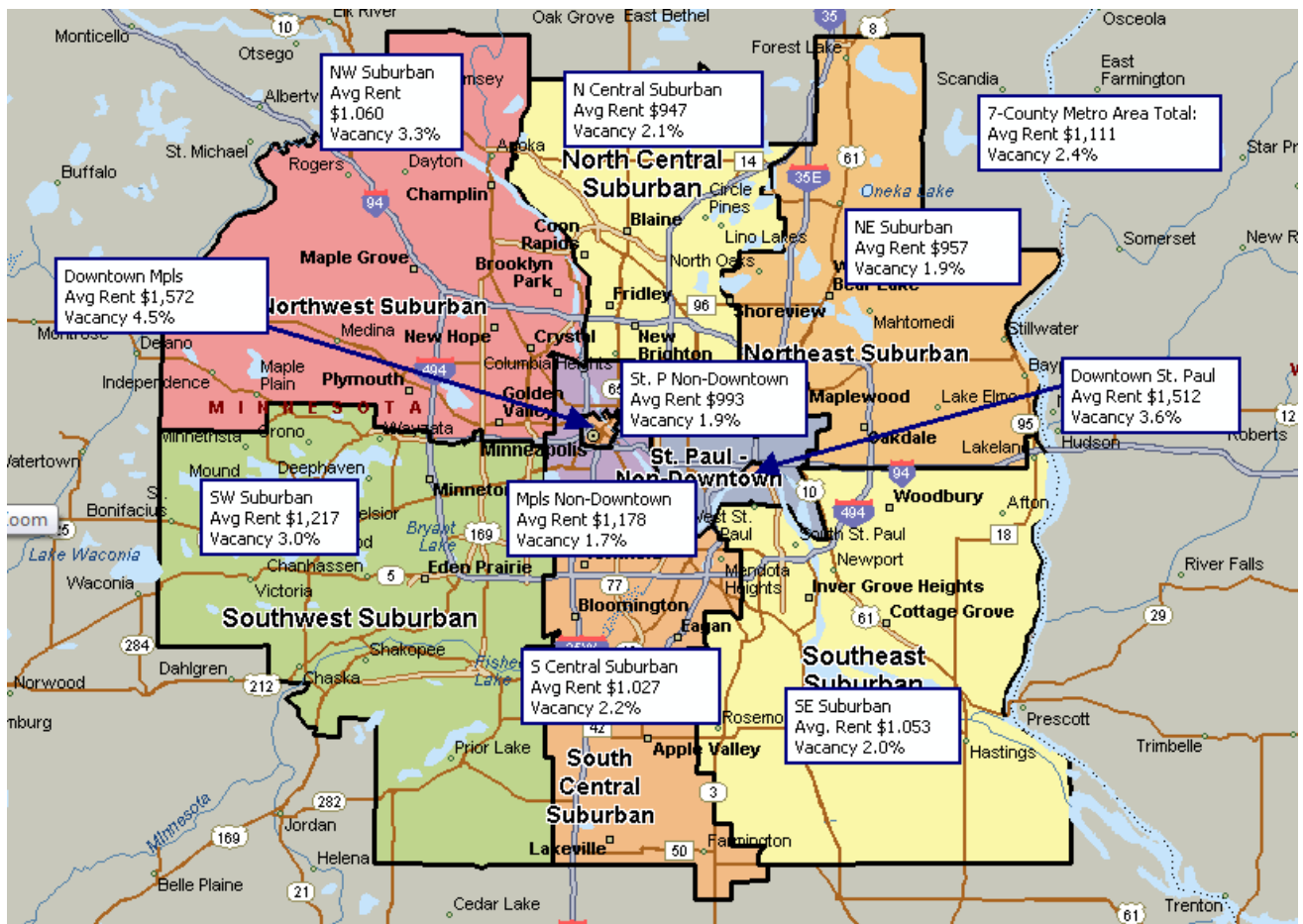
The Twin Cities overall average market rent of \$1,111 at mid-year 2017 was up 1.5% for the quarter and +5.4% over a trailing 12-month period. This growth rate reflects rent increases at existing properties, as well as the opening of several new Class “A” apartment assets in the market over the past several months. Market rents have shown more substantial increases in urban submarkets such as Downtown Minneapolis, where considerable numbers of new luxury units have been added. These rent increases in the central city have been partially offset by modest declines in other suburban markets where many older “A-” or “B” apartment assets are working harder to retain current renters who may be considering an upgrade to newer product, or in some cases purchasing a home. Clearly, though, all submarkets in the Twin Cities metro area remain quite healthy, as rental housing demand remains strong due to economic, demographic, and lifestyle/social factors.



**Twin Cities Metro Area
Average Rents & Vacancy Rate by Unit Type (2016 & 2017 Q2)**

Unit Type	Units Surveyed	Units Vacant	Avg Rent 6/2017	Avg Rent 6/2016	% Change	Vacancy 6/2017	Vacancy 6/2016	Change
Studio	7,220	133	\$898	\$847	6.0%	1.8%	2.6%	-0.8%
One Bedroom	60,048	1,487	\$976	\$948	3.0%	2.5%	2.7%	-0.2%
One + Den	3,324	88	\$1,348	\$1,342	0.4%	2.6%	3.8%	-1.2%
Two Bedroom	56,167	1,370	\$1,180	\$1,155	2.2%	2.4%	2.9%	-0.5%
Two + Den	1,714	41	\$1,885	\$1,830	3.0%	2.4%	3.2%	-0.8%
Three Bedroom	6,688	187	\$1,563	\$1,412	10.7%	2.8%	2.9%	-0.1%
Three Den/Four+	548	6	\$2,375	\$2,216	7.2%	1.1%	3.5%	-2.4%
Total	135,709	3,312	\$1,111	\$1,078	3.1%	2.4%	2.9%	-0.5%

Market Rents & Vacancy Rates (2017 Q2) – Twin Cities Metro Area Primary Submarkets



*Vacancy rates shown on graphic reflect the vacancy situation for stabilized properties only, not including all new properties in lease-up which have opened during the past 6 months.

Apartments – what are we building?

"New Construction" Class "A" Apartments (Built 2010 to date)				
Unit Type	Unit Mix	Avg. Size	Avg. Rent g.	Rent PSF
Studio	14.4%	540	\$1,166	\$2.16
1BR	42.8%	761	\$1,419	\$1.86
1BR+Den	7.2%	904	\$1,656	\$1.83
2BR	30.3%	1,131	\$1,984	\$1.75
2BR+Den/3BR	5.4%	1,304	\$2,440	\$1.87
Total	100.0%	880	\$1,625	\$1.85

Everything else (Built pre-2010)				
Unit Type	Unit Mix	Avg. Size	Avg. Rent g.	Rent PSF
Studio	4.8%	468	\$713	\$1.52
1BR	44.0%	730	\$848	\$1.16
1BR+Den	1.8%	984	\$1,166	\$1.19
2BR	43.0%	1,023	\$1,058	\$1.03
2BR+Den/3BR	6.4%	1,335	\$1,371	\$1.03
Total	100.0%	886	\$971	\$1.10

Unit Mix (new construction)

- 2/3 Studios & 1BRs vs ½ in past
- Far fewer 2BR & 3BR units
- Targets single renters
- Empty nesters seeking larger units – a few more developments targeting this group now

Rent Premium

- Note \$650 gap between new product & apartments built pre-2010.
- This is why developers are looking at "value-add" investment opportunities.

- “ Started in city, now spreading to suburbs ó best in market locations first.
- “ New construction rents: \$2.30+ psf (urban); \$1.90 to \$2.10+ psf (suburban) ó very õbest-in-marketö suburban sites \$2.00+ psf
- “ Dynamic, dense, mixed-use environments ó well connected and õwalkableö locations are highly preferred (same principles apply in urban and suburban)
- “ Highly amenitized buildings, emphasis on common areas. Smaller individual apartments; more emphasis on amenities.
- “ Design for single renters. Fewer couples and very few roommates in market.
- “ Small, efficient units. Increasing popularity of Studio & õAlcoveö floorplans
- “ Studio, Alcove, 1BR comprise 65% of mix today vs 40-50% in past
- “ Far fewer 2BR and 3BR units (changing somewhat right now)

A concern? Most of the above fits young Millennial renter profile -- But what about other market segments? What about empty nesters/older adults? What about Millennials as they age? Construction is focused on luxury ó what about workforce & affordable housing products? Need diversity in product & unit mix. Is there õsustainabilityö in what we are building?

Who is Today's Renter?

What is driving demand for rental apartments? And does this vary by product type? Presented below are answers to these two key questions.

Class A Rentals. Who is renting "luxury" apartments in the Twin Cities?

1. Many are new to Twin Cities (in-migration trend)
2. Some turnover demand ("cannibalization" as renters upgrade to new product).
3. We have a problem in the market when #2 outpaces #1. This leads to rising vacancy.
4. Overall preference for well located, urban housing
5. "Renters by Choice." Higher incomes, often less price sensitivity (depends).

Older "B" and "C" Apartments. Still sustain high occupancy levels

1. Similar household composition, but more "renters by necessity" (economics)
2. Still some, but fewer "renters by choice." More are renting out of necessity. Income/credit issues.

Millennials having a major impact on the apartment market, especially new construction Class A

1. Now are age 25-35 years old. Many have chosen to rent, rather than buy. Also prefer city over suburbs (generally), or "urban" suburban location close to jobs, shopping/dining and amenities. Seeking "walkability" and "connectivity."
2. But "what's next as they age into 30s? What comes after the Studio or 1BR apt in the city? (Potential for Minnetonka?) (LRT possibilities?)

Empty nesters: renting too, but smaller numbers due to mobility and product issues. Many have a home to sell and low motivation to do so. Others have considered rentals, but not interested based on quality or size of unit. Potential for "active adult" rental product throughout Twin Cities. Minnetonka opportunity "many older adults and seniors aging in place.

Other groups: young couples, families (including immigrants, multi-generational families) but prefer larger rental homes and townhomes, rather than traditional apartments.

“Renters by Choice” --- Why Rent Rather than Buy?

In today’s market, in the Twin Cities and other markets across the U.S., large numbers of households are choosing to rent, rather than buy. This occurs for a variety of reasons, both economic and lifestyle-related.

Economic Factors

Simply stated, home ownership is expensive. Presented below is a summary which compares the cost of renting a 2BR apartment vs. purchasing a home. There are challenges, both in terms of saving for a down payment, and in budgeting for monthly mortgage payments.

- “ Cost comparison, rent vs. buy
 - “ Avg. rent 2BR apt = **\$1,180/month in metro area & \$1,292 in Minnetonka).**
 - “ Avg. sale price \$265,000 in 2016 in Twin Cities = **\$1,480/month** (monthly mortgage + tax)
 - “ Avg. sale price in Minnetonka \$355,000 in 2016 = **\$2,100/month** (mortgage + tax)
 - “ And what does that does \$265,000 buy in today’s market? Or \$355,000 in Minnetonka? How does that compare to apartment quality and range of amenities? Possible home rehab/updates needed on top of acquisition price? At what cost? Over what period of time?
 - “ And what about savings & down payment requirements?
 - “ Down payment requirements higher in many cases.
 - “ Avg. price \$265,000: 5% down payment = \$13,250
 - “ Avg. price \$355,000: 5% down payment = \$17,750
- “ High debt levels ó impact of college debt ó creates a challenge with respect to savings for down payment, and monthly income allocation to housing based on debt load.
 - “ MN ranks 4th highest nationally in college debt.
 - “ 70% have “significant” college debt. Avg. nearly \$40,000 per student.
- “ Mobility ó job/career changes; resale issue and timing. Younger households are more likely to change jobs, often several times early in their careers. Moving for the purpose of a new job can become much more complicated for a household who has a home to sell.

Lifestyle Factors

There are also a number of lifestyle factors which make renting (rather than buying) the preferred alternative, for a diverse range of household groups:

- “ Maintenance-free living ó many households, both young and old, are attracted to rentals so that they do not have to perform maintenance on a home. This can be expensive, as well as time consuming.
- “ Smaller households (single renters opting for Studio or 1BR unit). May not make sense to buy a larger SF home, or even a condo. Many Millennials are choosing to remain single for a longer period of time, and/or choosing not to have children. Apartment living can be more appropriate for a smaller household. Meanwhile, the market is delivering far fewer for-sale units sized for singles and couples. Most for-sale new construction housing is comprised of relatively large single family homes.
- “ Preference for shiny & new ó young households, in particular, have demonstrated a preference for new product (housing, cars, other consumer goods). There are far more modern rental options compared to new purchase options at a price point which is affordable to them. The average sale price, at \$265,000 in the Twin Cities, doesn't buy shiny and new, obviously, and few young buyers have the appetite (and/or budget) for investing in a significant remodel project combined with or following the purchase of a home.
- “ Lifestyle appeal of modern apartments ó amenities, gathering spaces. These elements of a community are important to Millennials, especially.
- “ Preference for dense, walkable, urban locations ó many households (not all) have shown a preference for living in these types of locations. There are simply more rental options than for-sale products in these types of locations

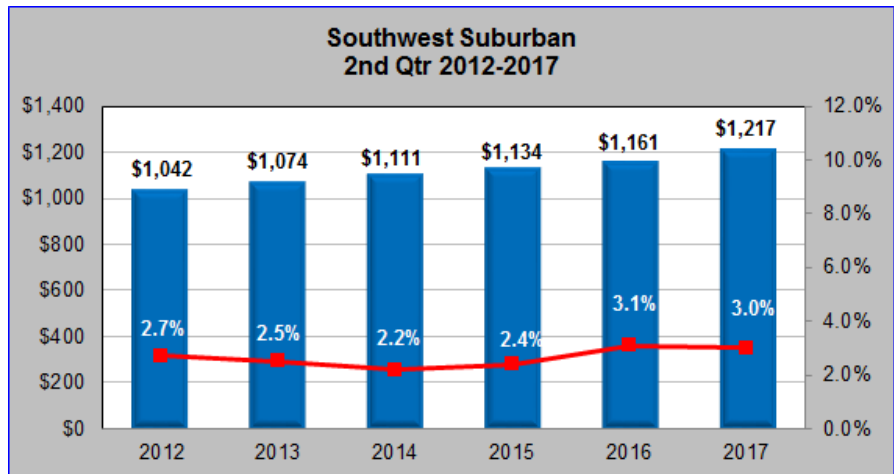
SOUTHWEST SUBURBAN MARKET CONDITIONS

The southwest suburban market has a total inventory of about 29,000 market rate apartments. The graph at right and the table below summarize historical market conditions for the submarket compared to the seven-county metro area as a whole.

SW metro avg. rent \$1,217 (a full 9.5% higher than the metro average) -- The average

rent in the submarket increased by 4.8% over a trailing 12 month period ending 2017 Q2. Year-to-date, rents are up 2.0% through June 2017 in the SW suburban market. Rent growth in the submarket has averaged 3.5% annually over the past five years, slightly outpacing the 3.4% average annual rent increase for the metro area as a whole during this timeframe.

Sustained low-vacancy -- Our 2017 Q2 survey showed a SW metro area vacancy rate of 3.0%, compared to 2.4% for the metro area as a whole. The adjusted vacancy rate was 3.2%, including new properties still in lease-up. Submarket vacancy has remained below 4.0% since mid-2011, with sustained demand for apartments, buoyed by a strong economy, significant corporate presence and employment growth in the southwest metro area.



Market Tracker -- Supply/Demand & Rent Growth Trends								
-- Southwest Suburban Market								
-- Twin Cities Metro Area								
	Southwest Suburban Submarket							
	2010	2011	2012	2013	2014	2015	2016	2017 Q2
Total Units *	27,132	27,132	27,186	27,677	28,075	28,736	28,900	29,006
New Supply	133	0	54	491	398	661	164	270
Vacant Units	2,062	922	924	952	931	988	723	917
Vacancy Rate	7.6%	3.4%	3.4%	3.4%	3.3%	3.4%	2.5%	3.2%
Occupied Units	25,070	26,210	26,262	26,725	27,144	27,748	28,178	28,089
Absorption	(444)	1,140	52	463	420	604	429	(89)
Avg. Rent	\$993	\$1,006	\$1,051	\$1,081	\$1,118	\$1,141	\$1,193	\$1,217
Rent Growth	-0.4%	1.3%	4.5%	2.9%	3.4%	2.1%	4.6%	2.0%
	Twin Cities Metro Area							
	2010	2011	2012	2013	2014	2015	2016	2017 Q2
Total Units *	168,870	169,608	171,036	173,799	178,190	181,525	184,663	185,843
New Supply	564	738	1,428	2,763	4,391	3,335	3,138	1,180
Vacant Units	6,417	4,749	4,960	4,345	5,969	5,377	5,899	5,018
Vacancy Rate	3.8%	2.8%	2.9%	2.5%	3.4%	3.0%	3.2%	2.7%
Occupied Units	162,453	164,859	166,076	169,454	172,221	176,148	178,764	180,825
Absorption	6,433	2,406	1,217	3,378	2,767	3,928	2,621	2,061
Avg. Rent	\$908	\$927	\$957	\$981	\$1,021	\$1,053	\$1,095	\$1,111
Rent Growth	0.2%	2.1%	3.2%	2.5%	4.1%	3.1%	4.0%	1.5%
* Unit supply includes market rate apartments in complexes with 10+ units. Excludes subsidized apartments and seniors housing.								
** Note that vacancy as shown includes both stabilized properties and new units still in lease-up.								
Source: Marquette Advisors								

The southwest submarket has accounted for approximately 12% of new market rate apartment construction in the Twin Cities metro area and 16% of absorption over the past 5+ years -- the southwest submarket has seen the construction of 2,038 new market rate apartments since January 2011, while absorption in the submarket totaled 3,019 units. With absorption outpacing construction, the southwest metro area has maintained a consistently low vacancy rate during this timeframe.

MINNETONKA MARKET CONDITIONS

The City of Minnetonka contains approximately 7,100 total rental housing units in 2017. This includes the following building/product types:

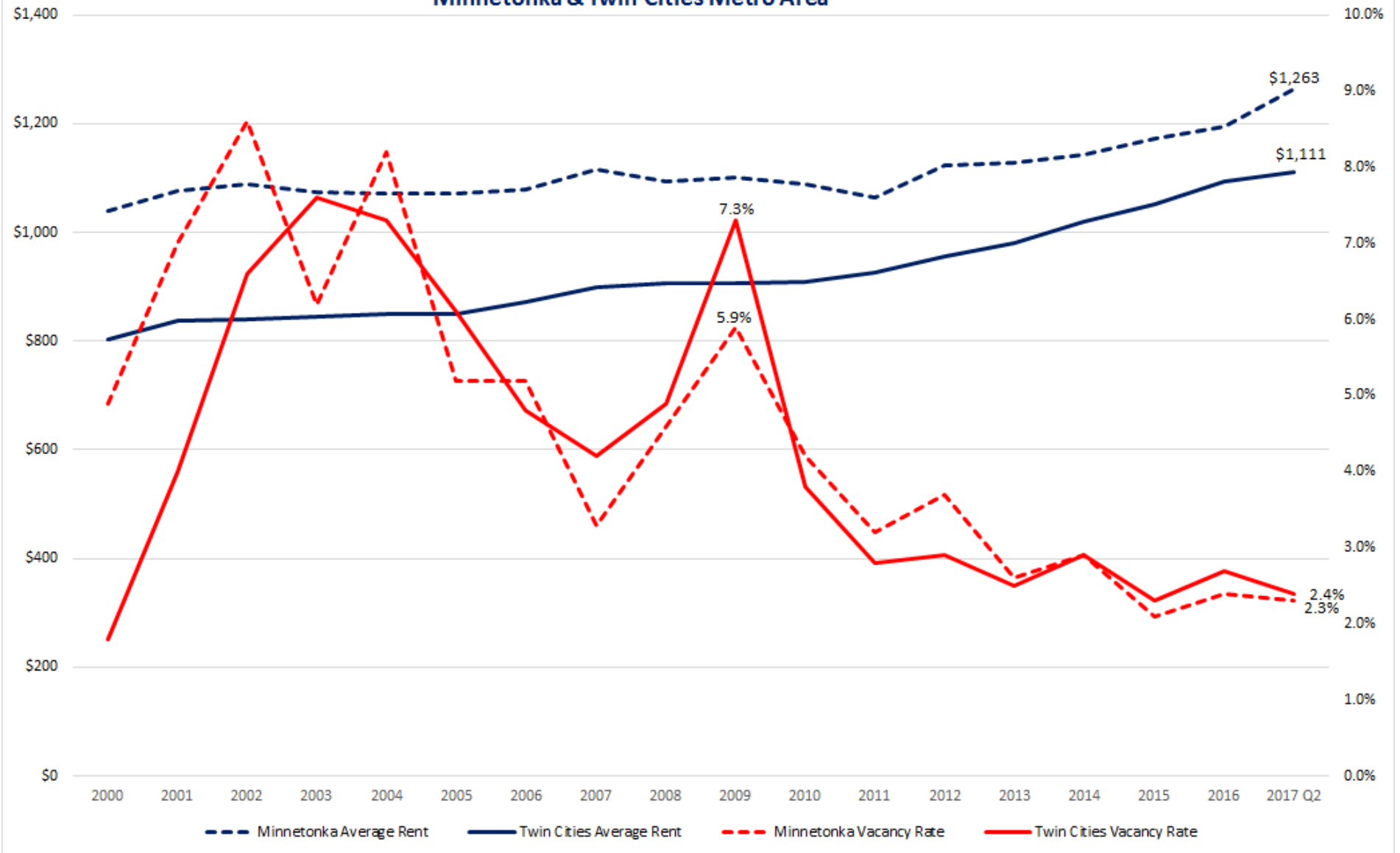
- 4,406 market rate apartments (buildings w/10+ units)
- 686 age-restricted senior rental units
- 564 affordable apartment units (contract based affordable @<60% of AMI)
- 1,444 (approximately) rental units in small buildings of <10 units, including rented SF homes, townhomes, etc.

This section of our analysis is focused on the market rate apartment stock in the City of Minnetonka, comprising 4,406 units. Minnetonka apartments continue to report low vacancy levels. At mid-year 2017, Minnetonka apartment communities featured a combined 2.3% vacancy rate, holding steady over the past year. Meanwhile, the average rent was \$1,263, a full 7.4% higher than one year ago. Landlords have been more aggressive with rent increases over the past year, recognizing the strong demand fundamentals inherent to the Minnetonka market and sustained low vacancy over many months. The 7.4% year-over-year rent increase reflects, in part, the addition of new luxury developments within the market (The Overlook & 1700 Residences), and thus is not entirely a ðsame storeö growth rate.

**City of Minnetonka (Market Rate Apartments)
 Average Rents & Vacancy Rate by Unit Type (2016 & 2017 Q2)**

Unit Type	Units Surveyed	Units Vacant	Avg Rent 6/2017	Avg Rent 6/2016	% Change	Vacancy 6/2017	Vacancy 6/2016	Change
Studio	76	2	\$932	\$938	-0.6%	2.6%	3.9%	-1.3%
One Bedroom	1,568	33	\$1,107	\$1,015	9.0%	2.1%	2.2%	-0.1%
One + Den	160	7	\$1,309	\$1,183	10.7%	4.4%	1.9%	2.5%
Two Bedroom	1,931	39	\$1,292	\$1,233	4.8%	2.0%	2.7%	-0.7%
Two + Den	12	0	\$1,758	\$1,505	16.8%	1.0%	2.0%	-1.0%
Three Bedroom	262	9	\$1,752	\$1,682	4.1%	3.4%	2.0%	1.4%
Three Den/Four	23	1	\$4,387	\$2,293	91.3%	4.3%	0.0%	4.3%
Total	4,032	91	\$1,263	\$1,175	7.4%	2.3%	2.4%	-0.1%

Apartment Rents & Vacancy Trend, 2000-2017 Minnetonka & Twin Cities Metro Area



**Vacancy rates shown on the graph are for stabilized properties only and does not include new developments still in lease-up.*

Minnetonka accounts for small share of regional apartment construction recently – The city of Minnetonka has seen the addition of just 509 new market rate apartments over the past 10 years, with 457 of those units opening in the city during the past 2-1/2 years. With sustained low vacancy rates, and rising rents, developers find Minnetonka ripening for new development as deals are starting to pencil out in prime locations with good access to jobs and amenities.

Minnetonka accounts for 2.7% of new apartment units built over the past five years in the metro area, and about 2.8% of metro area absorption during this time. It is important to note that absorption in Minnetonka has been held down by the limited availability of apartment units, with low vacancy over several years and modest supply increases.

Considering current rent levels and low vacancy, we anticipate that developers will continue to seek opportunities for new apartment construction in Minnetonka in the coming months, such that the city should account for an increasing share of both construction and absorption going forward. However, this will depend on a variety of factors, including the availability of well-located development sites, as well as zoning/entitlement and the willingness of the city to support necessary density for such projects to be financially viable.

Market Tracker -- Supply/Demand & Rent Growth Trends								
-- City of Minnetonka								
-- Twin Cities Metro Area								
	Minnetonka							
	2010	2011	2012	2013	2014	2015	2016	2017 Q2
Total Units *	3,949	3,949	3,949	3,949	3,949	4,122	4,286	4,406
New Supply	0	0	0	0	0	173	164	120
Vacant Units	166	126	146	103	115	87	107	101
Vacancy Rate	4.2%	3.2%	3.7%	2.6%	2.9%	2.1%	2.5%	2.3%
Occupied Units	3,783	3,823	3,803	3,846	3,834	4,035	4,179	4,305
Absorption	67	40	(20)	43	(12)	201	143	126
Avg. Rent	\$1,088	\$1,124	\$1,064	\$1,128	\$1,142	\$1,172	\$1,196	\$1,263
Rent Growth	-1.2%	3.3%	-5.3%	6.0%	1.2%	2.6%	2.0%	5.6%
	Twin Cities Metro Area							
	2010	2011	2012	2013	2014	2015	2016	2017 Q2
Total Units *	168,870	169,608	171,036	173,799	178,190	181,525	184,663	185,843
New Supply	564	738	1,428	2,763	4,391	3,335	3,138	1,180
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Vacancy Rate	3.8%	2.8%	2.9%	2.5%	3.4%	3.0%	3.2%	2.7%
Occupied Units	162,453	164,859	166,076	169,454	172,221	176,148	178,764	180,825
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Avg. Rent	\$908	\$927	\$957	\$981	\$1,021	\$1,053	\$1,095	\$1,111
Rent Growth	0.2%	2.1%	3.2%	2.5%	4.1%	3.1%	4.0%	1.5%
* Unit supply includes market rate apartments in complexes with 10+ units. Excludes subsidized apartments and seniors housing.								
** Note that vacancy as shown includes both stabilized properties and new units still in lease-up.								
Source: Marquette Advisors								

Survey of Minnetonka Apartment Communities – Class “A”, “B” and “C”

Presented on the following pages is detailed information on rents and vacancies for surveyed apartment properties in Minnetonka, segmented by Class. Class determinations are based on age & quality considerations. Class A assets include four new construction properties which have opened in Minnetonka during the past 2 years, totaling 493 apartment units. The Class B inventory is considerably larger in Minnetonka, comprising 15 properties and 3,222 total units, most of which were constructed during the 1980s and 1990s. Lastly, the Class C inventory comprises four 1970s-constructed properties with a total of 372 units.

Summary of Market Rents and Vacancy -- as of June 2017							
Surveyed Apartment Comparables by Class -- City of Minnetonka							
	Units	Vacancy					
	Surveyed	No.	Pct.	Avg. Size (SF)	Avg. Rent *	Rent PSF	
Total -- All Surveyed Properties							
Stu	74	1	1.4%	549	\$956	\$1.74	
1BR	1,551	35	2.3%	812	\$1,098	\$1.35	
1+Den	211	1	0.5%	981	\$1,294	\$1.32	
2BR	1,864	47	2.5%	1,119	\$1,290	\$1.15	
2BR+Den/3BR	369	8	2.2%	1,509	\$1,709	\$1.13	
3BR+Den/4BR	18	1	5.6%	2,076	\$2,293	\$1.10	
Total	4,087	93	2.3%	1,024	\$1,253	\$1.22	
Class "A" Properties							
Stu	6	0	0.0%	531	\$1,335	\$2.52	
1BR	272	3	1.1%	737	\$1,541	\$2.09	
1+Den	32	0	0.0%	763	\$1,712	\$2.24	
2BR	150	4	2.7%	1,127	\$2,160	\$1.92	
2BR+Den/3BR	33	0	0.0%	1,322	\$2,821	\$2.13	
Total	493	7	1.4%	894	\$1,824	\$2.04	
Class "B" Properties							
Stu	56	0	0.0%	540	\$947	\$1.75	
1BR	1,173	30	2.6%	836	\$1,014	\$1.21	
1+Den	158	1	0.6%	1,052	\$1,266	\$1.20	
2BR	1,517	39	2.6%	1,129	\$1,235	\$1.08	
2BR+Den	84	2	2.4%	1,471	\$1,462	\$0.99	
3BR	216	6	2.8%	1,588	\$1,715	\$1.08	
3BR+Den	6	0	0.0%	1,600	\$1,908	\$1.19	
4BR	12	1	8.3%	2,314	\$2,485	\$1.07	
Total	3,222	79	2.5%	1,053	\$1,195	\$1.13	
Class "C" Properties							
Stu	12	1	8.3%	600	\$808	\$1.35	
1BR	106	2	1.9%	736	\$888	\$1.23	
1+Den	21	0	0.0%	780	\$860	\$1.10	
2BR	197	4	2.0%	1,035	\$1,048	\$1.05	
3BR	36	0	0.0%	1,303	\$1,225	\$0.98	
Total	372	7	1.9%	947	\$1,030	\$1.09	
* Average monthly rents shown include 1 garage space.							
Source: Marquette Advisors							

- Our survey shows that there is consistent demand across all property groups, with A/B/C vacancy rates reported at 1.4%, 2.5% and 1.9%, respectively, at mid-year 2017.
- Class A rents averaged \$1,824 (\$2.04 psf), compared to \$1,195 (\$1.13 psf) for Class B and \$1,030 (\$1.09 psf) for Class C apartments in Minnetonka.
- There is a clear variance in unit mix and sizes, also, as Class A new construction apartments tend to have a higher percentage of 1BR units compared to the older apartment communities in Minnetonka. We calculate an average size of 894 sf for the Class A buildings, compared to 1,053 sf (Class B) and 947 sf (Class C).
- Also of note is the success of the recently completed Class A luxury developments in Minnetonka, with each of these assets reporting <2.6% vacancy as of our recent survey date, while commanding a better than 50% premium over Class B apartment rents. From our interviews with property managers and leasing agents, we understand that the impact of these projects and their lease-up upon the existing rental properties in Minnetonka was quite modest. Rather than attracting renters from existing apartments in the community, these developments were successful in attracting new residents to the Minnetonka, many who have recently relocated to the Twin Cities metro area for a new job.

Survey of Market Rate Apartment Communities -- June 2017 City of Minnetonka												
Property Name/Location	Year Built	Unit Types	Vacancy			Market Rental Rates*			Unit Sizes		Rent PSF	
			Total	No.	Pct.		Avg.		Avg.		Avg.	
Class "A" Properties												
1700 Residences	2017	Stu	6	0	0.0%	\$1,295 - \$1,375	\$1,335	522 - 539	531	\$2.55 - \$2.48	\$2.52	
1700 Plymouth Rd		1BR	48	1	2.1%	\$1,500 - \$1,695	\$1,598	731 - 966	849	\$1.75 - \$2.05	\$1.88	
Minnetonka		1+Den	8	0	0.0%	\$1,695 - \$2,095	\$1,895	894 - 1,000	947	\$2.10 - \$1.90	\$2.00	
		2BR	43	2	4.7%	\$1,895 - \$2,495	\$2,195	996 - 1,424	1,210	\$1.75 - \$1.90	\$1.81	
		2BR+Den/3BR	10	0	0.0%	\$2,595 - \$3,295	\$2,945	1,236 - 1,549	1,393	\$2.13 - \$2.10	\$2.11	
		Total	115	3	2.6%	\$1,295 - \$3,295	\$1,945	522 - 1,549	1,021	\$1.75 - \$2.55	\$1.90	
The Overlook	2016	Studio	0	0	N/A	N/A - N/A	N/A	N/A - N/A	N/A	N/A - N/A	N/A	
9731 Minnetonka Blvd.		1BR	47	0	0.0%	\$1,400 - \$1,575	\$1,488	587 - 906	747	\$1.74 - \$2.39	\$1.99	
Minnetonka		1+Den	19	0	0.0%	\$1,495 - \$1,650	\$1,573	825 - 947	886	\$1.74 - \$1.81	\$1.77	
		2BR	29	1	3.4%	\$1,650 - \$2,095	\$1,873	855 - 1,252	1,054	\$1.67 - \$1.93	\$1.78	
		2+Den	4	0	0.0%	\$2,150 - \$2,250	\$2,200	1,259 - 1,259	1,259	\$1.79 - \$1.71	\$1.75	
		Total	99	1	1.0%	\$1,400 - \$2,250	\$1,645	587 - 1,259	884	\$1.67 - \$2.39	\$1.86	
The Island Residences	2015	Studio/Alcove	0	0	N/A	N/A - N/A	N/A	N/A - N/A	N/A	N/A - N/A	N/A	
501 Carlson Parkway		1BR	95	2	2.1%	\$1,405 - \$1,755	\$1,580	595 - 827	711	\$2.12 - \$2.36	\$2.22	
Minnetonka		1+Den	5	0	0.0%	\$1,950 - \$1,950	\$1,950	877 - 877	877	\$2.22 - \$2.22	\$2.22	
		2BR	54	1	1.9%	\$2,290 - \$2,435	\$2,363	1,145 - 1,156	1,151	\$2.11 - \$2.00	\$2.05	
		2+Den	9	0	0.0%	\$2,610 - \$2,610	\$2,610	1,121 - 1,121	1,121	\$2.33 - \$2.33	\$2.33	
		3BR/PH	10	0	0.0%	\$3,135 - \$3,135	\$3,135	1,457 - 1,457	1,457	\$2.15 - \$2.15	\$2.15	
		Total	173	3	1.7%	\$1,405 - \$3,135	\$1,978	595 - 1,457	892	\$2.00 - \$2.36	\$2.22	
Chase at Nine Mile Creek	2016	Stu	0	0	N/A	N/A - N/A	N/A	N/A - N/A	N/A	N/A - N/A	N/A	
5709 Rowland Road		1BR	82	0	0.0%	\$1,395 - \$1,595	\$1,495	638 - 782	695	\$2.04 - \$2.19	\$2.15	
Minnetonka		1+Den	0	0	N/A	N/A - N/A	N/A	N/A - N/A	N/A	N/A - N/A	N/A	
		2BR	24	0	0.0%	\$1,785 - \$2,195	\$1,990	878 - 1,251	1,015	\$1.75 - \$2.03	\$1.96	
		2+Den/3BR	0	0	N/A	N/A - N/A	N/A	N/A - N/A	N/A	N/A - N/A	N/A	
		Total	106	0	0.0%	\$1,395 - \$2,195	\$1,607	638 - 1,251	767	\$1.75 - \$2.19	\$2.09	

*Rents shown include a garage space

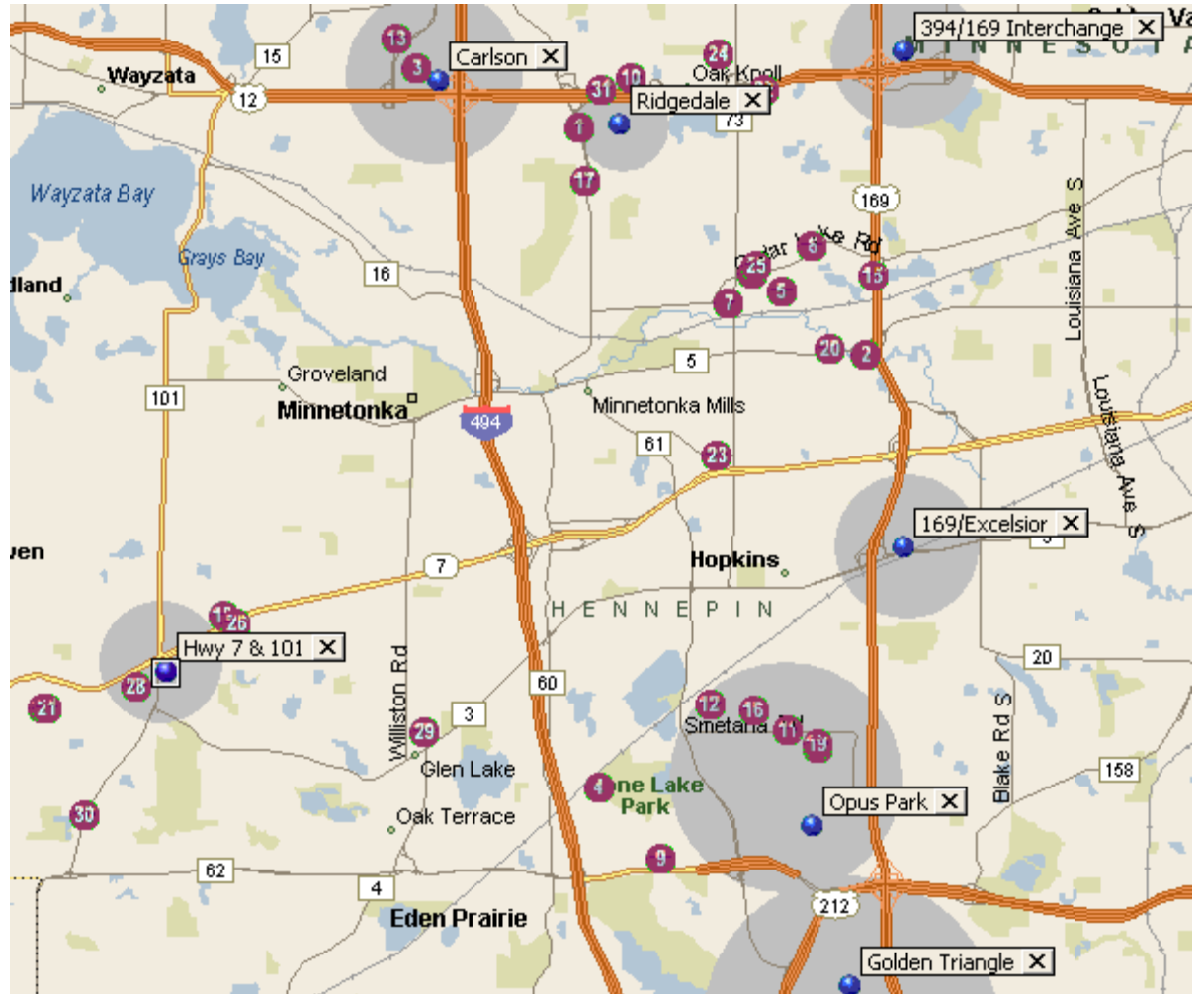
Survey of Market Rate Apartment Communities -- June 2017 City of Minnetonka													
Property Name/Location	Year Built	Unit Types	Total	Vacancy		Market Rental Rates*		Avg.	Unit Sizes		Avg.	Rent PSF	Avg.
Class "B" Properties													
Brier Creek	1986	Stu	17	0	0.0%	\$825 - \$875	\$850		490 - 520	505	\$1.68 - \$1.68	\$1.68	
10641 Greenbrier Rd		1BR	123	4	3.3%	\$995 - \$1,175	\$1,085		758 - 868	813	\$1.31 - \$1.35	\$1.33	
Minnetonka		1+Den	8	1	12.5%	\$1,225 - \$1,325	\$1,275		870 - 900	885	\$1.41 - \$1.47	\$1.44	
		2BR	45	0	0.0%	\$1,250 - \$1,350	\$1,300		1,028 - 1,129	1,079	\$1.20 - \$1.22	\$1.21	
			193	5	2.6%	\$825 - \$1,350	\$1,122		490 - 1,129	851	\$1.20 - \$1.68	\$1.32	
Cedar Hills	1987	1BR	122	5	4.1%	\$890 - \$905	\$898		679 - 744	712	\$1.22 - \$1.31	\$1.26	
11050 Cedar Hills Blvd		2BR	152	4	2.6%	\$1,050 - \$1,080	\$1,065		981 - 1,080	1,031	\$1.00 - \$1.07	\$1.03	
Minnetonka			274	9	3.3%	\$890 - \$1,080	\$990		679 - 1,080	888	\$1.00 - \$1.31	\$1.11	
Cedar Pointe Townhomes	1997	1BR	20	0	0.0%	\$1,139 - \$1,240	\$1,190		1,078 - 1,078	1,078	\$1.06 - \$1.15	\$1.10	
11229 Cedar Pointe Dr		1+Den	12	0	0.0%	\$1,225 - \$1,321	\$1,273		1,100 - 1,100	1,100	\$1.11 - \$1.20	\$1.16	
Minnetonka		2BR	20	2	10.0%	\$1,550 - \$1,697	\$1,624		1,327 - 1,607	1,467	\$1.06 - \$1.17	\$1.11	
		2BR+Den	12	1	8.3%	\$1,750 - \$1,925	\$1,838		1,400 - 1,400	1,400	\$1.25 - \$1.38	\$1.31	
		3BR	70	3	4.3%	\$1,695 - \$1,937	\$1,816		1,537 - 1,537	1,537	\$1.10 - \$1.26	\$1.18	
		3BR+Den	6	0	0.0%	\$1,820 - \$1,995	\$1,908		1,600 - 1,600	1,600	\$1.14 - \$1.25	\$1.19	
		4BR	12	1	8.3%	\$2,395 - \$2,575	\$2,485		2,221 - 2,407	2,314	\$1.07 - \$1.08	\$1.07	
			152	7	4.6%	\$1,139 - \$2,575	\$1,723		1,078 - 2,407	1,486	\$1.06 - \$1.38	\$1.16	
Cedar Ridge	1980	1BR	108	3	2.8%	\$759 - \$779	\$769		812 - 812	812	\$0.93 - \$0.96	\$0.95	
10201 S. Cedar Lake Rd		2BR	72	1	1.4%	\$879 - \$979	\$929		1,040 - 1,200	1,120	\$0.82 - \$0.85	\$0.83	
Minnetonka			180	4	2.2%	\$759 - \$979	\$833		812 - 1,200	935	\$0.82 - \$0.96	\$0.89	
Chasewood Gates	1988	1BR	52	1	1.9%	\$900 - \$995	\$948		715 - 895	805	\$1.11 - \$1.26	\$1.18	
6100 Chasewood Pkwy		2BR	154	3	1.9%	\$1,125 - \$1,295	\$1,210		1,005 - 1,072	1,039	\$1.12 - \$1.21	\$1.17	
Minnetonka			206	4	1.9%	\$900 - \$1,295	\$1,144		715 - 1,072	980	\$1.11 - \$1.26	\$1.17	
Cliffs of Minnetonka	1985	Stu	6	0	0.0%	\$909 - \$949	\$929		600 - 600	600	\$1.52 - \$1.58	\$1.55	
12300 Marion Rd		1BR	117	1	0.9%	\$950 - \$1,199	\$1,075		845 - 950	898	\$1.12 - \$1.26	\$1.20	
Minnetonka		1+Den	62	0	0.0%	\$1,079 - \$1,359	\$1,219		1,187 - 1,187	1,187	\$0.91 - \$1.14	\$1.03	
		2BR	190	5	2.6%	\$1,099 - \$1,359	\$1,229		1,187 - 1,557	1,372	\$0.87 - \$0.93	\$0.90	
		2BR+Den	66	1	1.5%	\$1,159 - \$1,649	\$1,404		1,505 - 1,505	1,505	\$0.77 - \$1.10	\$0.93	
		3BR	15	0	0.0%	\$1,479 - \$1,979	\$1,729		1,556 - 1,923	1,740	\$0.95 - \$1.03	\$0.99	
			456	7	1.5%	\$909 - \$1,979	\$1,226		600 - 1,923	1,246	\$0.77 - \$1.58	\$0.98	
Consrvatory	1985	1BR	120	4	3.3%	\$760 - \$819	\$790		854 - 954	904	\$0.86 - \$0.89	\$0.87	
10681 Smetana		2BR	198	7	3.5%	\$920 - \$1,030	\$975		1,100 - 1,200	1,150	\$0.84 - \$0.86	\$0.85	
Minnetonka			318	11	3.5%	\$760 - \$1,030	\$905		854 - 1,200	1,057	\$0.84 - \$0.89	\$0.86	
Deer Ridge Townhomes	1995	2BR	33	0	0.0%	\$1,635 - \$1,665	\$1,650		1,400 - 1,500	1,450	\$1.11 - \$1.17	\$1.14	
5190 Nolan Drive		3BR	77	2	2.6%	\$1,750 - \$1,750	\$1,750		1,400 - 2,150	1,775	\$0.81 - \$1.25	\$0.99	
			110	2	1.8%	\$1,635 - \$1,750	\$1,720		1,400 - 2,150	1,678	\$0.81 - \$1.25	\$1.03	
Gates at Carlson Center	1989	1BR	216	4	1.9%	\$975 - \$1,065	\$1,020		725 - 1,040	883	\$1.02 - \$1.34	\$1.16	
300 Carlson Pkwy		1+Den	30	0	0.0%	\$1,113 - \$1,464	\$1,289		1,040 - 1,040	1,040	\$1.07 - \$1.41	\$1.24	
Minnetonka		2BR	183	3	1.6%	\$1,196 - \$1,538	\$1,367		1,015 - 1,182	1,099	\$1.18 - \$1.30	\$1.24	
		2BR+Den	6	0	0.0%	\$1,254 - \$1,456	\$1,355		1,234 - 1,234	1,234	\$1.02 - \$1.18	\$1.10	
			435	7	1.6%	\$975 - \$1,538	\$1,189		725 - 1,234	989	\$1.02 - \$1.41	\$1.20	
Hunter's Ridge	1980	Studio/Alcove	15	0	0.0%	\$880 - \$910	\$895		556 - 556	556	\$1.58 - \$1.64	\$1.61	
19000 Stratford		1BR	55	0	0.0%	\$950 - \$1,665	\$1,308		696 - 696	696	\$1.36 - \$2.39	\$1.88	
Minnetonka		2BR	53	2	3.8%	\$1,100 - \$1,260	\$1,180		939 - 986	963	\$1.17 - \$1.28	\$1.23	
			123	2	1.6%	\$880 - \$1,665	\$1,202		556 - 986	794	\$1.17 - \$2.39	\$1.51	
Minnetonka Hills	1987	1BR	75	4	5.3%	\$980 - \$1,115	\$1,048		767 - 954	861	\$1.17 - \$1.28	\$1.22	
2828 Jordan Avenue S		2BR	161	9	5.6%	\$1,125 - \$1,375	\$1,250		1,003 - 1,053	1,028	\$1.12 - \$1.31	\$1.22	
Minnetonka		3BR	5	0	0.0%	\$1,565 - \$1,705	\$1,635		1,125 - 1,550	1,338	\$1.10 - \$1.39	\$1.22	
			241	13	5.4%	\$980 - \$1,705	\$1,195		767 - 1,550	982	\$1.10 - \$1.39	\$1.22	
Raspberry Woods	1999	1BR	32	0	0.0%	\$1,315 - \$1,315	\$1,315		891 - 967	929	\$1.36 - \$1.48	\$1.42	
920 Feltl Ct.		2BR	32	0	0.0%	\$1,625 - \$1,625	\$1,625		1,183 - 1,357	1,270	\$1.20 - \$1.37	\$1.28	
Minnetonka			64	0	0.0%	\$1,315 - \$1,625	\$1,470		891 - 1,357	1,100	\$1.20 - \$1.48	\$1.34	

Survey of Market Rate Apartment Communities -- June 2017 City of Minnetonka												
Property Name/Location	Year Built	Unit Types	Total	Vacancy		Market			Unit Sizes	Avg.	Rent PSF	
				No.	Pct.	Rental Rates*	Avg.	Avg.			Avg.	
Class "B" Properties (Continued)												
Regency Woods	1988	Studio/Alcove	18	0	0.0%	\$1,075 - \$1,100	\$1,088	540 - 540	540	\$1.99 - \$2.04	\$2.01	
2200 S Plymouth Rd		1BR	110	3	2.7%	\$1,160 - \$1,260	\$1,210	688 - 933	811	\$1.35 - \$1.69	\$1.49	
Minnetonka		1+Den	46	0	0.0%	\$1,285 - \$1,340	\$1,313	893 - 893	893	\$1.44 - \$1.50	\$1.47	
		2BR	108	2	1.9%	\$1,420 - \$1,635	\$1,528	1,072 - 1,094	1,083	\$1.32 - \$1.49	\$1.41	
			282	5	1.8%	\$1,075 - \$1,635	\$1,340	540 - 1,094	911	\$1.32 - \$2.04	\$1.47	
Saddlewood Park	1985	2BR	37	0	0.0%	\$1,375 - \$1,395	\$1,385	1,382 - 1,382	1,382	\$0.99 - \$1.01	\$1.00	
16863 Saddlewood		3BR	36	0	0.0%	\$1,430 - \$1,495	\$1,463	1,325 - 1,434	1,380	\$1.04 - \$1.08	\$1.06	
Minnetonka			73	0	0.0%	\$1,375 - \$1,495	\$1,423	1,325 - 1,434	1,381	\$0.99 - \$1.08	\$1.03	
Southampton	1988	1BR	23	1	4.3%	\$1,050 - \$1,050	\$1,050	739 - 739	739	\$1.42 - \$1.42	\$1.42	
5455 Smetana Dr		2BR	79	1	1.3%	\$1,320 - \$1,320	\$1,320	953 - 953	953	\$1.39 - \$1.39	\$1.39	
Minnetonka		3BR	13	1	7.7%	\$1,685 - \$1,685	\$1,685	1,238 - 1,258	1,248	\$1.34 - \$1.36	\$1.35	
			115	3	2.6%	\$1,050 - \$1,685	\$1,307	739 - 1,258	944	\$1.34 - \$1.42	\$1.39	

* Rents shown include a garage space.

Survey of Market Rate Apartment Communities -- June 2017 City of Minnetonka														
Property Name/Location	Year Built	Unit Types	Total	Vacancy		Market Rental Rates*		Avg.	Unit Sizes	Avg.	Rent PSF		Avg.	
				No.	Pct.									
Class "C" Properties														
Belgrove	1970	1BR	12	0	0.0%	\$800 -	\$870	\$835	710 -	785	748	\$1.11 -	\$1.13	\$1.12
10100 Minnetonka Blvd		2BR	18	1	5.6%	\$900 -	\$1,050	\$975	983 -	1,000	992	\$0.92 -	\$1.05	\$0.98
Minnetonka			30	1	3.3%	\$800 -	\$1,050	\$919	710 -	1,000	894	\$0.92 -	\$1.13	\$1.03
Stratfordwood II Townhomes	1974	1BR	4	0	0.0%	\$875 -	\$915	\$895	600 -	680	640	\$1.46 -	\$1.35	\$1.40
18900 Stratford		2BR	14	1	7.1%	\$1,025 -	\$1,125	\$1,075	1,080 -	1,080	1,080	\$0.95 -	\$1.04	\$1.00
Minnetonka		3BR	24	0	0.0%	\$1,300 -	\$1,300	\$1,300	1,349 -	1,349	1,349	\$0.96 -	\$0.96	\$0.96
				42	1	2.4%	\$875 -	\$1,300	\$1,186	600 -	1,349	1,192	\$0.95 -	\$1.46
Stratfordwood I	1973	Studio/Alcove	12	1	8.3%	\$795 -	\$820	\$808	600 -	600	600	\$1.33 -	\$1.37	\$1.35
18900 Stratford		1BR	66	2	3.0%	\$895 -	\$975	\$935	700 -	805	753	\$1.28 -	\$1.21	\$1.24
Minnetonka		1+Den	21	0	0.0%	\$860 -	\$860	\$860	780 -	780	780	\$1.10 -	\$1.10	\$1.10
		2BR	144	2	1.4%	\$995 -	\$1,195	\$1,095	1,018 -	1,034	1,026	\$1.16 -	\$0.98	\$1.07
		3BR	12	0	0.0%	\$1,150 -	\$1,300	\$1,225	1,210 -	1,210	1,210	\$0.95 -	\$1.07	\$1.01
			255	5	2.0%	\$795 -	\$1,300	\$1,027	600 -	1,210	924	\$0.95 -	\$1.37	\$1.11
Wilshire Wood	1972	1BR	24	0	0.0%	\$850 -	\$850	\$850	700 -	700	700	\$1.21 -	\$1.21	\$1.21
10925 Wayzata Blvd		2BR	21	0	0.0%	\$1,125 -	\$1,125	\$1,125	1,100 -	1,100	1,100	\$1.02 -	\$1.02	\$1.02
Minnetonka			45	0	0.0%	\$850 -	\$1,125	\$978	700 -	1,100	887	\$1.02 -	\$1.21	\$1.10
* Market Rents as shown include one garage parking space.														
Source: Marquette Advisors														

Class A Properties	
1	1700 Residences 1700 Plymouth Rd
2	The Overlook 9731 Minnetonka Blvd.
3	The Island Residences 501 Carlson Parkway
4	Chase at Nine Mile Creek 5709 Rowland Road
Class B Properties	
5	Brier Creek 10641 Greenbrier Rd
6	Cedar Hills 11050 Cedar Hills Blvd
7	Cedar Pointe Townhomes 11229 Cedar Pointe Dr
8	Cedar Ridge 10201 S. Cedar Lake Rd
9	Chasewood Gates 6100 Chasewood Parkway
10	Cliffs of Minnetonka 12300 Marion Rd
11	Conservatory 10681 Smetana
12	Deer Ridge Townhomes 5190 Nolan Drive
13	Gates at Carlson Center 300 Carlson Parkway
14	Hunter's Ridge 19000 Stratford
15	Minnetonka Hills 2828 Jordan Avenue S
16	Raspberry Woods 920 Felt Ct.
17	Regency Woods 2200 S Plymouth Rd
18	Saddlewood Park 16863 Saddlewood
19	Southampton 5455 Smetana Dr
Class C Properties	
20	Belgrove 10100 Minnetonka Blvd
21	Stratfordwood I & II Townhomes 18900 Stratford
22	Wilshire Wood 10925 Wayzata Blvd
Contract Based Affordable Properties	
	The Overlook 9731 Minnetonka Blvd.
	Chase at Nine Mile Creek 5709 Rowland Road
	Stratford Wood Apartment Homes 18900 Stratford Road
23	Minnetonka Mills Townhomes 11390 Minnetonka Mills Rd
24	Boulevard Gardens 11333 Fairfield Rd. W
25	Cedar Hills Townhomes 10860 Cedar Bend Rd
26	Clear Spring Rd Residences 4735 Clear Spring Rd.
27	Embroke & Golden Valley TH 5400 Smetana Drive
28	Excelsior Court 5125 Porter Ave.
29	Glen Lake Landing 5416 Beacon Hill Rd.
30	Minnetonka Heights 5809 S County Road 101
31	The Ridge Apts 12708 Wayzata Blvd.



AFFORDABLE HOUSING SUPPLY

Contract-based Affordable Housing Properties

We have also worked to identify affordable apartment communities in Minnetonka. Presented on the following page is a listing of affordable units (by % of AMI) in subsidized apartment buildings in the City of Minnetonka. **The contract-based affordable rental housing supply comprises 564 total units** at this time affordable at <60% of AMI, as shown on the table on the following page. Our analysis indicates that each of these properties presently maintains a very high occupancy level, generally in excess of 98%, with several properties at 100% and a waiting list.

Additionally, there are a total of **188 contract-based for-sale housing units** in Minnetonka. These are also summarized in a table. This includes indexed units which with an affordability requirement that were established as part of development agreements.

Naturally Occurring Affordable Housing

As well, within the Marquette Advisors database, we identified a total of **4,950** naturally occurring affordable rentals (NOAH units) in market rate buildings which are affordable at <80% of AMI.

Presented below is a summary of the affordable rental housing supply in Minnetonka, distributed by neighborhood and by % of AMI range. These totals include both the contract-based units and the naturally occurring affordable units.

City of Minnetonka Affordable Rental Housing Supply by Neighborhood and Pct. of AMI (2016)					
Neighborhood	30% of AMI	50% of AMI	60% of AMI	80% of AMI	Totals (<80% of AMI)
Cedar Lake	71	614	701	124	1,509
Glen Lake	316	0	101	3	420
I-395 McGinty	0	0	195	256	452
Minnetonka Blvd CR 101	0	0	0	0	0
Minnetonka Mills	0	0	0	0	0
Ridgedale	0	542	516	248	1,306
Shady Oak Excelsior	0	0	0	0	0
Shady Oak Opus	52	570	164	101	887
TH7 & CR 101	169	288	463	20	940
Williston TH7	0	0	0	0	0
City of Minnetonka	608	2,014	2,140	752	5,514
<i>Sources: Marquette Advisors; Housing Link</i>					

Affordable Rental Housing Supply (Contract-Based) -- City of Minnetonka *

Name	Address	Sub-Market	School Dist.	Primary Funder	Expiration Dates	Total Units	Market Rate (non-restricted)				Total Affordable Units	
							30%AMI	50%AMI	60%AMI	80%AMI		
The Overlook	9731 Minnetonka Blvd.	Cedar Lake	Hopkins	MHFA	7/1/44	100	80		20		20	
Chase on the Creek	5709 Row land Rd	Shady Oak & Opus	Hopkins	LIHTC	Not Provided	106	84		22		22	
Boulevard Gardens	11333 Fairfield Rd. W	Ridgedale	Hopkins	HUD	5/13/16	46	1		45		45	
Cedar Hills Townhomes	Multiple Addresses	Cedar Lake	Hopkins	HUD	12/5/26	30	0	30			30	
Clear Spring Rd Residences	4735 Clear Spring Rd.	TH7 & CR 101	Minnetonka	MHFA	9/28/26	12	0	12			12	
Embrooke & Golden Valley TH	Multiple Addresses	Shady Oak & Opus	Hopkins	HUD	12/29/16	54	8	46			46	
Excelsior Court	5125 Porter Ave.	TH7 & CR 101	Minnetonka	HUD	9/1/16	24	1		23		23	
Glen Lake Landing	5416 Beacon Hill Rd.	Glen Lake	Hopkins	HUD	4/23/31	97	0	97			97	
Minnetonka Heights	Multiple Addresses	TH7 & CR 101	Minnetonka	HUD	1/1/27	172	20	90		62	152	
Minnetonka Mills TH	Multiple Addresses	Cedar Lake	Hopkins	MHFA	4/26/26	30	2	28			28	
Stratford Wood	Multiple Addresses	TH7 & CR 101	Minnetonka	HUD	9/3/20	123	98	25			25	
The Ridge Apts	12708 Wayzata Blvd.	Ridgedale	Wayzata	MHFA	10/22/44	64	0		64		64	
Total Units						652	294	328	174	62	0	564
<i>*Does not include naturally-occurring affordable housing units in market rate (non-restricted) rental properties.</i>												
<i>Sources: Housing Link; MN Housing Finance Agency</i>												

**Contract-based Affordable For-Sale Housing
City of Minnetonka**

Development Name/Location	Affordable Units	Notes
Applewood Pointe 12201 Minnetonka Blvd.	9	Units were affordable to initial owner. Sale to subsequent buyers capped at 10% increase. (senior housing)
Could 9 5601 Smetana Drive	15	Units indexed with maximum resale restrictions
The Enclave 9967 Enclave Drive	1	Unit indexed with maximum resale restrictions
Gables 945-1002 Fairfield Spur	42	Unit indexed with maximum resale restrictions
Ridgebury 322-652 Willoughby Way	55	Unit indexed with maximum resale restrictions
Wylldwood 4008 Parkers Lake Rd.	8	Unit indexed with maximum resale restrictions
Homes Within Reach Multiple locations	58	homes in Minnetonka portfolio
Total Indexed Units	188	
<i>Source: City of Minnetonka</i>		

It is of note, certainly, that more than 75% of the current rental housing stock within the City of Minnetonka would be considered affordable housing at <80% of AMI. Moreover, nearly 90% of the affordable housing stock is naturally occurring, and is not in contract-based affordable rental properties. The supply of affordable rental units in Minnetonka relates in part to the age of the apartment stock, with the majority of this stock being constructed during the 1980s. Concerns of note relating to the supply of affordable rental housing within Minnetonka are as follows:

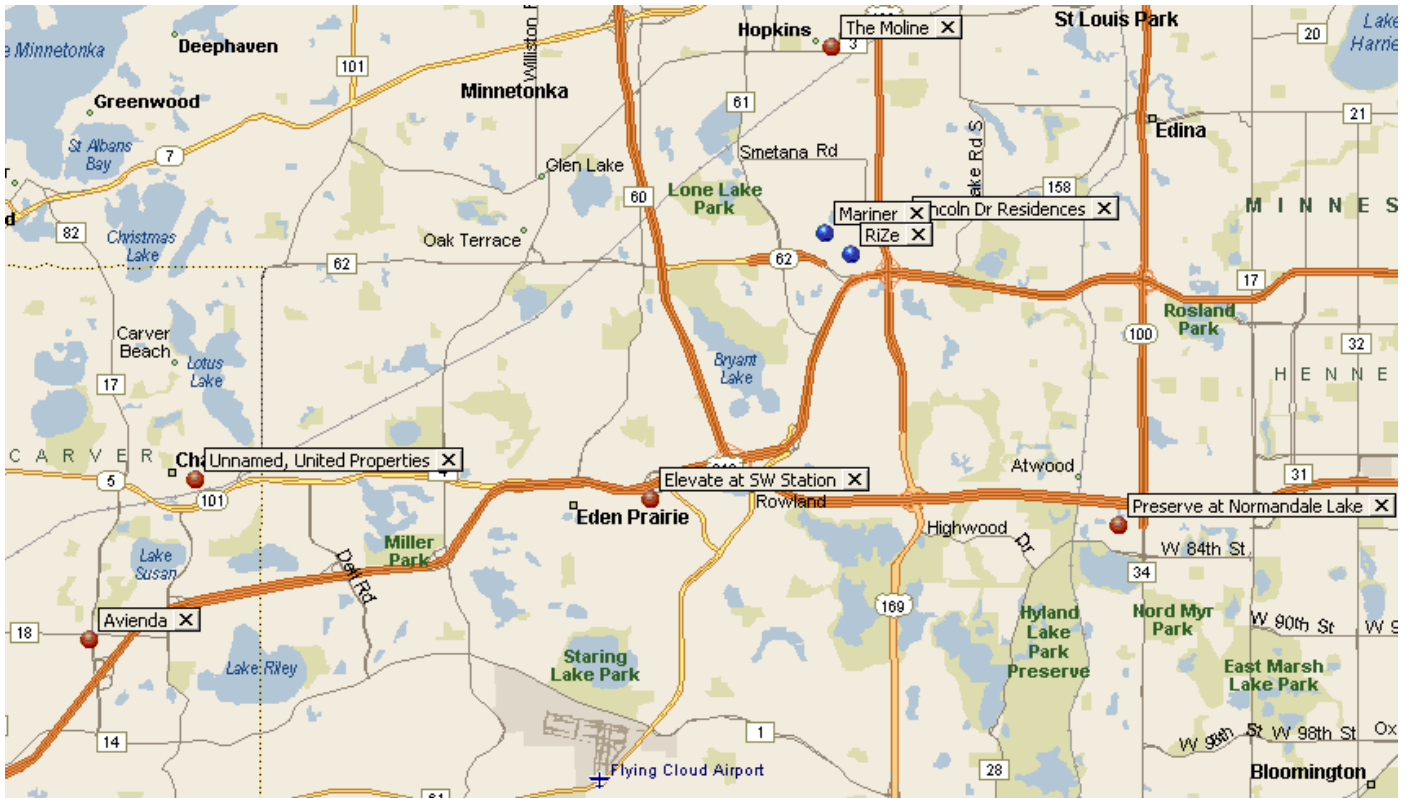
- Very limited production of new affordable housing in Minnetonka ó we noted two active development proposals in Minnetonka, featuring a combined 49 affordable rental units. While this is positive, this level of production is clearly insufficient relative to current and anticipated future demand.
- Shrinking supply of affordable housing ó this relates to rising rents in the community due to strong demand and sustained low vacancy rates. Each year, with rising rents, more renters with modest incomes are effectively öpriced outö of the Minnetonka market, such that they need to evaluate housing options elsewhere, or live with öexcess housing cost burden.ö
- Expiring affordability contracts ó expiring contracts also pose a threat, as owners of contract based affordable housing may consider ömark to marketö opportunities with renovations and corresponding rent increases that are certain to displace lower income renters.

DEVELOPMENT PIPELINE – as of 2017 mid-year

As noted previously, the strength of the area economy paired with sustained high occupancy levels and rising rental rates have prompted an increase in apartment construction in the southwest metro area. According to our market information and interviews with city planners and other housing professionals familiar with this market, we identified a total of eight pending apartment developments in the area, featuring a combined 1,884 total units. This includes two (2) proposed developments within the city of Minnetonka, anticipated to deliver in 2019 and 2020, with a combined 568 units. A map of the pending developments is provided below. A more detailed discussion of the pending developments is provided in the Appendix.

To summarize, the suburban Twin Cities apartment development pipeline has become a considerably more active in recent months. Developers are targeting prime sites with good access to amenities, highway & transit connections, and employment nodes. Minnetonka developments (RiZE at Opus Park and The Mariner) are well located within the community relative to key job centers and transportation/transit connections, notably the future Opus station along SW-LRT. As well, they are clearly distinguished from competitive developments in adjacent communities, in terms of location, product design, and price point. We expect that both projects will enjoy a brisk lease-up, while having a fairly modest impact on occupancy levels at existing Minnetonka apartment properties.

Apartment Development Pipeline – SW Metro Area
Blue Dots = Minnetonka developments



**Apartment Development Pipeline -- Minnetonka & Surrounding Market Area
(as of July 2017)**

Project Name	Developer	Location	City	Status	Projected Occupancy Date	Notes	Unit Counts		
							Market Rate	Affordable	Total
RiZe at Opus Park	LeCesse Corp.	10101 Bren Road East	Minnetonka	Proposed	Spring 2019	Planned luxury apartment community featuring 322 total units, including 10% (32 units) affordable at 60% of AMI.	290	32	322
The Mariner	New port Midwest LLC	10400, 10500, 10550 Bren Road East	Minnetonka	Proposed	Spring 2020	Proposed 246 units, including 191 market rate and separate building with 55 units, affordable at 60% of AMI. Pursuing tax credits through MHFA.	191	55	246
Elevate at SW Station	Timberland	12900 Technology Dr.	Eden Prairie	Proposed	Spring 2019	Will include 222 units and 12,000+ sf of commercial space. 20% affordability component at 50% of AMI.	177	45	222
Lincoln Drive Residences	Opus	5901 Lincoln Drive	Edina	Under Construction	Spring/Summer 2018	Four-story building, featuring 250 garage spaces and another 120 surface parking spaces on site.	244	0	244
Unnamed	United Properties	525 78th Street	Chanhassen	Proposed	Fall 2018	6 story mixed-use building with 130 market-rate apartments and an 18,000-square-foot Aldi store. Preliminary Plat Approval has been granted.	130	0	130
Avienda (formerly "The Quadrant")	Level 7 Development	Lyman & Powers Blvd.	Chanhassen	Proposed	Unknown - Phase I, 2020	300 apartments considered, along with big-box & inline commercial space. Preliminary Plat Approval has been granted.	300	0	300
The Moline	Doran Development	8th St. & Excelsior Blvd.	Hopkins	Under Construction	Summer/Fall 2017	119 one-bedrooms, 103 two-bedrooms, 13 three-bedrooms and six one-level, walk-up units	241	0	241
Norman Pointe Residential	CIP (Lincoln, NE)	5650 American Blvd. W.	Bloomington	Under Construction	Fall 2017	Five-story multi-family building with a two level underground parking garage.	179	0	179
TOTALS							1,752	132	1,884

Source: Marquette Advisors

KEY POINTS: APARTMENT MARKET CONDITIONS

Strong market fundamentals, with low vacancy and rising rents -- Existing apartment properties in Minnetonka and the surrounding market area communities have experienced low vacancy levels for several months, generally in the 2-4% range. Market rents for new-construction modern apartments in the Minnetonka and throughout the SW metro area average approximately \$2.00 to \$2.10 psf (\$1,800/month) at this time, varying somewhat based on location, quality and unit size/mix. Recent luxury apartment developments in Minnetonka have been well received, inclusive of four new properties with a combined 493 units built since 2015, all of which have experienced a rapid absorption and today feature low vacancy rates of <2.5%.

Apartment construction activity remains robust, but primarily focused on young Millennials -- Apartment construction continues to be very active throughout the region, and has ramped up more recently in Minnetonka. This trend is generally positive, as developers are responding to a need for this housing product, and market fundamentals which provide a favorable return on investment. However, that being said, a concern we have at this time is that the vast majority of new apartment construction is targeting Millennials and affluent young professionals. The market is delivering primarily "luxury" product, but far fewer units at lower price points. As well, we've seen far fewer units delivered targeting older adults (empty nesters), and very limited new rental product for "aging" Millennials who may reside in a Studio or 1BR apartment presently and will seek larger units or townhomes in the future.

Our analysis indicates there is strong demand for general occupancy apartment product in Minnetonka, ranging from affordable rentals to luxury apartments. Given the strong market fundamentals, with rising rents and low vacancy, paired with demand generators and other attractiveness factors relating to Minnetonka such as connectivity and freeway access, future LRT, and an expanding base of employers, we expect increasingly strong developer interest in Minnetonka over the next several months. Our demand forecast and development recommendations by product type and price point are outlined in the following section, with a discussion regarding optimal locations for apartment development in Minnetonka over time.

RENTAL HOUSING DEMAND ANALYSIS

Presented on the following page is a summary of our projections of rental housing demand for Minnetonka over the coming 20-year period, segmented into 5-year increments. Our forecast takes into account a variety of growth factors, as follows:

Regional Household Growth

- Independent growth forecasts by the Twin Cities Metropolitan Council and ESRI Business Information Solutions have also been evaluated. We note that ESRI and Met Council forecasts suggest that the Twin Cities Metro Area will grow at a rate of about 12,200 to 12,500 households per year over the next 10 years, and then slowing somewhat to between 11,300 and 11,700 households per year.
- Since demand for senior housing units is separately calculated (see Senior Housing chapter), and is primarily need/care-based, in this section of our analysis we isolate on projected non-senior household growth, which is projected to account for approximately 75% of overall household growth in the metro area, based on our review of reports by both ESRI and the Met Council.

Minnetonka Capture Rate

- In determining a reasonable capture rate (i.e. market share) for the City of Minnetonka, we have examined historical growth and the population/household and employment composition of Minnetonka within the context of the Twin Cities metro area. We note that Met Council forecasts suggest that Minnetonka will capture about 2% of regional household growth through 2030. We believe this is in fact conservative, considering the appeal of Minnetonka due to the following factors:
 - Lifestyle factors ó availability of parks, trails, community facilities, shopping/dining options, and high-quality schools
 - Connectivity factors ó Minnetonka's location within the metro area, and the access to key transportation corridors. Drive-time analysis. Future Southwest LRT and enhanced connectivity to jobs centers and commercial nodes.
 - Economic base ó Minnetonka features a sizable and diverse base of employers, many of whom are in an expansion mode, attracting new employees not only from within the metro area, but nationally and internationally as well. We anticipate that many of these new employees will find favor with housing options within the Minnetonka community, assuming an adequate supply of new, appropriately priced and designed housing units are available to accommodate this demand. Presently, an estimated 2.6% of metro area employment is based in the City of Minnetonka. Moreover, Met Council forecasts indicate that Minnetonka businesses will account for more than 3.6% of metro area employment growth through 2040.

**Projected General Occupancy Apartment Demand (Non-Senior)
City of Minnetonka**

	1-5 Years		5-10 Years		10-15 Years		15-20 Years	
	Total	Avg./Yr.	Total	Avg./Yr.	Total	Avg./Yr.	Total	Avg./Yr.
Tw in Cities Metro Area Household Growth ¹	62,500	12,500	61,000	12,200	58,500	11,700	56,500	11,300
Estimated % of this growth being non-senior households ²	75%		75%		75%		75%	
Minnetonka Estimated Potential Market Share (%) ²	x 2.5%		x 3.0%		x 2.5%		x 2.5%	
Minnetonka Estimated Potential Household Growth	= 1,172	234	= 1,373	275	= 1,097	219	= 1,059	212
Estimated % of Households at 0-60% of AMI	x 15%		x 15%		x 15%		x 15%	
Estimated % of Households 61-80% of AMI	x 5%		x 5%		x 5%		x 5%	
Estimated % of Households 81-100% of AMI	x 15%		x 15%		x 15%		x 15%	
Estimated % of Households 100%+ of AMI	x 65%		x 65%		x 65%		x 65%	
Estimated % Renters at 0-60% of AMI	x 100%		x 100%		x 100%		x 100%	
Estimated % Renters at 61-80% of AMI	x 100%		x 100%		x 100%		x 100%	
Estimated % Renters at 81-100% of AMI	x 100%		x 100%		x 100%		x 100%	
Estimated % Renters at 100%+ of AMI	x 50%		x 50%		x 25%		x 25%	
Rental Demand 0-60% of AMI	= 176	35	= 206	41	= 165	33	= 159	32
Rental Demand 61-80% of AMI	= 59	12	= 69	14	= 55	11	= 53	11
Rental Demand 81-100% of AMI	= 176	35	= 206	41	= 165	33	= 159	32
Rental Demand 100%+ of AMI (Market Rate)	= 381	76	= 446	89	= 178	36	= 172	34
Total Rental Housing Demand (Non-Senior)	= 791	158	= 926	185	= 562	112	= 543	109

¹ Household growth forecasts by Marquette Advisors based on review of growth projections by Tw in Cities Met Council and ESRI.

² An estimated 25% of metro area household growth is expected to be under <65 (excluding seniors) based on review of ESRI and Met Council estimates.

³ Minnetonka market share estimates by Marquette Advisors based on review of attractiveness factors, economic base, and land use factors.

Source: Marquette Advisors

- Considering the economic base of the community, and the various attractiveness factors noted herein, we estimate that Minnetonka has the potential to capture between 2.5% (years 1-5) and 3.0% (years 5-10) of metro area household growth. The increase in capture rate and growth in Minnetonka in years 5-10 accounts for the completion of SW-LRT and increasing developer and renter demand during this period, corresponding with this and station-area planning & development.

Next, we estimate household growth by income level (as a % of AMI) and by tenure, based on the current community household income composition, also factoring in future growth and the community's employment base by industry sector and salary range.

In total, we estimate potential demand for approximately 2,800 new general-occupancy rental housing units in Minnetonka over the next 20 years, or an average of 140 units per year. The table on the following page shows the breakdown of demand in five-year increments, both short and long-term, and the estimated distribution of demand by affordability level, as a % of AMI. It is also important to note that this reflects *potential* demand from renters seeking a rental apartment in Minnetonka, assuming that an adequate supply of appropriately priced, designed and well-located rental units are constructed to meet this demand. Whether or not this level of construction occurs is dependent upon a variety of factors, inclusive of these and others:

- Availability of development sites
- Receptiveness of the community to higher density residential development, particularly in key commercial and employment nodes, and near LRT.
- Public-private partnerships, relating not only to affordable housing products, but in some cases market rate, depending on land and construction costs.

**SENIOR HOUSING MARKET
CONDITIONS**

INTRODUCTION

In this section, we begin with a discussion of the various senior housing product types, the population typically served, and the level and type of care provided by each. We also examine pertinent demographic and economic data related to the older adult and senior population in Minnetonka. This is followed by a summary of the current senior housing supply and market conditions, including occupancy and market rental rates for various senior housing product types and service levels. We conclude with our demand analysis, segmenting short- and long-term senior housing needs in Minnetonka by product type/service level.

SENIOR HOUSING PRODUCT TYPES

Senior housing is typically defined as an age-restricted housing product designed specifically to service seniors, generally age 55+ or 65+. The market has developed a wide range of product types over the past several years. The primary senior housing product types and a brief description of each is summarized below. The choice of product will depend on the level of care needed on a case-by-case situation, in addition to household income levels and financial assets.

“Active Adult” or “Adult-Few Services” Properties ó This is the least service-intensive of all senior housing products. Includes both rental and for-sale products (condos), as well as cooperatives. Apartment-style rentals are most popular, although condominiums, cooperatives and townhomes have also been developed throughout Minnetonka and the Twin Cities region. These properties offer virtually no support services or health care, but restrict tenancy to those ages 55 and older. Typically, these senior housing communities will attract persons aged 65 and older, with around 1/2 of this type of housing being occupied by couples. Some of these communities do provide limited activities for residents. Some also offer limited services such as transportation to/from medical appointments or shopping centers.

Within this category, “Active Adult” rentals, restricted to persons ages 55+ are becoming popular recently with developers throughout the Twin Cities, starting with prime, very walkable suburban and urban locations with good access to restaurants, shops and amenities. These developments typically incorporate a somewhat larger unit profile, compared to general-occupancy (non-age restricted) new construction apartments, as “empty nesters” have shown a preference for somewhat larger apartments, being particularly sensitive to bedroom and kitchen size, as well as storage. This product category generally includes a superior unit finish, as well, with upgraded kitchen appliances, cabinets, flooring and built-ins. Developers are targeting older adults who might also consider a condo or cooperative building. They are seeking a maintenance-free lifestyle, with many looking to travel, and/or perhaps maintaining a second home, apartment or condo in a warmer climate.

Independent Senior Housing ó This product group is also occasionally referred to as öCongregateö Senior Housing, and offers support services such as transportation, meals and housekeeping. These services are offered either for an additional cost (a-la-carte), or included in the monthly rents/fees. This type of senior housing tends to attract an older and more frail resident population (generally age 75+) compared to öadult-few servicesö senior housing. Independent senior housing with services is also more likely to be occupied by a single person (75% to 85% of units).

Assisted Living ó Assisted Living and Memory Care housing are the most service-intensive product types, and offer the highest level of services, just short of those available in a skilled care/nursing home environment. Assisted living typically includes meal service to all residents (included in the monthly fee), along with all of the support services found in independent housing. The most distinguishing feature of an *Assisted Living* community is that it also provides 24-hour staffing and emergency response, along with the availability of personal care assistance (assistance with bathing, dressing, grooming, etc.). Assisted living facilities tend to attract people aged 80+ who need assistance with the ADLø (activities of daily living) mentioned above. Assistance with certain ADLø (those noted herein) is usually included in the monthly rent, while in fewer cases there is a separate charge based on the care needs of the resident.

Memory Care ó This type of senior housing is a specialized Assisted Living product, specifically designed and programmed for persons afflicted with Alzheimerø disease or other dementia related problems. These facilities include all of the same services as Assisted Living, plus additional safety through secured-access doors and/or wander-guard systems. They also feature a higher staff-to-resident ratio. Furthermore, special active (stimulating) and passive (calming) programming is involved to respond to the specific needs of the resident base.

SENIOR DEMOGRAPHICS

The demand for senior housing in Minnetonka will include mainly income-qualified senior households currently living in the community (likely in an aging single-family residence) who have a current need (or future need) and/or desire for a multifamily living environment. The type of living environment and level of care will depend on a variety of factors ó primarily relating to mobility and care needs, as well as their financial situation. In the forthcoming paragraphs we summarize our analysis of the current and projected senior household base in Minnetonka. This analysis facilitates our projections of current and future demand for varied senior housing products in the community, currently and over time.

Senior Household Incomes

The table on the following page shows the number of senior households in Minnetonka by age and income range, estimated for 2016 and 2021, sourced from ESRI Business Information Solutions. The primary market segment for senior housing (with services) is generally defined as seniors ages 75+ with incomes of about \$35,000+. Some seniors with lower incomes may also be income-qualified for senior housing if they own their homes or have other savings. Somewhat younger households ages 55-74 comprise a secondary market, generally for Senior condos or cooperatives, Adult/Few Services and Independent senior products.

We note that in 2016, Minnetonka had an estimated 1,984 senior households age 75+ with incomes of \$35,000+, with that total projected to increase to 2,376 households by 2021. Including seniors ages 65-74 increases the income-qualified household base to 4,942 in 2016, expanding to 61,67 households in 2021. In total, we note that the age 65+ household base in the market area is projected to increase from 6,822 in 2016 to 8,198 in 2021, reflecting a 20% increase over this five-year period.

# of Senior Households by Age & Income Range, 2016-2021								
City of Minnetonka								
Current Estimates (2016)								
	55-64		65-74		75+		Total 55+	
Household Income	No.	%	No.	%	No.	%	No.	%
Less than \$15,000	205	3.9%	156	4.3%	357	11.1%	718	6.0%
\$15,000-\$24,999	143	2.7%	206	5.7%	410	12.8%	759	6.3%
\$25,000-\$34,999	229	4.4%	293	8.1%	458	14.3%	980	8.1%
\$35,000-\$49,999	354	6.8%	407	11.3%	575	17.9%	1,336	11.1%
\$50,000-\$74,999	704	13.5%	705	19.5%	636	19.8%	2,045	17.0%
\$75,000-\$99,000	723	13.9%	510	14.1%	217	6.8%	1,450	12.0%
\$100,000-\$149,999	1,128	21.6%	577	16.0%	308	9.6%	2,013	16.7%
\$150,000-\$199,999	663	12.7%	312	8.6%	108	3.4%	1,083	9.0%
\$200,000+	1,065	20.4%	447	12.4%	140	4.4%	1,652	13.7%
Total Households	5,214	100.0%	3,613	100.0%	3,209	100.0%	12,036	100.0%
Median Income	\$107,639		\$76,457		\$43,668		\$81,223	
Projections (2021)								
	55-64		65-74		75+		Total 55+	
Household Income	No.	%	No.	%	No.	%	No.	%
Less than \$15,000	157	3.2%	196	4.3%	412	11.2%	765	5.8%
\$15,000-\$24,999	112	2.3%	225	5.0%	450	12.2%	787	6.0%
\$25,000-\$34,999	166	3.4%	299	6.6%	449	12.2%	914	7.0%
\$35,000-\$49,999	309	6.3%	492	10.9%	683	18.5%	1,484	11.3%
\$50,000-\$74,999	447	9.1%	600	13.3%	523	14.2%	1,570	12.0%
\$75,000-\$99,000	665	13.5%	675	15.0%	279	7.6%	1,619	12.3%
\$100,000-\$149,999	1,195	24.3%	848	18.8%	484	13.1%	2,527	19.3%
\$150,000-\$199,999	772	15.7%	501	11.1%	188	5.1%	1,461	11.1%
\$200,000+	1,100	22.3%	675	15.0%	219	5.9%	1,994	15.2%
Total Households	4,923	100.0%	4,511	100.0%	3,687	100.0%	13,121	100.0%
Median Income	\$119,797		\$89,740		\$45,714		\$88,646	
Change, 2015-2020								
	55-64		65-74		75+		Total 55+	
Household Income	No.	%	No.	%	No.	%	No.	%
Less than \$15,000	-48	-23.4%	40	25.6%	55	15.4%	47	6.5%
\$15,000-\$24,999	-31	-21.7%	19	9.2%	40	9.8%	28	3.7%
\$25,000-\$34,999	-63	-27.5%	6	2.0%	-9	-2.0%	-66	-6.7%
\$35,000-\$49,999	-45	-12.7%	85	20.9%	108	18.8%	148	11.1%
\$50,000-\$74,999	-257	-36.5%	-105	-14.9%	-113	-17.8%	-475	-23.2%
\$75,000-\$99,000	-58	-8.0%	165	32.4%	62	28.6%	169	11.7%
\$100,000-\$149,999	67	5.9%	271	47.0%	176	57.1%	514	25.5%
\$150,000-\$199,999	109	16.4%	189	60.6%	80	74.1%	378	34.9%
\$200,000+	35	3.3%	228	51.0%	79	56.4%	342	20.7%
Total Households	-291	-5.6%	898	24.9%	478	14.9%	1,085	9.0%
Median Income	\$12,158		\$13,283		\$2,046		\$7,423	
Source: ESRI Business Information Solutions								

Senior Homeownership Rates

As seniors age, they may no longer desire, or be able or willing to maintain their single-family homes. Some prefer to move to housing that offers them greater freedom from maintenance and/or offers support services. Seniors and/or their caregivers or adult children typically begin to consider senior housing alternatives as they age into their 70s or some earlier, some even later, depending on their health/mobility, care needs, and finances.

In addition to current income sources, many senior households are able to derive additional income to be used for senior housing by investing the proceeds from the sale of a single-family home. This supplemental income can be used to cover the costs associated with residency and care in a senior housing community. The table below shows data on the tenure by age of householder for the older adult and senior households in Minnetonka, according to 2010 Census data.

Senior Tenure by Age of Householder - 2010 City of Minnetonka & Twin Cities Metro Area												
City of Minnetonka												
	55-64			65-74			75+			Total 55+		
	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total
Number of Households	4,267	602	4,869	2,247	341	2,588	2,111	894	3,005	8,625	1,837	10,462
Homeownership Rate	88%			87%			70%			82%		
Twin Cities Metro Area												
	55-64			65-74			75+			Total 55+		
	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total
Number of Households	162,595	34,355	196,950	85,347	17,988	103,335	67,268	30,734	98,002	315,210	83,077	398,287
Homeownership Rate	83%			83%			69%			79%		

Source: U.S. Census-2010

First, it is interesting to note that 48% (10,462 households) of the Minnetonka household base in 2010 were ages 55+. An estimated 54% of the city's home owners and 32% of its renters were age 55+.

Home ownership rates typically decline as householders age. In Minnetonka, we note that about 87% of households aged 65 to 74 owned their homes (2,247 households) in 2010, compared to 70% of those age 75+ (2,111 households). The home ownership rate Minnetonka seniors is slightly greater than that for the Twin Cities metro area as a whole; especially among seniors under age 75. This statistic from 2010 could be considered a pre-cursor of demand for independent senior housing concepts in Minnetonka. Not surprisingly, the community has two recently completed senior cooperative developments, including Applewood Pointe, as well as Zvago at Glen Lake.

For-Sale Housing Values & Resale Trends

The table below presents a summary of home sales data for Minnetonka and the Twin Cities Metro Area as a whole, over the past year (trailing 12 months as of 6/30/17). This data is sourced from the Regional Multiple Listing Service (Northstar MLS). Home values will help dictate the amount of equity a senior will be able to derive upon the sale of their home, which in many cases is utilized towards monthly fees for senior housing.

# of Home Sales by Price Range			
Trailing 12 months (as of June 30, 2017)			
Minnetonka & Twin Cities Metro Area			
	Number of Sales by Price Range		
	City of	Tw in Cities	Minnetonka Share (%)
Price Range	Minnetonka	Metro Area	of Metro Area Transactions
<\$100,000	23	1,509	1.5%
\$100,000-199,999	175	15,822	1.1%
\$200,000-299,999	233	17,196	1.4%
\$300,000-399,999	232	8,169	2.8%
\$400,000-499,999	109	4,029	2.7%
\$500,000-599,999	90	1,925	4.7%
\$600,000-699,999	35	978	3.6%
\$700,000+	65	1,688	3.9%
Total Sales	962	51,316	1.9%
Average Sale Price	\$369,331	\$266,624	
Median Sale Price	\$325,450	\$225,512	
Source: Mpls. Area Assoc. of Realtors - Northstar MLS			

The average sale price in Minnetonka, at \$369,331, was considerably higher compared to the metro area average at \$266,624. This is indicative of both the quality of, and demand for homes in Minnetonka. A majority of senior homeowners own their homes free and clear, and thus would have access to a sizeable financial resource in the equity they can realize from the sale of their homes. While the interest earned on investing these funds can help to offset the monthly costs associated with living in a senior housing facility, many seniors are also willing to begin spending down assets in order to live in a housing environment which meets their lifestyle preferences and care needs. For example, a senior who owns his or her home outright and has a home valued at \$369,331 (the average sale price in Minnetonka over the past 12 months) would likely be able to derive approximately \$343,000 from the sale of their home after factoring in marketing/real estate commissions and moving costs at roughly 7%. Should this equity be invested in an interest-bearing account with a 3% annual return, it would produce an income of \$10,300 annually (about \$860/month). This income could be used to partially off-set the cost of senior housing, without spending down assets.

Also of note is the number of transactions in the City as a % of metro area sales. In Minnetonka, there were a total of 962 sale transactions over the past 12 months, accounting for about 1.9% of regional home sales activity over the past year. On a gross basis, the number of transactions in

Minnetonka is about what we would expect, since Minnetonka accounts for about 2.0% of all owner-occupied housing units in the metro area, according to our analysis of Census (ACS) statistics. However, Minnetonka's share of regional sales transactions varies considerably by price point. We note that Minnetonka accounts for a much lower share of regional sales under \$300,000, only about 1.2% of metro area transactions over the past year. This is an indicator of two key trends in Minnetonka:

- 1) **Limited supply of affordable home purchase opportunities within the City of Minnetonka at <\$300,000.** This poses a challenge for prospective first-time homebuyers in the community.
- 2) **Seniors aging in place within the community** while local assessor data and Met Council statistical analyses indicate that Minnetonka does in fact feature a substantial supply of homes valued at <\$300,000, few of these homes are actually coming to market. In many cases, these are somewhat older homes (1960's & 1970's product) occupied by older adults and seniors who are aging in place.

MINNETONKA SENIOR HOUSING SUPPLY

Presented on the following page is a summary of the current supply of senior housing in Minnetonka. We have included a summary of Adult/Few Services, Independent, Assisted Living and Memory Care housing in the community. Senior housing supply information is sourced from Maxfield Research, with current rental information verified by Marquette Advisors.

Minnetonka features a total of 2,922 age-restricted senior housing units. This includes 694 ownership units (condo and co-op units) and 2,228 rental units. Minnetonka's senior housing inventory is primarily market rate. The rental inventory includes a total of 83 contract-based affordable senior units, including 42 at Westridge and another 41 units at Beacon Hill.

The current low vacancy rate at 3.7% collectively for the properties is an indicator of pent-up demand for additional senior units in the market area. We note that vacancy rates are consistently low across all properties and service levels, indicating that there has been a positive market response to all varieties of senior housing in the market area.

Two additional senior campus developments are in the works (Cherrywood Pointe and Crest Ridge) which will bring another 245 combined rental units to market in 2017 and 2018. The details of these projects are discussed later in this chapter.

Senior Housing Supply City of Minnetonka July 2017				
Property Name	Year Built	Number of Units	Number Vacant	% Vacant
Adult/Few Services -- Ownership				
Zvago Sr. Cooperative	2016	54	2	3.7%
Applewood Pointe of Minnetonka	2016	89	0	0.0%
	Subtotal	143	2	1.4%
Adult/Few Services -- Rental (None Applicable)				
Independent with Services (Congregate)				
Westridge	1998	102	0	0.0%
Beacon Hill	1995	107	1	0.9%
The Glenn	2011	69	0	0.0%
Ridgepointe I & II	1986/1988	274	12	4.4%
	Subtotal	552	13	2.4%
Assisted Living				
Brookdale Minnetonka	1995	64	7	10.9%
Sunrise of Minnetonka	2005	44	0	0.0%
Brookdale Minnetonka	1996	41	5	12.2%
Elder Homestead	1986	75	0	0.0%
Beacon Hill Commons	1995	136	1	0.7%
The Glenn	2011	50	2	4.0%
	Subtotal	410	15	3.7%
Memory Care				
Brookdale Minnetonka	1999	35	0	0.0%
Sunrise of Minnetonka	1995/2007	30	1	3.3%
Emerald Crest	1998	36	2	5.6%
Elder Homestead II	1986	20	0	0.0%
The Glenn	2011	24	1	4.2%
	Subtotal	145	4	2.8%
	TOTAL	829	31	3.7%

The tables on the next several pages provide detailed information regarding unit mix and rents/pricing for all senior housing product types throughout the Minnetonka market.

Adult/Few Services – Condos and Cooperatives

Minnetonka has a total of 143 total adult condo/co-op units, with two major developments coming opening last year, including Applewood Point (89 units) and Zvago-Glen Lake (54 units). The market response to both projects has been very positive. Just 2 units remain available at Zvago, while Applewood Pt. has no units remaining, and has a waiting list. Pricing ranges considerably within the coop properties, from less than \$50,000 to more than \$500,000, depending on the deposit/entry fee. Monthly fees range from approximately \$800 to \$2,000 per month.

Adult/Few Services -- Rental

Minnetonka presently has no age-restricted senior rentals without services, exclusively. This product/service category has been surpassed by the cooperative model in recent years, with Twin Cities active seniors showing a preference for this product & ownership category over traditional senior rentals. Others have opted for non-age restricted market rate apartments, while those with current or anticipated care needs (or their spouse) have shown a preference for senior housing with available services.

Independent Sr. Housing with Services (Congregate)

Minnetonka offers 552 total independent senior housing units with available services, with a low vacancy rate of just **2.4%** in July 2017. Base rents averaged **\$1,820** (\$1.98 psf) for this product group, varying widely from \$1,395 to \$3,360 per month, depending on the unit type & size, property characteristics and level of service provided. It is important to note, however, that these are base rents, with additional charges for meals and services based on the individual needs of the resident, with those meals/services purchased a-la-carte on a per-service or package basis.

Assisted Living

There are a total of 329 assisted living units in Minnetonka, with a reported **4.6%** vacancy rate in July 2017. The average monthly rent was **\$4,070** (\$7.92 psf) for the Assisted Living residences. Contrasting from the Independent property group, where services are typically purchased separately on a package or a-la-carte basis, Assisted Living properties typically include all meals and needed care services in the monthly rent.

Memory Care

There are a total of 145 specialized Memory Care units in the Minnetonka market, with just 4 vacancies (**2.8%**) in July 2017. Average rents are somewhat higher than traditional Assisted Living, due to the staffing and care requirements associated with Dementia residents. The average monthly fee for Memory Care housing in Minnetonka was **\$4,260** as of July 2017, or \$7.74 psf, with an average suite size of 551 sf.

Residential Care Homes

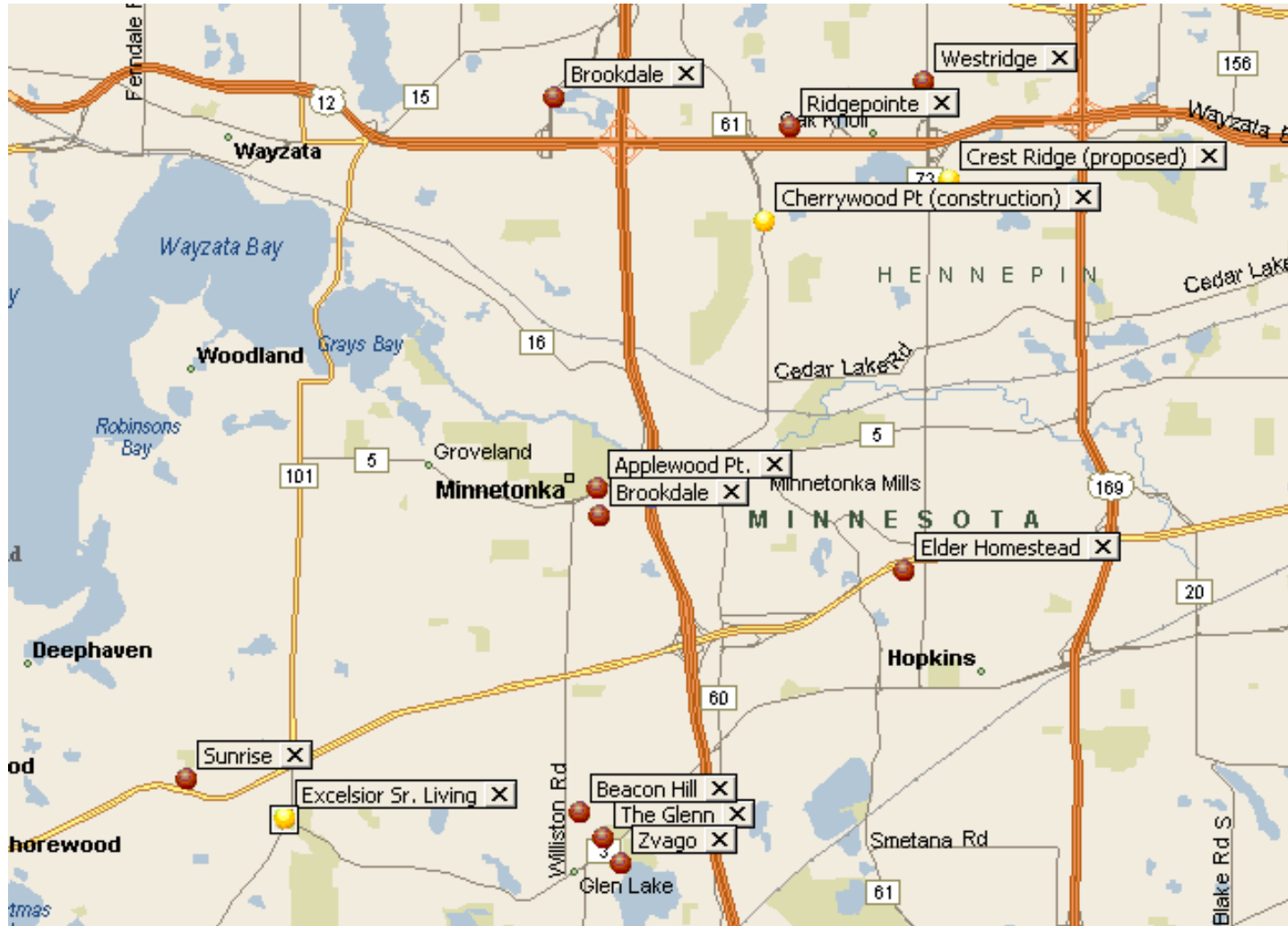
Additionally, in Minnetonka there are nine licensed residential care facilities, offering housing and care services for a total of 59 seniors. Our survey indicated just two available suites, with several of the homes maintaining a waiting list. Personal care and medical care needs are provided in a residential home setting. Rates vary, depending on the level of care provided, and whether the resident has a private or shared bedroom/suite. Monthly charges ranged from **\$5,400 to \$10,000**, according to our survey. The majority of these facilities also offer respite care and hospice services.

Senior Housing Communities

City of Minnetonka, MN

Red dots = existing

Yellow dots = proposed or under construction



UNIT MIX/SIZE/COST & OCCUPANCY COMPARISON

City of Minnetonka

Senior Cooperative Housing

July 2017

Property Name/Location	Occp. Date	Units/ Vacant	Unit Mix/Sizes/Pricing				Monthly Rent/ Fee	Description
			Unit Mix	Size (Sq. Ft.)	Entry Fee/ Sale Price			
SENIOR COOPERATIVES								
Applewood Pointe of Minnetonka 12201 Minnetonka Boulevard	2016 (Spring)	89 0 0.0%				\$37,500 - \$427,500	\$800 - \$2,000	Pricing ranges from \$250,000-\$450,000. Entry share pricing ranges from 15% to 95%
Zvago / Glen Lake 14301 Stewart Lane	2016 (Fall)	54 2 3.7%	10 - 1BR 10 - 2BR 20 - 2BR+D 14 - 3BR	779 - 1,012 1,239 - 1,367 1,349 - 1,541 1,911		\$200,000 - \$500,000		
Total / Average		143		1,314		\$291,250	\$1,400	
Vacant Units		2	1.4%					
Source: Maxfield Research and Consulting, LLC								

SENIOR HOUSING COMMUNITIES -- Independent
City of Minnetonka -- Unit Supply, Occupancy & Monthly Rates
July 2017

INDEPENDENT (Congregate w/Optional Services)

Property Name/Location	Year Opened	No. of Units	Vacant	Unit Mix	Unit Size	Monthly Rent/Fees	Monthly Rent/Sq. Ft.	Comments
West Ridge (MR/AFF) 11201 Fairfield Road	1998	60	0	10 - 1BR 50 - 2BR	721 - 744 869 - 1,092	\$1,395 - \$1,425 \$1,725 - \$2,299	\$1.93 - \$1.92 \$1.99 - \$2.11	All utilities included except phone and cable. Congregate residents pay electric. Meals, hskpg addtl chg.; UG pkg. \$50/mo.
Beacon Hill Terrace (MR/AFF) 5330 Beacon Hill Road	1995	66	1	27 - 1BR 20 - 1BR/D 19 - 2BR	793 - 980 876 - 937 1,009 - 1,406	\$1,201 - \$1,373 \$1,344 - \$1,512 \$1,529 - \$2,874	\$1.40 - \$1.51 \$1.53 - \$1.61 \$2.04 - \$1.52	All utilities included except electric, phone and cable TV. Dining and hskpg are additional charge; UG pkg. \$50/mo extra.
The Glenn 5300 Woodhill Road	2011	69	0	33 - 1BR 17 - 1BR/D 19 - 2BR	576 - 828 892 - 1,130 925 - 1,236	\$1,532 - \$1,898 \$1,962 - \$2,402 \$2,487 - \$2,683	\$2.29 - \$2.66 \$2.20 - \$2.13 \$2.17 - \$2.69	All utilities included except electric, phone and cable TV. Dining and hskpg are additional charge; UG pkg. \$60/mo extra.
Ridgepointe I and II 12600 and 12800 Marion Lane	1986 1988	274	12	133 - 1BR 23 - 1BR/D 73 - 2BR 45 - 2BR/D	590 - 800 778 - 816 806 - 1,375 1,011 - 1,600	\$940 - \$1,740 \$1,530 - \$1,750 \$1,550 - \$2,320 \$2,585 - \$3,360	\$1.59 - \$2.18 \$1.97 - \$2.14 \$1.92 - \$1.69 \$2.56 - \$2.10	All utilities included except telephone and cable TV; UG parking \$60/mo extra. Three dinner meals per mo. And continental breakfast included; all others at extra charge.
Total / Averages		469	13	2.8%	920	\$1,820	\$1.98	

Note: Westridge includes 42, 1BR units that are affordable; these have been excluded from the table. Beacon Hill Terrace includes 41 units of income-restricted independent rentals; these are excluded from table.

Source: *Maxfield Research and Consulting, LLC*

SENIOR HOUSING COMMUNITIES -- Assisted Living
City of Minnetonka -- Unit Supply, Occupancy & Monthly Rates
July 2017

ASSISTED LIVING

Property Name/Location	Year Opened	No. of Units	Vacant	Unit Mix	Unit Size	Monthly Rent/Fees	Monthly Rent/Sq. Ft.	Comments
Brookdale Minnetonka 500 Carlson Parkway	1999	86	7	66 - Std. 20 - 1BR	304 - 520 566 - 721	\$3,295 - \$4,720 \$4,795 - \$4,840	\$9.08 - \$10.84 \$6.71 - \$8.47	All utilities included except telephone and cable. Deposit equal to one month's rent; three meals per day; hskp, and linens included. Scheduled transp. Included; 2nd person chrg. \$900/mo.
Sunrise of Minnetonka 18707 Excelsior Blvd.	2005	39	0	19 - Std. 12 - 1BR 8 - 2BR	330 - 400 400 - 700 500 - 600	\$4,085 - \$4,085 \$4,150 - \$4,350 \$2,890 - \$2,890 (Double Occup.)	\$10.21 - \$12.38 \$6.21 - \$10.38 \$4.82 - \$5.78	All utilities included except telephone; three meals per day; weekly hskp; weekly linens; transportation included; personal care extra; three levels of care.
Brookdale Minnetonka 14505 Minnetonka Drive	1996	78	5	63 - Std. 15 - 1BR	237 - 503 488 - 501	\$3,295 - \$4,750 \$4,750 - \$4,840	\$9.44 - \$13.90 \$9.66 - \$9.73	All utilities included except phone and cable. \$1,000 community fee; three meals/day, weekly hskp; transp.; weekly linens Included; detached gar. \$60/mo.
Elder Homestead 11400 4th Street North	1986	30	0	16 - Std. 12 - 1BR 1 - 2BR	400 - 400 575 - 600 900 - 900	\$2,655 - \$2,725 \$2,760 - \$2,840 \$3,465 - \$3,465	\$6.81 - \$6.64 \$4.73 - \$4.80 \$3.85 - \$3.85	All utilities incl. except phone and cable. Cmnty fee - \$995; 2nd occupant-\$650/mo; linens/laundry, personal care extra
Beacon Hill Commons 5300 Beacon Hill Road	1995	42	1	12 - Std. 26 - 1BR 4 - 2BR	393 - 393 535 - 640 935 - 935	\$2,551 - \$2,551 \$2,743 - \$3,057 \$3,418 - \$3,418	\$6.49 - \$6.49 \$4.78 - \$5.13 \$3.66 - \$3.66	All utilities are incl.; \$1,500 community fee two meals/day included; hskp. Included Laundry/linen; personal care extra chrg. Second occupant fee: \$800
The Glenn 5300 Woodhill Road	2011	54	2	46 - 1BR 2 - 1BR/D 6 - 2BR 12 - Care Suites	589 - 732 928 - 943 928 - 943 362 - 362	\$3,121 - \$3,880 \$3,912 - \$3,912 \$4,184 - \$4,211 \$8,930 - \$8,930 (All Inclusive)	\$5.30 - \$5.30 \$4.15 - \$4.22 \$4.47 - \$4.51 \$24.67 - \$24.67	All utilities are incl.; \$1,000 community fee, three meals per day included; weekly housekeeping and linen service; transp. Included; personal care additional charge
Total / Averages		329	15	4.6%	514	\$4,070	\$7.92	

Source: Maxfield Research and Consulting, LLC

SENIOR HOUSING COMMUNITIES -- Memory Care
City of Minnetonka -- Unit Supply, Occupancy & Monthly Rates
July 2017

MEMORY CARE

Property Name/Location	Year Opened	No. of Units	Vacant	Unit Mix	Unit Size	Monthly Rent/Fees	Monthly Rent/Sq. Ft.	Comments
Brookdale Minnetonka 500 Carlson Parkway	1999	35	0	9 - Studio 27 - 1BR 5 - 2BR	262 - 548 554 - 720 868 - 976	\$2,156 - \$3,264 \$3,232 - \$3,702 \$3,167 - \$4,128	\$5.96 - \$8.23 \$5.14 - \$5.83 \$4.23 - \$3.65	All utilities, and electric, included except telephone and cable. Studio units are reserved for Elderly Waivers.
Sunrise of Minnetonka 18707 Excelsior Blvd.	1995/ 2007 (converted)	30	1	18 - 1BR 4 - 1BR+D 8 - 2BR	674 - 815 898 - 988 1,112 - 1,252	\$2,732 - \$2,859 \$3,006 - \$3,168 \$3,569 - \$3,633	\$3.51 - \$4.05 \$3.21 - \$3.35 \$2.90 - \$3.21	All utilities included except electric, phone and cable TV.; three meals/day incl. and weekly hskpg.
Emerald Crest of Minnetonka 13401 Lake Street Extension	1998	36	2	24 - Suites 12 - Suites 3 Shared Suites-EW	200 - 200 300 - 300	\$5,410 - \$5,410 \$5,910 - \$5,910	\$27.05 - \$27.05 \$19.70 - \$19.70	All utilities/basic cable incl. Personal care packages, five levels additional; three meals per day, daily housekeeping, linens/laundry
Elder Homestead II 11400 4th Street North	1986	20	0	20 - Studio	270 - 390	\$3,525 - \$3,610	\$9.26 - \$13.06	All utilities included except phone. Three meals per day, weekly housekeeping, weekly linens; all other services additional charge
The Glenn 5300 Woodhill Road	2011	24	1	28 - Studio	423 - 489	\$4,064 - \$4,355	\$8.91 - \$9.61	All utilities included except phone. Three meals per day, weekly housekeeping, weekly linens; all other services additional charge
Total / Averages		145	4	2.8%	551	\$4,260	\$7.74	

Source: Maxfield Research and Consulting, LLC

**Residential Care Homes/Group Homes
Minnetonka, MN**

Property/Location	Licensed	Monthly Rate	Notes
Nurturing Care 4441 Hunters Ridge Road	6	\$6,000	Assisted living. Specializing in diabetic care, coronary care and memory care. Senior day care, respite care and hospice services also available.
Steven's Residence 3704 Cardinal Road	4	\$6,000	All care needs - specializing in assisted living and memory care
Minnetonka Assisted Living & Hospice 14667 Lake St. Extension	4	\$6,500	Assisted living, memory care and hospice
My Retirement House, Inc. 2304 Rivendell Lane	6	\$6,000-\$10,000	Ambulatory, non-ambulatory, memory care and respite.
Morning Glory Homes 18626 Clear View Drive & 4328 Williston Road	8	\$5,400-\$7,500	Assisted living, memory care and hospice. Respite care also available.
Gianna Home 4605 Fairhills Rd. E.	10	\$8,910	Specializing in care for those with Alzheimer's and Dementia. Respite & hospice services available.
Rakhma-Minnetonka Grace Home 5126 Mayview Road	15	\$7,800-\$8,080	Specializing in care for those with Alzheimer's and Dementia
St. John Home 1502 Archwood Road	6	\$6,000	Assisted living & memory care
Totals	59	\$5,400-\$10,000	
Source: Marquette Advisors			

DEVELOPMENT PIPELINE

As of July 2017, three major senior housing developments are in the works in Minnetonka, which are expected to bring a total of 347 new units to market over the next several months. This includes ***Cherrywood Pointe***, by Minneapolis-based developer United Properties. The property, to be managed by Ebenezer, will include 100 new units, with a mix of independent housing with services, assisted living, and memory care suites. Cherrywood Pointe is being constructed at 2004 Plymouth Road, just south of Ridgedale Center, with an expected November 2017 opening date. We understand that, to date, 31 units have been pre-leased, including mostly independent senior apartments.

The second major development planned for Minnetonka is ***Crest Ridge Senior Living***, which is programmed for a site near the SE corner of I-394 and Hopkins Crossroad. This is a development by Minnetonka-based Opus Development, also in partnership with Ebenezer. A total of 147 units are planned, ranging from independent to memory care suites. The project is expected to begin construction later this year, with a likely opening date of late 2018 or early 2019.

RM Sr. Living & Walker Methodist -- Recently, Long Lake, MN-based RM Senior Living, in partnership with Walker Methodist, has proposed a 100-unit senior campus at 17710 Old Excelsior Boulevard, south of MN-Hwy 7 and west of MN-Hwy 101. The project is expected to commence in late 2017 with a late 2018 or early 2019 delivery date, featuring a mix of 71 independent and assisted living units, 24 memory care suites and 5 skilled care suites.

These three developments are typical of the type of senior housing developments currently being built across the Twin Cities, offering a continuum of care, allowing for seniors to age in place when/if their care needs progress. These developments attract primarily older seniors, generally age 75+. The inclusion of assisted living and memory care components, along with independent housing with services, is a model that can generate attractive returns for developers. Meanwhile, senior cooperatives, such as those recently completed in Minnetonka (Applewood & Zvago), can be also be profitable for developers, while adult/few services rental products for seniors are challenging on a stand-alone basis when comparing the cost of construction with prospective rental rates. Also, many active seniors seeking a rental housing alternative have shown a preference for non-age restricted apartments, many of which have been completed throughout the Twin Cities metro area.

**Senior Housing Development Pipeline, as of July 2017
Minnetonka**

			Product Type/Service Level							
Project	Developer / Operator	Location	Total Units	Coop	Condo	Independent w/Services	Assisted Living	Memory Care	Skilled Nursing	Notes:
Cherrywood Pointe	United Properties / Ebenezer	2004 Plymouth Rd.	100			72	22	6	0	Under construction, w ith anticipated November 2017 opening. Reportedly, 31 units have been reserved, mostly Indep. Living units.
Crest Ridge	Opus Development / Ebenezer	10955 Wayzata Blvd. (SE quadrant of I-394 & Hopkins Crossroad)	147			75	52	20		Expected to begin construction later in 2017, w ith late 2018/early 2019 delivery.
Old Excelsior Sr. Living	RM Sr. Living / Walker Methodist	10170 Old Excelsior Blvd.	100			38	33	24	5	Construction expected to commence late 2017, late 2018 or early 2019 completion.
		Total by Product/Service Level	347	0	0	185	107	50	5	
Sources: City of Minnetonka; Marquette Advisors										

SENIOR HOUSING DEMAND ESTIMATES

Presented below is a summary of our demand estimates for senior housing in Minnetonka. Short term demand and long-term demand estimates are provided, accounting for projected new supply currently in development in the community, and growth in the age/income qualified base between 2017-2022. Short-term demand is estimated to comprise 659 units for the time period 2017-2022. A total of 342 new units are projected to be built over the next 2 years, partially offsetting this demand. In projecting longer-term demand for 2022-2027, we deduct for the projected new construction units, and then adjust for anticipated growth in the age/income qualified senior base in the coming five years. These calculations indicate that there will likely be demand for 608 senior units in Minnetonka over the 2022 to 2027 timeframe.

In particular, our analysis indicates there is considerable demand for independent and adult/few services housing for active seniors, with 370 such units in demand over the short term (2017-2022). Accounting for anticipated new construction and demand growth over time, we expect that by 2022 there will be demand for 320 new adult/few services and independent senior units in Minnetonka.

Senior Housing Demand Summary by Product Type/Service Level City of Minnetonka		
Product Type/Service Level	Short Term Demand (1-5 yrs)	Long-Term Demand (5-10 yrs)
Adult/Few Services & Independent	370	320
Assisted Living	192	199
Memory Care	97	89
Total	659	608
<i>Source: Marquette Advisors</i>		

The following paragraphs outline our detailed calculations of market demand for senior housing in Minnetonka. Our calculations are summarized by product type, and are based upon our review of the age/income-qualified senior resident base in comparison with the supply of senior housing units available in the city, both short-term (1-5 yrs) and long-term (5-10 yrs).

Adult/Few Services & Independent (“Congregate”) Senior Housing Demand

In determining demand for independent & congregate senior housing, we estimate the potential market to include those households that are both age- and income-qualified. Seniors age 55 and older are defined as the age-qualified market, although such developments typically attract seniors age 65 and older. Detailed demand calculations are shown the following page.

- The minimum household income required to afford adult/few services or independent senior housing is estimated at approximately \$35,000 per year. Additionally, however, we include senior homeowners with incomes of \$25,000 to \$34,999, since these seniors may be able to supplement their incomes with the proceeds from the sale of their home. Our calculations indicate there are an estimated 23,585 older adult and senior households in the

market area with incomes of \$35,000+, as well as those within incomes of \$25,000 to \$34,999 who own their homes.

Estimated Demand for Adult/Few Services & Independent ("Congregate") Senior Housing City of Minnetonka				
Short-Term Demand (2017-2022)	Age 55-64	Age 65-74	Age 75+	Total
Estimated Households with incomes of \$25,000-\$34,999	233	285	462	980
(times) Homeownership Rate	88%	87%	70%	79%
(equals) Potential Market	205	248	323	776
(plus) Estimated Income Qualified Household Base (\$35,000+ Income)	4,596	3,183	2,123	9,902
(equals) Potential Local Market Base	4,801	3,431	2,446	10,678
(times) Product Short-Term Capture Rate	1.0%	5.0%	20.0%	7.0%
(equals) Short-Term Demand Potential (local)	51	181	515	746
(plus) Estimated Additional Demand from Outside the Market Area @ 20%	16	57	163	236
(equals) Total Short Term Demand Potential	66	238	678	982
Compare to # of Existing Adult/Few Services & Independent Senior Housing Units				612
(equals) Projected Short-Term Unit Surplus or (Shortage) (Next 5 Years as of 2017)				(370)
Long-Term Demand (2022-2027)	Age 55-64	Age 65-74	Age 75+	Total
Estimated Households with incomes of \$25,000-\$34,999	174	292	493	959
(times) Homeownership Rate	88%	87%	70%	78%
(equals) Potential Market	153	254	345	752
(plus) Estimated Income Qualified Household Base (\$35,000+ Income)	4,322	3,904	2,635	10,861
(equals) Potential Local Market Base	4,475	4,158	2,980	11,613
(times) Product Short-Term Capture Rate	1.0%	5.0%	20.0%	7.3%
(equals) Short-Term Demand Potential (local)	45	208	596	849
(plus) Estimated Additional Demand from Outside the Market Area @ 20%	14	66	188	268
(equals) Total Short Term Demand Potential	59	274	784	1,117
Compare to Projected # of Adult/Few Services & Independent Senior Housing Units				797
(equals) Projected Short-Term Unit Surplus or (Shortage) (Next 5 Years as of 2022)				(320)
Source: Marquette Advisors				

- We then adjust to include appropriate short-term capture rates for each age cohort. These capture rates are based on our review of the income-qualified household base compared with the current resident base for independent senior housing communities in the metro area. We use 1% of households age 55 to 64, about 5% of households age 65 to 74, and 20% of households age 75 and older. This results in estimated short-term demand potential for 746 independent senior units from Minnetonka residents in the short term (2017-2022).
- Some additional demand will come from outside the community. We estimate that about 20% of the additional demand for independent senior rental housing will be generated by seniors currently residing outside the City of Minnetonka. This demand will consist primarily of parents of adult children living in the market area, individuals who live in neighboring cities, and have some orientation to the area, as well as former residents who may desire to return. This results in additional demand for 236 units in the short term.
- Adding potential demand from Minnetonka residents (746 units) to demand from outside the city (236 units) results in total short-term demand for 982 independent senior units between 2017, including age-restricted rentals and condo/co-op units with no services and independent senior housing (congregate) rentals.

- Next, we compare the estimated market demand with the current supply. We subtract the existing independent senior units in Minnetonka (612 units) from estimated demand (982 units), which indicates that as of 2017 there is unmet demand for an estimated 370 units in the market area. Our calculations indicate that unmet demand will comprise approximately 320 units in 2022, adjusting for projected new construction between 2017 and 2022 and growth in the age/income qualified senior population base.

Assisted Living Demand

The table below presents calculations of demand for assisted living units in Minnetonka, both in the short term (2017-2022) and long term (2022-2027). The availability of intensive support services such as meals, housekeeping, and personal care at assisted living facilities usually attracts older, frailer seniors. Hence, the age-qualified market for assisted living housing is defined for our analysis purposes as persons ages 75 and over.

Estimated Assisted Living Senior Housing Demand City of Minnetonka			
		Short Term (1-5 yrs.) 2017-2022	Long Term (5-10 yrs.) 2022-2027
Demand from Market Area Seniors Ages 75-79			
Market Area Population Ages 75-79		1,786	2,501
(times) Percent Needing Assistance with ADL's	x	25%	25%
(equals) Estimated Sr's Ages 75-79 Needing Assistance with ADL's	=	447	625
Demand from Market Area Seniors Ages 80-84			
Market Area Population Ages 80-84		1,339	1,583
(times) Percent Needing Assistance with ADL's	x	33%	33%
(equals) Estimated Sr's Ages 80-84 Needing Assistance with ADL's	=	442	522
Demand from Market Area Seniors Ages 85+			
Market Area Population Age 85+		1,790	1,945
(times) Percent Needing Assistance with ADL's	x	50%	50%
(equals) Estimated Sr's Age 85+ Needing Assistance with ADL's	=	895	973
Total Market Area Seniors Ages 75+ Needing Assistance with ADL's	=	1,783	2,120
(times) Percent Income Qualified	x	90%	90%
(times) Potential Penetration Rate for Assisted Living Housing	x	30%	30%
(equals) Potential Assisted Living Demand from Market Area Seniors	=	482	572
(add) Additional Demand from Outside Market Area @ 20%	+	120	143
(equals) Potential Total Assisted Living Sr. Housing Units Supportable in Market Area	=	602	716
Compare to Existing Supply of Assisted Living Units		410	517
(equals) Excess Short-Term Unit Surplus or (Shortage) in Minnetonka (next 5 years)	=	(192)	(199)
<i>Source: Marquette Advisors</i>			

- The demand for assisted living housing is need-driven. According to statistics from the National Center for Health Statistics and Centers for Disease Control, about 50% of all seniors age 85+ need assistance with activities of daily living (ADLs), compared to about 1/3 of those ages 80-84 and 25% of those ages 75-79. We apply these proportions to the Minnetonka senior population base, resulting in an estimated 1,783 total market area seniors needing assistance with ADLs.
- An estimated 90% of Minnetonka seniors would be income-qualified, or have assets and savings such that they could afford market rate assisted living in 2017. We also estimate that around 30% of seniors needing assistance with ADLs will choose to move into an assisted living facility, with the other 70% able to remain in their home, or that of a family member, receiving assistance from another care giver. Applying the 90% income/asset qualification rate and a 30% penetration rate for assisted living housing results in demand potential for 482 assisted living units from Minnetonka seniors between 2017 and 2022.
- Next, we add demand from outside the city of Minnetonka, estimated at 20%, resulting in total demand for 602 assisted living units in the short term (2017-2022).
- Comparing the current assisted living unit supply (410 units) with potential demand (602 units) results in estimated current unmet demand for 192 additional units in the market area in the short-term (2017-2022). Long-term demand is estimated at 199 units (2022-2027), accounting for anticipated new assisted living supply and projected growth in the age/income qualified senior population base.

Memory Care Demand

The table below presents calculations of demand for specialized memory care housing in Minnetonka over the short term (2017-2022) and long term (2022-2027), adjusting for expected new supply and growth in the age/income qualified base of seniors requiring memory care housing in the community.

- Potential demand for memory care housing is calculated by multiplying the senior population totals (by age) by dementia incidence rates according to statistics from the Alzheimer's Association. On this basis, we estimate that there are 1,382 Minnetonka seniors living with some form of dementia in 2015.
- An estimated 70% would be considered income or asset-qualified for specialized memory care housing. This includes most of those with incomes of at least \$60,000 annually and a smaller portion of those with incomes of <\$60,000 who own their homes. This figure is further reduced by 80%, as most age/income-qualified seniors with dementia remain in their homes or alternate care (such as adult foster care) due to the high cost associated with memory care facilities.

Estimated Memory Care Housing Demand City of Minnetonka			
		Short-Term (1-5 yrs)	Long-Term (5-10 yrs)
		2017-2022	2022-2027
<u>Demand from Market Area Seniors Ages 65-74</u>			
Market Area Population Ages 65-74		6,304	7,764
(times) Dementia Incidence Rate	x	1.5%	1.5%
(equals) Estimated Sr's Ages 65-74 with Dementia	=	95	116
<u>Demand from Market Area Seniors Ages 75-84</u>			
Market Area Population Ages 75-84		3,125	4,084
(times) Dementia Incidence Rate	x	16%	16%
(equals) Estimated Sr's Ages 75-84 with Dementia	=	500	653
<u>Demand from Market Area Seniors Ages 85+</u>			
Market Area Population Age 85+		1,790	1,945
(times) Dementia Incidence Rate	x	44%	44%
(equals) Estimated Sr's Age 85+ with Dementia	=	788	856
Estimated Total Market Area Seniors with Dementia	=	1,382	1,626
(times) Percent Income/Asset Qualified	x	70%	70%
(times) Potential Penetration Rate for Specialized Memory Care Housing	x	20%	20%
(equals) Potential Memory Care Housing Demand from Market Area Seniors	=	194	228
(add) Additional Demand from Outside Market Area @ 20%	+	48	57
(equals) Potential Total Memory Care Housing Units Supportable in Minnetonka	=	242	284
Compare to Existing Supply of Memory Care Units in Minnetonka	-	145	195
(equals) Excess Short-Term Surplus or (Shortage) in the Minnetonka (next 5 years)	=	(97)	(89)
Source: Marquette Advisors			

- In total, we estimate potential demand for 194 memory care housing units from Minnetonka, plus another 48 coming from outside the city, or about 20% of demand, indicating total potential short-term demand for 242 memory care units in 2017. Comparing this total with the existing market area supply of 145 units, indicates a current shortage of 97 memory care units in 2017. Factoring in projected new supply and anticipated growth in the age/income base of seniors with dementia, projected long-term demand (2022-2027) is estimated at 89 memory care units.

**FOR-SALE HOUSING
MARKET CONDITIONS**

INTRODUCTION

In this section, we present a review of for-sale housing market trends in Minnetonka and the Twin Cities metro area. This includes a review of development and sales trends in the community, with a discussion of key trends and issues in the current marketplace, concluding with projections of short- and long-term demand for additional ownership housing units in Minnetonka.

REGIONAL & MINNETONKA SALES TRENDS

Presented on the following pages, for context, is a summary of historical sales activity for Minnetonka and the seven-county Twin Cities metro area. The first table shows the number of sales transactions by price range for 2007 through 2016, and through the first half of 2017. This is followed by a second table and graph which show the annual average sale price for Minnetonka and the Twin Cities during this same period.

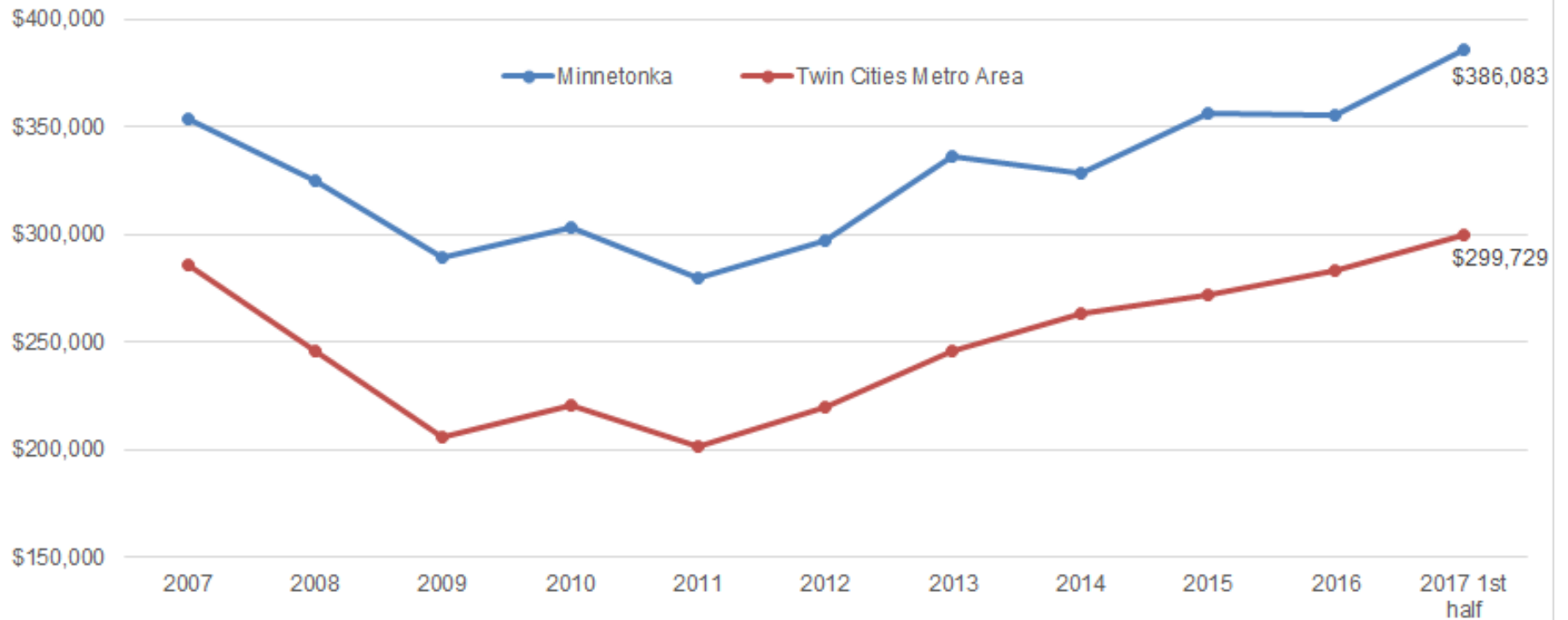
The following are key points from our analysis:

- Following the recession and market-correction related declines in the 2007-2011 timeframe, the Twin Cities market has seen annual sales of around 40,000 to 45,000+ per year. The number of transactions last year (2016) totaled approximately 52,000, with nearly 26,000 sales through the first half of 2017. The increase in sales during 2016 and 2017 reflects still favorable mortgage rates and increasing demand from aging Millennials and somewhat older Gen-X move-up buyers. These Gen-X households are taking advantage of strong demand for starter homes, in selling their homes and moving up to a higher price-point. Many home buyers have relocated to the Twin Cities metro area over the past 2-3+ years for purposes of their career, and are now investing in home ownership after a period of renting.
- Local agents have noted increasing demand for homes at nearly all price points, ranging from starter homes, of which there is very, very little available inventory, up to luxury homes and condos. Agents also note that the number of transactions is suppressed by the limited inventory of homes on both ends of the price spectrum. This includes starter homes, as well as luxury condos. Luxury condo buyers include affluent middle-age and older adults, including many empty nesters seeking to move from a large single-family home to a condo.
- Over the past three years, \$1,000,000+ sales (herein referred to as luxury home sales) accounted for approximately 1.1% of all metro area transactions, up from 0.6% to 0.75% historically. It is interesting to note that more than 4.0% of regional sales at \$1,000,000+ were in the City of Minnetonka, including 4.8% of metro area luxury home sales so far in 2017.

City of Minnetonka -- # of Home Sales by Price Point											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 1st half
<\$200,000	130	146	220	193	254	279	238	232	187	222	83
\$200,000-\$299,999	239	157	192	140	173	207	221	242	250	266	108
\$300,000-\$399,999	132	103	100	106	104	147	153	150	198	225	118
\$400,000-\$499,999	72	54	58	58	38	73	76	85	92	115	56
\$500,000-\$599,999	36	22	25	30	23	40	57	40	58	76	47
\$600,000-\$699,999	23	12	13	17	16	23	25	19	23	35	19
\$700,000-\$799,999	15	10	10	13	17	7	23	9	28	14	7
\$800,000-\$899,999	12	7	4	2	8	7	10	16	14	15	6
\$900,000-\$999,999	12	8	4	3	3	3	6	5	6	12	4
\$1,000,000+	15	11	11	9	7	12	18	17	21	22	16
Total Sales	686	530	637	571	643	798	827	815	877	1,002	464
Twin Cities Metro Area -- # of Home Sales by Price Point											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 1st half
<\$200,000	12,583	17,062	24,738	19,529	23,647	25,263	23,380	19,771	19,978	18,449	8,288
\$200,000-\$299,999	12,991	9,580	8,909	7,354	6,639	8,889	11,639	11,666	15,254	17,645	8,712
\$300,000-\$399,999	4,774	3,825	3,408	3,144	2,888	4,172	5,602	5,556	7,119	8,135	4,399
\$400,000-\$499,999	2,198	1,672	1,325	1,429	1,389	2,008	2,702	2,715	3,318	4,088	2,141
\$500,000-\$599,999	1,116	866	678	725	725	1,000	1,240	1,318	1,577	1,856	1,039
\$600,000-\$699,999	737	527	364	368	379	500	686	757	841	934	529
\$700,000-\$799,999	425	287	190	229	198	290	392	447	505	565	257
\$800,000-\$899,999	252	181	133	136	141	161	254	271	309	340	168
\$900,000-\$999,999	163	118	69	75	60	100	122	152	180	214	111
\$1,000,000+	459	363	242	263	264	319	362	470	508	549	332
Total Sales	35,698	34,481	40,056	33,252	36,330	42,702	46,379	43,123	49,589	52,775	25,976
City of Minnetonka -- % of Metro Area Sales											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 1st half
<\$200,000	1.0%	0.9%	0.9%	1.0%	1.1%	1.1%	1.0%	1.2%	0.9%	1.2%	1.0%
\$200,000-\$299,999	1.8%	1.6%	2.2%	1.9%	2.6%	2.3%	1.9%	2.1%	1.6%	1.5%	1.2%
\$300,000-\$399,999	2.8%	2.7%	2.9%	3.4%	3.6%	3.5%	2.7%	2.7%	2.8%	2.8%	2.7%
\$400,000-\$499,999	3.3%	3.2%	4.4%	4.1%	2.7%	3.6%	2.8%	3.1%	2.8%	2.8%	2.6%
\$500,000-\$599,999	3.2%	2.5%	3.7%	4.1%	3.2%	4.0%	4.6%	3.0%	3.7%	4.1%	4.5%
\$600,000-\$699,999	3.1%	2.3%	3.6%	4.6%	4.2%	4.6%	3.6%	2.5%	2.7%	3.7%	3.6%
\$700,000-\$799,999	3.5%	3.5%	5.3%	5.7%	8.6%	2.4%	5.9%	2.0%	5.5%	2.5%	2.7%
\$800,000-\$899,999	4.8%	3.9%	3.0%	1.5%	5.7%	4.3%	3.9%	5.9%	4.5%	4.4%	3.6%
\$900,000-\$999,999	7.4%	6.8%	5.8%	4.0%	5.0%	3.0%	4.9%	3.3%	3.3%	5.6%	3.6%
\$1,000,000+	3.3%	3.0%	4.5%	3.4%	2.7%	3.8%	5.0%	3.6%	4.1%	4.0%	4.8%
Total Sales	1.9%	1.5%	1.6%	1.7%	1.8%	1.9%	1.8%	1.9%	1.8%	1.9%	1.8%

Source: Mpls. Area Association of Realtors-Northstar MLS

Average Home Sale Price by Year, 2007-2017
Minnetonka & Twin Cities Metro Area



Average Home Sale Price by Year											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 1st half
Minnetonka	\$353,339	\$324,932	\$288,938	\$303,535	\$279,359	\$297,159	\$336,704	\$328,675	\$356,334	\$355,574	\$386,083
<i>% Change by Year</i>		-8.0%	-11.1%	5.1%	-8.0%	6.4%	13.3%	-2.4%	8.4%	-0.2%	8.6%
Twin Cities Metro Area	\$286,010	\$245,485	\$205,923	\$220,604	\$201,432	\$219,551	\$245,705	\$262,868	\$272,093	\$283,240	\$299,729
<i>% Change by Year</i>		-14.2%	-16.1%	7.1%	-8.7%	9.0%	11.9%	7.0%	3.5%	4.1%	5.8%

Source: Mpls. Area Association of Realtors-Northstar MLS

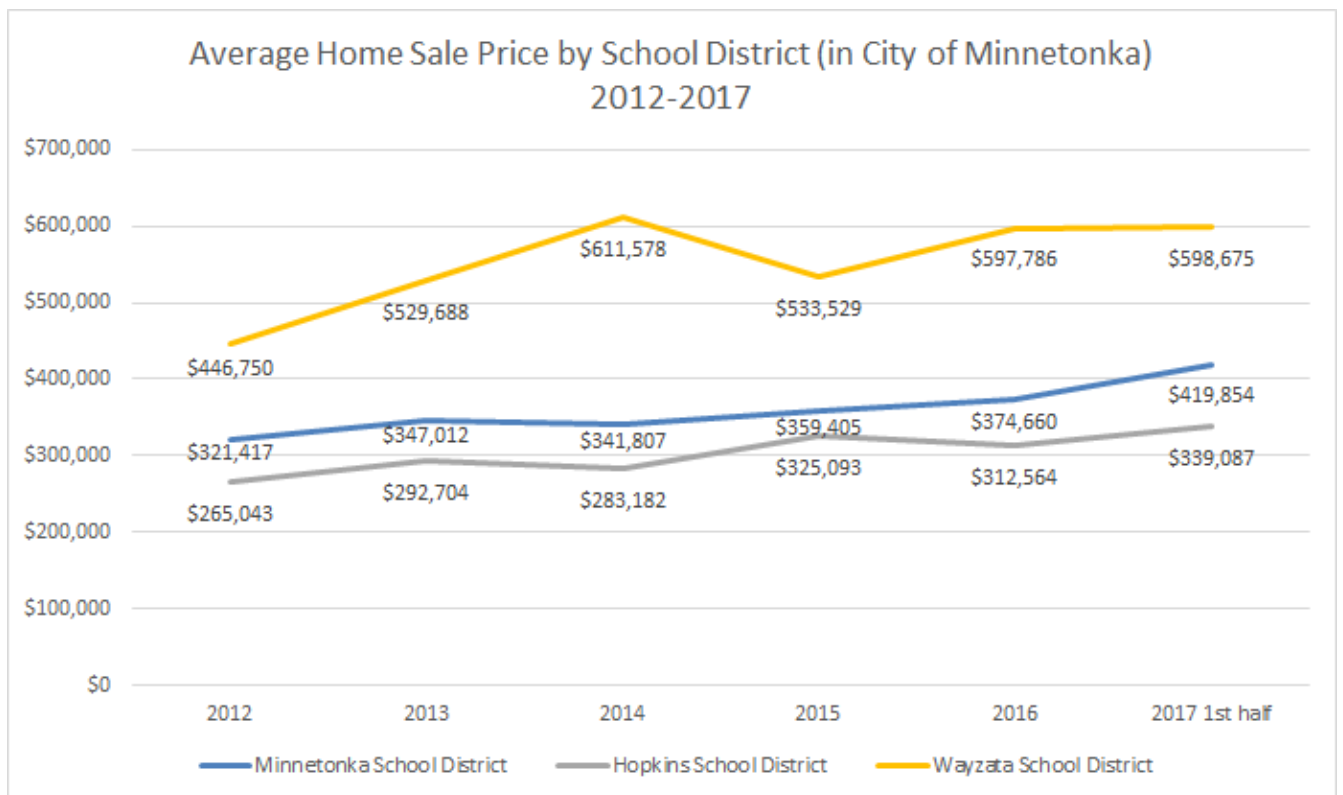
- The average sale price in Minnetonka was \$355,574 in 2016, similar to the prior year. However, the average price through the first six months of 2017 was a full 8.6% higher, at \$386,083.
- The median sale price in Minnetonka was \$307,750 last year, compared to \$237,000 for the metro area.
- We have evaluated Minnetonka's market share across all price points. We have noted that Minnetonka has accounted for only about 1.5% of metro area home sales over the past 5+ years. Again, we draw reference the city's strong economic base, with Minnetonka accounting for 2.6% of metro area employment presently, and more than 3.6% of projected metro area job growth over the next 20 years, according to the Met Council.
- Considering the city's economic base and job growth profile, one could expect that Minnetonka would account for a somewhat larger share of regional home sales activity. However, impediments to this include:
 - 1) the built-out environment and limited availability of raw land for new home construction, and
 - 2) low turnover rates within the existing housing stock, with large numbers of older adults and seniors aging-in-place. This trend, in particular, suppresses the supply of homes for purchase at lower price points, thereby making market entry very difficult for potential first-time buyers, and even move-up buyers.
- We can also evaluate housing affordability, by comparing household incomes with home sale prices. We note that in 2016 the median household income in Minnetonka was \$86,559, according to ESRI, compared to \$67,795 for the metro area. In Minnetonka, the median sale price, at \$307,750, equates to 3.56x the median household income, very comparable to the metro area ratio at 3.50x.

	Median Household Income	Median Home Price	Price/Income Ratio
Minnetonka	\$86,559	\$307,750	3.56 x
Metro Area	\$67,795	\$237,000	3.50 x

HOME SALES BY SCHOOL DISTRICT

We also analyzed Minnetonka home sales by school district (Minnetonka, Hopkins, Wayzata) for each year 2012 through mid-year 2017. The table on the following page presents data on the number of home sales by price range for each year. Below is a summary of the average sale price by year for each school district. It is important to note that the data shown reflect only those homes sold within the City of Minnetonka and are thus not all-inclusive for each of the school districts.

The analysis shows that, while sale prices vary somewhat by school district, price increases over time have followed a similar trajectory. The average sale price in the Minnetonka school district in 2017 1st half, was 31% higher compared to 2012. This compares to a 28% increase in the Hopkins district and 34% in the Wayzata district.



Average Home Sale Price by Year						
	2012	2013	2014	2015	2016	2017 1st half
Minnetonka School District	\$321,417	\$347,012	\$341,807	\$359,405	\$374,660	\$419,854
Hopkins School District	\$265,043	\$292,704	\$283,182	\$325,093	\$312,564	\$339,087
Wayzata School District	\$446,750	\$529,688	\$611,578	\$533,529	\$597,786	\$598,675
* based on only those sales located within City of Minnetonka.						
Source: Mpls. Area Association of Realtors-Northstar MLS						

Minnetonka School District (in City of Minnetonka) -- # of Home Sales by Price Point						
	2012	2013	2014	2015	2016	2017 1st half
<\$200,000	61	50	37	29	32	9
\$200,000-\$299,999	94	89	89	99	96	38
\$300,000-\$399,999	48	57	49	77	91	38
\$400,000-\$499,999	24	25	22	34	30	16
\$500,000-\$599,999	11	18	7	14	22	14
\$600,000-\$699,999	9	6	5	4	10	5
\$700,000-\$799,999	1	6	7	2	2	4
\$800,000-\$899,999	3	2	5	2	5	3
\$900,000-\$999,999	2	2	2	2	4	1
\$1,000,000+	5	6	3	7	7	7
Total Sales	258	261	226	270	299	135
Median Price	\$270,000	\$295,000	\$284,500	\$304,350	\$321,000	\$365,000
Average Price	\$321,417	\$347,012	\$341,807	\$359,405	\$374,660	\$419,854
Hopkins School District (in City of Minnetonka) -- # of Home Sales by Price Point						
	2012	2013	2014	2015	2016	2017 1st half
<\$200,000	209	176	188	151	186	70
\$200,000-\$299,999	99	118	140	128	159	65
\$300,000-\$399,999	81	79	84	102	119	75
\$400,000-\$499,999	45	42	53	51	74	35
\$500,000-\$599,999	24	27	26	40	40	24
\$600,000-\$699,999	10	12	10	16	17	7
\$700,000-\$799,999	6	14	2	18	8	2
\$800,000-\$899,999	0	3	9	7	7	3
\$900,000-\$999,999	1	1	1	3	4	2
\$1,000,000+	4	2	2	4	3	4
Total Sales	479	474	515	520	617	287
Median Price	\$230,000	\$248,500	\$245,000	\$280,000	\$285,000	\$320,000
Average Price	\$265,043	\$292,704	\$283,182	\$325,093	\$312,564	\$339,087
Wayzata School District (in City of Minnetonka) -- # of Home Sales by Price Point						
	2012	2013	2014	2015	2016	2017 1st half
<\$200,000	9	12	6	7	4	4
\$200,000-\$299,999	14	14	13	23	11	5
\$300,000-\$399,999	18	16	17	19	15	5
\$400,000-\$499,999	4	9	10	7	11	5
\$500,000-\$599,999	5	12	7	4	14	9
\$600,000-\$699,999	4	7	4	3	8	7
\$700,000-\$799,999	0	3	0	8	4	1
\$800,000-\$899,999	4	5	2	5	3	0
\$900,000-\$999,999	0	3	2	1	4	1
\$1,000,000+	3	9	12	10	12	5
Total Sales	61	90	73	87	86	42
Median Price	\$351,000	\$423,250	\$412,000	\$381,000	\$494,500	\$524,000
Average Price	\$446,750	\$529,688	\$611,578	\$533,529	\$597,786	\$598,675
Source: Mpls. Area Association of Realtors-Northstar MLS						

HOUSING TURNOVER BY PRICE POINT

As noted in our *Housing Characteristics* chapter, a positive asset to Minnetonka is its supply of homes at lower price/value points. This relates in part to the age of the housing stock, with the median year built of 1978. However, we have identified a problem arising from the limited number of these more affordable homes which are actually being listed for sale. The table below shows the estimated number of homes in Minnetonka by value range, sourced from the Met Council, and the average number of homes sold each year (2015 to date) within each of those same value ranges.

Housing Turnover Analysis by Price Range City of Minnetonka & Twin Cities Metro Area				
Value/Price Range	# of Homes by Value Range ¹	Avg. # of Sales per Year 2015-2017 ²	Annual Turnover Rate	
Minnetonka				
<\$200,000	3,599	197	5.5%	
\$200,000-\$299,999	4,956	250	5.0%	
\$300,000-\$499,999	5,188	322	6.2%	
\$500,000-\$999,999	1,927	146	7.6%	
\$1,000,000+	325	24	7.3%	
Total	15,995	937	5.9%	
Twin Cities Metro Area				
<\$200,000	340,775	18,686	5.5%	
\$200,000-\$299,999	227,328	16,644	7.3%	
\$300,000-\$499,999	155,089	11,680	7.5%	
\$500,000-\$999,999	52,708	3,770	7.2%	
\$1,000,000+	9,512	556	5.8%	
Total	785,412	51,336	6.5%	
¹ Number of homes by value range per Met Council.				
² Number of sales by price range per Northstar MLS.				

- We note the lower turnover rate for Minnetonka as a whole, at 5.9%. By comparison, 6.5% of homes turn over (are sold) each year throughout the metro area. This pattern becomes even more pronounced at lower price points. In Minnetonka, only 5.0% of the housing stock in the \$200,000-\$299,999 value range turns over annually, and 5.5% of the homes <\$200,000. This totals an average of less than 450 homes sales/year in Minnetonka at <\$300,000.
- This limited availability of home purchase options at lower price points has an impact on the jobs/housing balance in Minnetonka, and commuting patterns. For some employers, it may make it difficult to both recruit and retain workers, if they are forced to choose between longer commutes to a home outside of Minnetonka, or purchasing a home at a higher price point within the community, perhaps resulting in excess cost burden.

SALE PRICE TRENDS BY PRODUCT TYPE

We have also analyzed current and historical distribution and pricing of home sales in Minnetonka, by product type. Approximately 2/3 of the homes sold in Minnetonka over the past 5+ years are single-family homes. SF sales account for 314 out of 468 transactions year-to-date in 2017. The average SF home price during the first half of 2017 was \$467,691. This is considerably higher when compared to townhouse sales (\$265,649 avg.) and condos (\$176,102 avg.).

Much of the condo stock in Minnetonka is in fact older units, with 65% of the condos sold during the past two years having been built prior to 1985, with a full 30% built prior to 1975. Very few new condos have been constructed in the metro area over the past 10 years, largely due to a law requiring developers to warranty units and common areas over a 10 year period. This law placed considerable risk on developers/builders and resulted in great difficulty in financing any condo projects, save for very high-end luxury developments. More recent legislation was successful that will reduce the warranty period; this is expected to drive an increase in new condo construction over the coming months and years, given strong pent-up demand and favorable demographics, with large numbers of older adults and active seniors seeking alternatives to their SF homes and younger buyers (many single persons and couples) seeking a smaller, and perhaps more affordable, home buying alternative.

**Number and % of Home Sales by Product Type, 2012 to date
 City of Minnetonka**

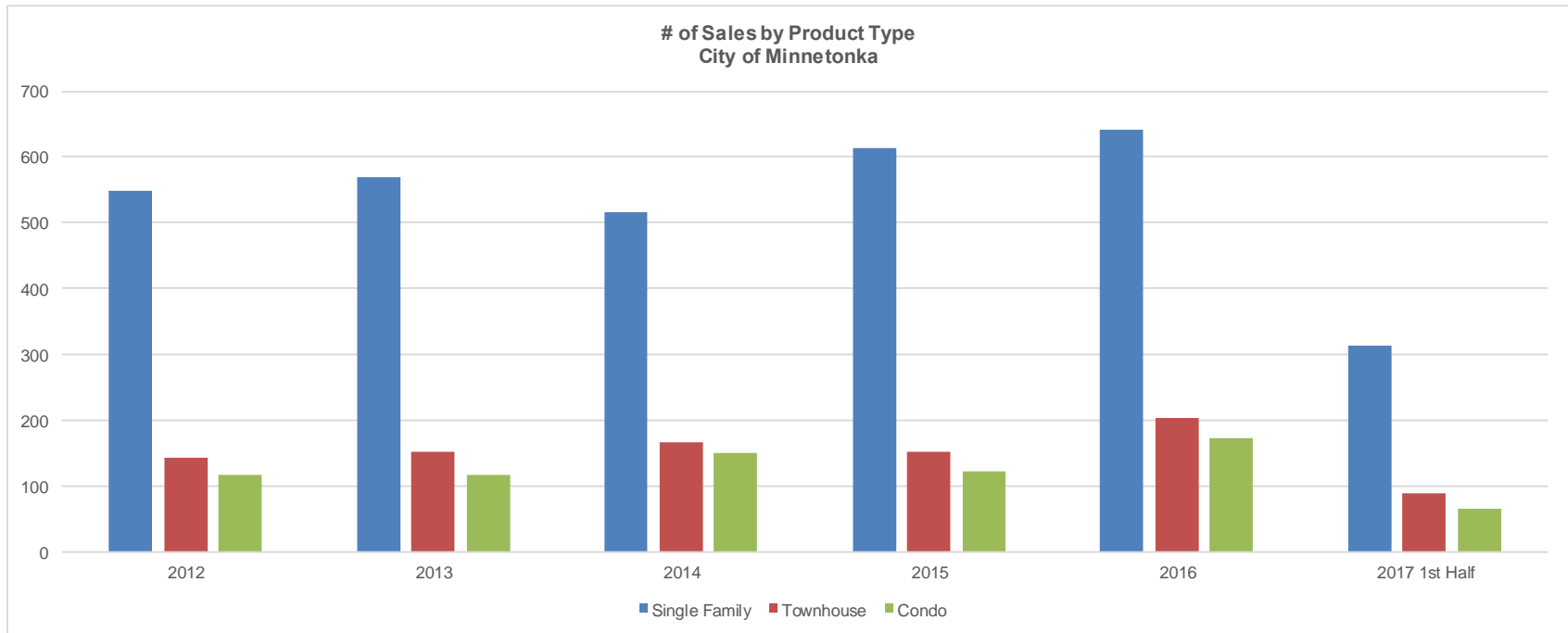
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 1st Half</u>
Single Family	549	569	517	614	642	314
Tow nhouse	142	152	166	153	204	89
Condo	118	117	149	121	172	65
Total	809	838	832	888	1,018	468
SF	67.9%	67.9%	62.1%	69.1%	63.1%	67.1%
TH	17.6%	18.1%	20.0%	17.2%	20.0%	19.0%
Condo	14.6%	14.0%	17.9%	13.6%	16.9%	13.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Mpls. Area Association of Realtors-Northstar MLS

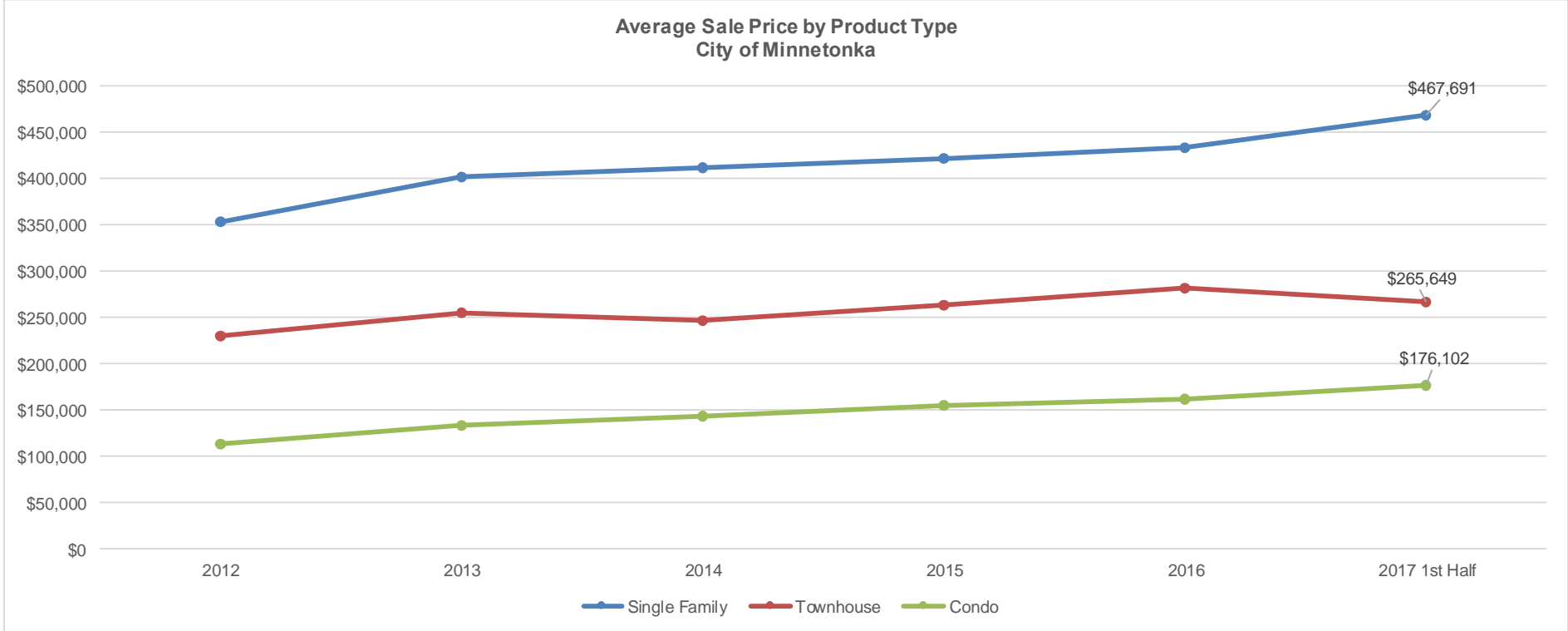
**Average Sale Price by Product Type, 2012 to date
 City of Minnetonka**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 1st Half</u>
Single Family	\$353,502	\$401,291	\$410,561	\$421,192	\$432,980	\$467,691
Tow nhouse	\$230,165	\$254,095	\$245,783	\$262,017	\$281,015	\$265,649
Condo	\$113,247	\$132,251	\$143,149	\$154,647	\$160,760	\$176,102
Total	\$297,159	\$336,704	\$328,675	\$356,334	\$355,574	\$386,083

Source: Mpls. Area Association of Realtors-Northstar MLS



Source: Mpls. Area Association of Realtors-Northstar MLS



Source: Mpls. Area Association of Realtors-Northstar MLS

NEW CONSTRUCTION HOME PRICING

Presented on the following page is a summary of new construction home sales and pricing trends in Minnetonka from 2015 through mid-year 2017. The table also provides a summary of new construction homes currently listed for sale, as of August 2017.

- There have been relatively few new home sales in Minnetonka in recent years, with 20 sales last year and 23 in 2015. A total of 7 new home sales occurred during the first half of 2017, with a total of 24 currently listed for sale as of August 2017.
- New construction housing in Minnetonka is clearly focused at the high end of the market. This is not surprising, given the strong economy, the relative affluence of the Minnetonka community, and limited supply paired with strong demand for housing here. Pricing of new homes currently listed for sale ranges from \$574,900 to \$2,200,000, with an average of just under \$985,000. This includes a mix of infill single-family construction and a smaller number of townhomes.
- In 2016, the average price for a new construction home in Minnetonka was \$950,455, with townhomes averaging roughly \$894,000 and SF homes selling for an average of \$969,000.
- It is also interesting to note the size of the homes being built in the community, including both townhouses and single-family homes. The average size was 4,340 sf through the first half of 2017, with an average of 4,320 sf in 2016. This breaks down to an average of 3,364 sf for new construction townhouse sales in 2016, compared to 4,650 sf for the average new single-family home.
- Developers/builders are targeting primarily affluent families, especially with new SF homes, while townhomes are attracting primarily older adults and empty nesters. Especially at these high price points, new townhomes in Minnetonka are luring buyers who still show a preference for a large home, with an average size exceeding 3,300 sf last year. Most are coming from a large single family home and although they are seeking a less maintenance intensive living environment, and perhaps a single-level floorplan, they still find favor with a relatively large floorplan.
- The current new construction inventory in Minnetonka is clearly devoid of first-time buyer product, and also lacks product for less affluent older adults and empty nesters who may seek an alternative to their current single-family home. The market is unlikely to provide significant numbers of such homes, perhaps with the exception of condo product in the months ahead, given the scarcity of developable land in Minnetonka, and the rising cost of that land as well as construction costs.

**Summary of New Construction Home Sales, 2015-2017
City of Minnetonka**

Year/Product Type	# of Sales	Home Size (Finished SF)			Sale Price			Sale Price PSF		
		Low	High	Avg.	Low	High	Avg.	Low	High	Avg.
2015										
Tow nhouse	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Single Family	23	2,695	5,585	3,970	\$350,000	\$1,316,705	\$813,883	\$109	\$300	\$205
Total	23	2,695	5,585	3,970	\$350,000	\$1,316,705	\$813,883	\$109	\$300	\$205
2016										
Tow nhouse	5	3,323	3,391	3,364	\$750,068	\$1,143,923	\$894,292	\$221	\$344	\$266
Single Family	15	3,001	6,840	4,650	\$445,000	\$2,000,000	\$969,176	\$114	\$292	\$208
Total	20	3,001	6,840	4,329	\$445,000	\$2,000,000	\$950,455	\$114	\$344	\$220
2017 1st Half										
Tow nhouse	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Single Family	7	3,140	5,040	4,340	\$725,454	\$1,210,000	\$917,249	\$172	\$253	\$211
Total	7	3,140	5,040	4,340	\$725,454	\$1,210,000	\$917,249	\$172	\$253	\$211
Active Listings (as of Aug. 2017)										
Tow nhouse	4	1,481	3,348	2,620	\$574,900	\$989,800	\$745,850	\$247	\$337	\$285
Single Family	20	2,618	6,394	4,132	\$679,900	\$2,200,000	\$1,032,465	\$173	\$495	\$250
Total	24	1,481	6,394	3,880	\$574,900	\$2,200,000	\$984,696	\$173	\$495	\$254

Source: Mpls. Area Association of Realtors-Northstar MLS

Profile of Active New Construction Developments in Minnetonka

Active New Construction Developments in Minnetonka include Legacy Oaks by Ron Clark Construction, and The Villas at Groveland by Gonyea Homes, shown on the map.

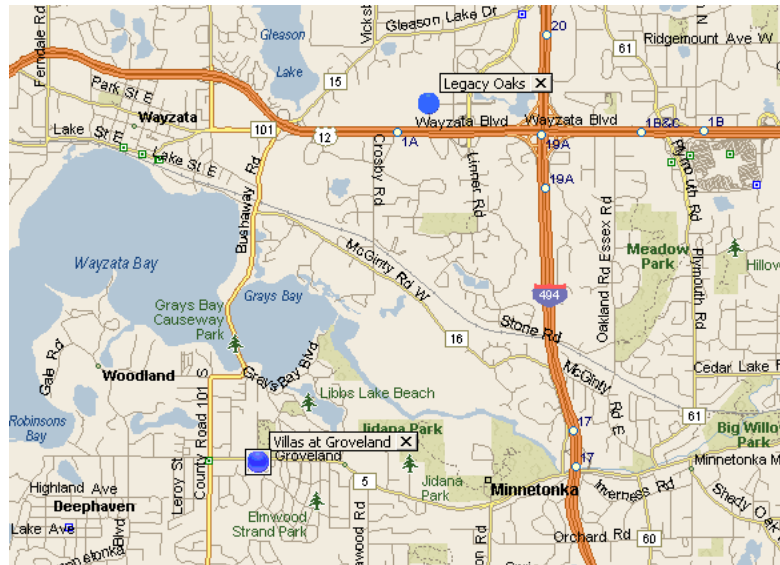
New home pricing in the two developments ranges from approximately \$700,000 to \$1,300,000.

Legacy Oaks is 26 total acres, and is a luxury development by Ron Clark Construction, incorporating 34 villas (detached townhomes) and 28 twin homes, along with 60 condos in three, 3-story buildings of 20 units each. The villas are single level homes with walk-out basements, priced from \$900,000 to \$1.3 million. A mix of single level and two-story twin homes are also included, with prices ranging from \$750,000 to \$1.0 million. Lastly, the planned Oakcroft Condos will occupy three buildings, with smaller units ranging from 1,300 to 2,000 sf. Pricing of current listings in Legacy Oaks is as follows:

- Villa Home; 3,348 sf (one level living + finished basement) -- \$918,800
- Twin Home; 3,323 sf (one level living + finished basement) -- \$989,800
- Condo; 1,822 sf -- \$688,700

The Villas at Groveland is a small lot residential development of for-sale detached villas and single-family homes in an association-maintained community. The development features 14 total lots, with lot pricing ranging from \$155,000 to \$250,000. Home packages start in the mid-\$700s. Current offerings in The Villas include a 2-story, parade of homes model home and an under-construction single-level villa as shown below:

- Villa Home; 2,675 sf (one level living + finished basement) -- \$799,900
- 2-Story Home: 3,656 sf -- \$799,900



FOR-SALE HOUSING DEMAND ANALYSIS

Presented on the following page is a summary of our projections of potential new for-sale housing demand in Minnetonka over the coming 20-year period, segmented into 5-year increments. Our forecast takes into account a variety of growth factors.

Regional Household Growth

Independent growth forecasts by the Twin Cities Metropolitan Council and ESRI Business Information Solutions have also been evaluated. We note that ESRI and Met Council forecasts suggest that the Twin Cities Metro Area will grow at a rate of about 12,200 to 12,500 households per year over the next 10 years, and then slowing somewhat to between 11,300 and 11,700 households per year.

Since demand for senior housing units is separately calculated (see Senior Housing chapter), and is primarily need/care-based, in this section of our analysis we isolate on projected non-senior household growth, which is projected to account for approximately 75% of overall household growth in the metro area, based on our review of reports by both ESRI and the Met Council.

Minnetonka Capture Rate

In determining a reasonable capture rate (i.e. market share) for the City of Minnetonka, we have examined historical growth and the population/household and employment composition of Minnetonka within the context of the Twin Cities metro area. We note that Met Council forecasts suggest that Minnetonka will capture about 2% of regional household growth through 2030. We believe this is in fact conservative, considering the appeal of Minnetonka due to the following factors:

- Lifestyle factors ó availability of parks, trails, community facilities, shopping/dining options, and high-quality schools
- Connectivity factors ó Minnetonka's location within the metro area, and the access to key transportation corridors. Drive-time analysis. Future Southwest LRT and enhanced connectivity to jobs centers and commercial nodes.
- Economic base ó Minnetonka features a sizable and diverse base of employers, many of whom are in an expansion mode, attracting new employees not only from within the metro area, but nationally and internationally as well. We anticipate that many of these new employees will find favor with housing options within the Minnetonka community, assuming an adequate supply of new, appropriately priced and designed housing units are available to accommodate this demand.

Presently, an estimated 2.6% of metro area employment is based in the City of Minnetonka. Moreover, Met Council forecasts indicate that Minnetonka businesses will account for more than 3.6% of metro area employment growth through 2040.

**Projected General Occupancy For-Sale Housing Demand (Non-Senior)
City of Minnetonka**

	1-5 Years		5-10 Years		10-15 Years		15-20 Years	
	Total	Avg./Yr.	Total	Avg./Yr.	Total	Avg./Yr.	Total	Avg./Yr.
Tw in Cities Metro Area Household Growth ¹	62,500	12,500	61,000	12,200	58,500	11,700	56,500	11,300
Estimated % of this growth being non-senior households ²	75%		75%		75%		75%	
Minnetonka Estimated Potential Market Share (%) ²	x 2.5%		x 3.0%		x 2.5%		x 2.5%	
Minnetonka Estimated Potential Household Growth	= 1,172	234	= 1,373	275	= 1,097	219	= 1,059	212
Estimated % of Households at 0-60% of AMI	x 15%		x 15%		x 15%		x 15%	
Estimated % of Households 61-80% of AMI	x 5%		x 5%		x 5%		x 5%	
Estimated % of Households 81-100% of AMI	x 15%		x 15%		x 15%		x 15%	
Estimated % of Households 100%+ of AMI	x 65%		x 65%		x 65%		x 65%	
Estimated % Buyers at 0-60% of AMI	x 0%		x 0%		x 0%		x 0%	
Estimated % Buyers at 61-80% of AMI	x 0%		x 0%		x 0%		x 0%	
Estimated % Buyers at 81-100% of AMI	x 0%		x 0%		x 0%		x 0%	
Estimated % Buyers at 100%+ of AMI	x 50%		x 50%		x 75%		x 75%	
For-Sale Housing Demand 0-60% of AMI	= 0	0	= 0	0	= 0	0	= 0	0
For-Sale Housing Demand 61-80% of AMI	= 0	0	= 0	0	= 0	0	= 0	0
For-Sale Housing Demand 81-100% of AMI	= 0	0	= 0	0	= 0	0	= 0	0
For-Sale Housing Demand 100%+ of AMI (Market Rate)	= 381	76	= 446	89	= 535	107	= 516	103
Total For-Sale Housing Demand (Non-Senior)	= 381	76	= 446	89	= 535	107	= 516	103

¹ Household growth forecasts by Marquette Advisors based on review of growth projections by Tw in Cities Met Council and ESRI.

² An estimated 25% of metro area household growth is expected to be under <65 (excluding seniors) based on review of ESRI and Met Council estimates.

³ Minnetonka market share estimates by Marquette Advisors based on review of attractiveness factors, economic base, and land use factors.

Source: Marquette Advisors

Considering the economic base of the community, and the various attractiveness factors noted herein, we estimate that Minnetonka has the potential to capture between 2.5% (years 1-5) and 3.0% (years 5-10) of metro area household growth. The increase in capture rate and growth in Minnetonka in years 5-10 accounts for the completion of SW-LRT and increasing developer and renter demand during this period, corresponding with this and station-area planning & development.

Next, we estimate household growth by income level (as a % of AMI) and by tenure, based on the current community household income composition, also factoring in future growth and the community's employment base by industry sector and salary range.

In total, we estimate potential demand for approximately 1,880 new for-sale housing units in Minnetonka over the next 20 years, or an average of about 93 homes per year. The table on the preceding page shows the breakdown of demand in five-year increments, both short and long-term.

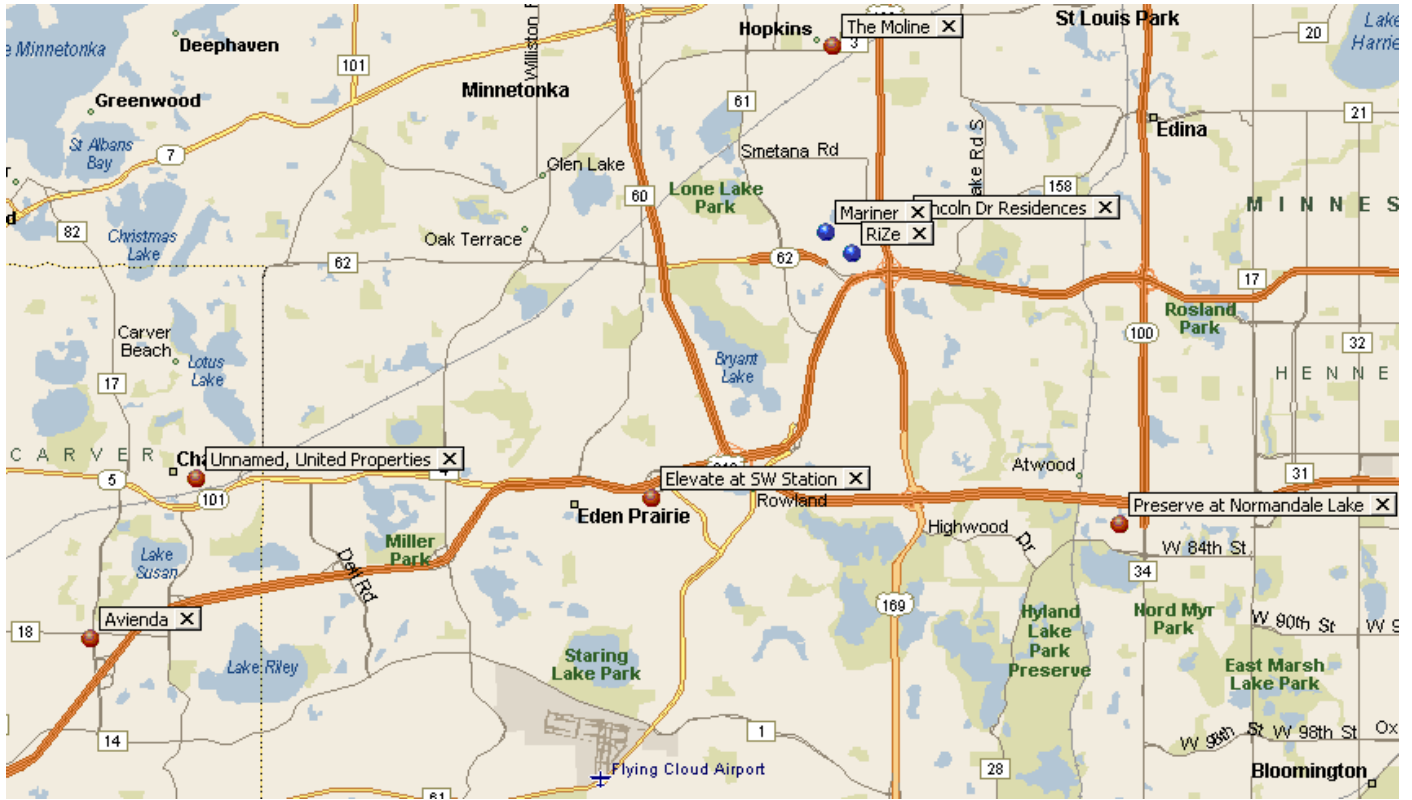
- We note that our forecast shows a potential ramp-up in for-sale housing demand in Minnetonka over the long-term (10-20 years out). This reflects changes in the Minnetonka resident base over time, and aging of Millennials into their prime home-buying years. We note that the Twin Cities Met Council Thrive 2040 forecast data indicates a marked increase in the age 25-44 resident base in Minnetonka during this period.
- It is also important to note that this forecast reflects *potential* demand from home buyers seeking a new home in Minnetonka. This is predicated on the assumption that an adequate supply of appropriately priced, designed and well-located residences are constructed to meet this demand. Whether or not this level of construction occurs is dependent upon a variety of factors, inclusive of these and others:
 - Availability of development sites due to current land use in Minnetonka and scarcity of developable land, future new home construction will be increasingly complicated and will require efforts by both the private and public sectors in support of infill and redevelopment activity.
 - Public-private partnerships, relating not only to affordable housing products, but in some cases market rate, depending on land and construction costs.
 - Receptiveness of the community to higher density residential development, particularly in key commercial and employment nodes, and near LRT. While small large-lot subdivision is likely to continue, generally at luxury \$1.0m+ price points, we anticipate increasing demand for entry-level to mid-priced housing ranging from \$300,000 to \$700,000, including a mix of condo, townhomes (including attached and detached villas), and small-lot single family homes.
 - Such development should be oriented to infill sites with close proximity of commercial nodes and major job centers, along with new rental apartment product. The provision of life-cycle housing at varied sizes and price/rent levels should be a goal, also incorporating a mix of land use inclusive of shopping and dining options for residents, as well as community/civic amenities, parks and trails.

Housing affordability -- The provision of diverse housing products (both for-sale and for-rent) in Minnetonka has the potential to indirectly have a positive impact on housing affordability in the community. For example, we have noted the large number of senior home owners in Minnetonka, with more than 54% of the city's home owners being age 55+. This includes many long-time residents who are "aging in place," and may consider a new apartment or cooperative housing alternative. So, the provision of these life cycle housing products indirectly improves housing affordability as seniors move, thereby "freeing-up" more existing single-family housing in the community for purchase by younger first-time buyers. A related impact is the improved long-term quality of the housing stock and neighborhoods, as younger buyers purchase older homes and subsequently invest in updates and improvements to these homes over time. Another indirect positive impact of this trend is the increase in diversity (age, socioeconomic, ethnic) within the city's neighborhoods.

APPENDIX 1:

APARTMENT DEVELOPMENT PIPELINE

Apartment Development Pipeline – SW Metro Area
Blue Dots = Minnetonka developments



**Apartment Development Pipeline -- Minnetonka & Surrounding Market Area
(as of July 2017)**

Project Name	Developer	Location	City	Status	Projected Occupancy Date	Notes	Unit Counts		
							Market Rate	Affordable	Total
RiZe at Opus Park	LeCesse Corp.	10101 Bren Road East	Minnetonka	Proposed	Spring 2019	Planned luxury apartment community featuring 322 total units, including 10% (32 units) affordable at 60% of AMI.	290	32	322
The Mariner	New port Midwest LLC	10400, 10500, 10550 Bren Road East	Minnetonka	Proposed	Spring 2020	Proposed 246 units, including 191 market rate and separate building with 55 units, affordable at 60% of AMI. Pursuing tax credits through MHFA.	191	55	246
Elevate at SW Station	Timberland	12900 Technology Dr.	Eden Prairie	Proposed	Spring 2019	Will include 222 units and 12,000+ sf of commercial space. 20% affordability component at 50% of AMI.	177	45	222
Lincoln Drive Residences	Opus	5901 Lincoln Drive	Edina	Under Construction	Spring/Summer 2018	Four-story building, featuring 250 garage spaces and another 120 surface parking spaces on site.	244	0	244
Unnamed	United Properties	525 78th Street	Chanhassen	Proposed	Fall 2018	6 story mixed-use building with 130 market-rate apartments and an 18,000-square-foot Aldi store. Preliminary Plat Approval has been granted.	130	0	130
Avienda (formerly "The Quadrant")	Level 7 Development	Lyman & Powers Blvd.	Chanhassen	Proposed	Unknown - Phase I, 2020	300 apartments considered, along with big-box & inline commercial space. Preliminary Plat Approval has been granted.	300	0	300
The Moline	Doran Development	8th St. & Excelsior Blvd.	Hopkins	Under Construction	Summer/Fall 2017	119 one-bedrooms, 103 two-bedrooms, 13 three-bedrooms and six one-level, walk-up units	241	0	241
Norman Pointe Residential	CIP (Lincoln, NE)	5650 American Blvd. W.	Bloomington	Under Construction	Fall 2017	Five-story multi-family building with a two level underground parking garage.	179	0	179
TOTALS							1,752	132	1,884

Source: Marquette Advisors

RiZE at Opus Park - LeCesse – SciCom industrial property redevelopment (proposed)

6 Florida developer LeCesse Corporation is planning an apartment development with 322 units in a six-story building on a 7.9-acre site at 10101 Bren Road East in the Opus Business Park, adjacent to the United Health Group property. The project will displace a former industrial building (SciCom) and related surface parking, with a new upscale apartment community. Amenities will include a fitness center and expansive outdoor pool deck, community room, theater room, and rooftop terrace with fire pit. The city has granted approval to the project, which will feature luxury apartments, with 90% of the units unrestricted and 10% of the inventory to be affordable at 60% of AMI. Construction is expected to begin this Fall 2017, with a likely Spring 2019 delivery. The unit mix will feature 60% Studio & 1BR layouts, as shown below, with an overall average unit size of 944 sf. Rents for the market rate units are expected to range from approximately \$1,400 to \$2,500+, with an average of about \$2.00 psf.



Planned unit mix & sizes:

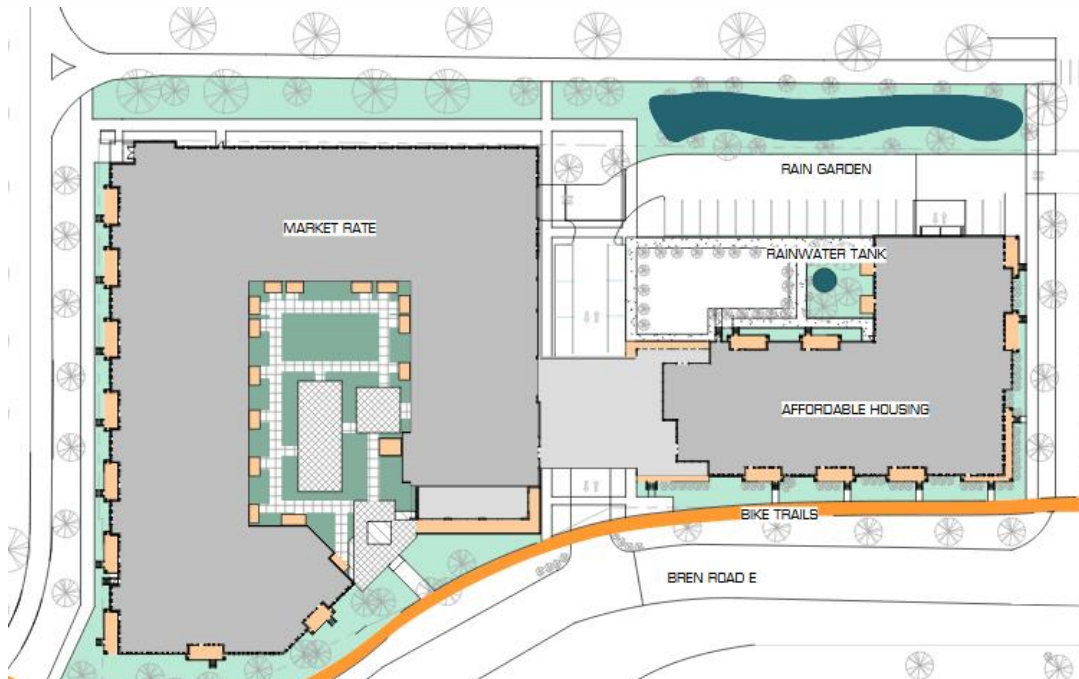
Unit Type	Floorplan	Unit SF	Total SF	Unit Count	% of Total
Studio	E1	644	22,540	35	11%
1 Bed, 1 Bath	A1	748	62,832	84	26%
1 Bed, 1 Bath	A2	859	21,475	25	8%
1 Bed, 1 Bath	A2 Alternate	931	18,620	20	6%
1 Bed, 1 Bath, Den	A3	912	27,360	30	9%
2 Bed, 2 Bath	B1	1,082	48,600	45	14%
2 Bed, 2 Bath	B2	1,194	47,760	40	12%
2 Bed, 2 Bath	B3	1,218	34,104	28	9%
2 Bed, 2 Bath, Den	B4D	1,372	20,580	15	5%
Totals/Averages		944	303,961	322	100%



RIZE AT OPUS PARK

The Mariner – Newport Midwest LLC – (proposed) ó Developer Newport Midwest LLC is planning a mixed income development that would feature 196 market rate units and 55 LIHTC units in two buildings, also within the Opus Business Park on Bren Rd. E. The development team is pursuing a LIHTC application through the MN Housing Finance Agency. The 55-unit affordable building would include apartments affordable at 60% of AMI. The project is in concept review with the City of Minnetonka, while the LIHTC application is pending, with an anticipated November 2017 award date. If successful with the LIHTC application, the developer is expected to break ground in Spring 2018, with a late 2019 or early 2020 completion date.

Affordable Unit Mix		Market Rate Unit Mix	
Unit Type	Number of Units	Unit Type	Number of Units
1 BR	11	Studio	38
2 BR	27	1 BR	90
3 BR	13	2 BR	52
2 BR - LTH*	2	3 BR	11
3 BR - LTH*	2	TOTAL	191
TOTAL	55		



Edina

Lincoln Drive Residences – Opus Development – Lincoln Drive, east of US 169 (Under Construction) -- The Lincoln Drive Residences will comprise 244 units, all at market rate, in a four-story building, featuring 250 garage spaces and another 120 surface parking spaces on site. This development is under construction with a projected Spring/Summer 2018 opening date. The apartments are designed around a south-facing central courtyard, and will offer a variety of units ranging from 585 square feet to 1,350 square feet, as well as a covered walkway to an enclosed game room and entertainment space, an outdoor pool, a bocce ball court and a fire pit. Its exterior elevations feature patterns of angled walls and recessed balconies facing Hwy. 169. The site, on the Nine Mile Creek Regional Trail, is across Hwy. 169 from UnitedHealth's Minnetonka corporate headquarters is shared by another office building that was recently leased to Children's Hospitals and Clinics. The health care provider signed a deal last year for about 200,000 square feet in that structure, in which it is consolidating about 650 administrative workers now spread across five leased locations in the Twin Cities metro area. The units are expected to rent for \$2.25 to \$2.40+ psf, with several larger floorplans targeting affluent empty nesters from the west Edina market. Given the product, price point, expected rent/renter profile, and staggered delivery timing, we believe that the Lincoln Drive Residences are in fact very well differentiated from both of the contemplated Minnetonka development, such that there will be sufficient market demand for all three of the nearby developments as they come online in 2018 and 2019/2020.



Chanhassen

Unnamed (Aldi/Frontier Building Site) – United Properties – (proposed) -- United Properties has proposed a 130-unit apartment complex and an 18,000 square foot Aldi Store at 525 W. 78th Street in Chanhassen, (immediately west of the Chanhassen Dinner Theatres), and is seeking \$1,300,000 in TIF financing from the city for demolition of the existing Frontier Square Building, and development of an underground parking lot below the proposed Aldi grocery store. Although formal approval has not been granted, and no building plans have been finalized, in a work session in December 2016, the city council of Chanhassen approved starting the TIF authorization process. We assume for purposes of our analysis that construction will be underway later this year with a late 2018 or early 2019 delivery. Rents and unit mix have not yet been determined, or published. Considering the location and timing, (if it is approved and built) we do not anticipate that this will pose significant lease-up competition to the new Minnetonka developments noted. The locations are well differentiated, while RiZe and The Mariner in the Opus Park will provide a superior

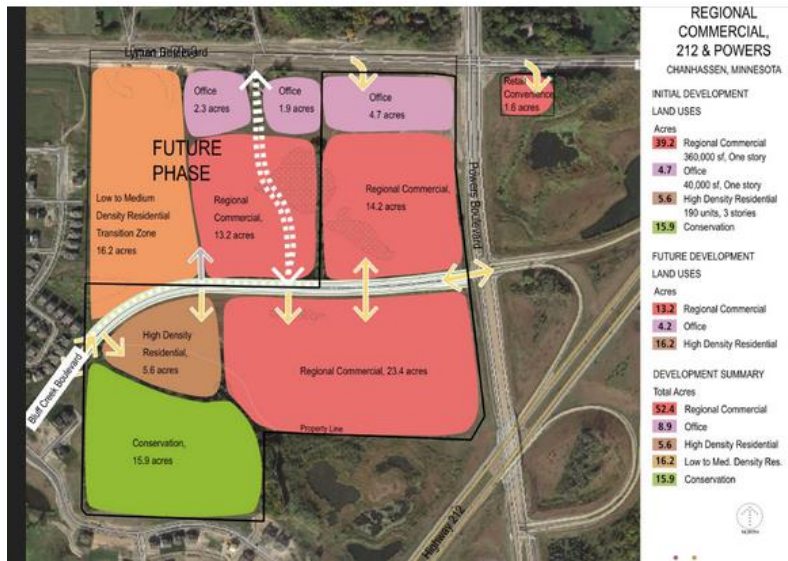
product and amenity package, at a prime location with excellent proximity to major employers, notably United Health Group.



City of Chanhassen rendering

“Avienda” formerly known as “The Quadrant” ó Level 7 Development LLC – (proposed)

-- In Chanhassen, local developer Scott Carlston with óLevel 7 Development LLCö has plans to transform 110 acres of farmland near Hazeltine National Golf Club to a lifestyle center, incorporating a mix of commercial and residential uses. The site, at the southwest corner of Lyman Boulevard and Powers Boulevard near Hwy 212 had once been considered by the MN Vikings for a new practice and headquarters facility. However, the Vikings have since decided to build on an alternate site in Eagan. As such, the development group is working on plans to move ahead with a phased, mixed-use development. We understand that the first phase will incorporate 78 acres and will include an apartment complex with around 300 units, 435,000 sf of commercial retail/restaurant space, a movie theater and 40,000 sf of office space. At this time, it is uncertain whether Level 7 will pursue the apartment project themselves, or partner with another development group. Carlston noted recently he has significant interest from a variety of local and national development groups. It is unlikely that the described development phase would deliver prior to late 2019 or early 2020 due to the size and complexity of the project, and its current status. As such, we do not expect that this will be a relevant competitor to the noted Minnetonka projects during their lease-up.



Hopkins

The Moline – Doran Development -- (nearing completion, currently pre-leasing) – Bloomington-based Doran Development & Construction is nearing completion of an upscale development with 241 apartments on a site at 810 Excelsior Boulevard in downtown Hopkins. Amenities will include a fitness center, community room, outdoor pool & spa, and a large terrace with outdoor kitchen, dining and lounge areas, and fire pits. The Doran project will feature a location which is clearly differentiated from RiZe at Opus Park in Minnetonka. Additionally, we note current strong demand for apartments in Minnetonka and the surrounding suburbs. We expect that The Moline will reach a stabilized occupancy level prior to the opening of RiZe at Opus Park. Considering the delivery dates and locations, we do not expect that The Moline will pose substantive competition to RiZe or The Mariner.



West Bloomington


The Preserve at Normandale Lake, 5650 American Blvd. – CIP Development -- (Under Construction) -- In Bloomington, a 179-unit apartment complex is under construction on a site within the Norman Pointe Office Park. The project developer is Lincoln, NE-based Commercial Investment Properties (CIP). Construction commenced in Spring 2016. A Summer/Fall 2017 opening date is expected. The unit mix will be: 29 studio/alcove units, 79 one bedroom units, 5 one bedroom with den units, 61 two bedrooms, and 5 three bedroom units. Rents have not been made public, although we expect a luxury product profile. Current rents at nearby Covington could be a good indicator of the likely rent schedule here. We expect that these units, too, will be priced generally around \$2.00+ psf. The Norman Pointe development is expected to come online in mid-to late-2017 and is thus expected have reached stabilized occupancy prior to the 2019/2020 opening dates for RiZe at Opus Park and The Mariner, and will thus not be a significant competitor during lease-up. Additionally, the locations are clearly distinguished, with The Preserve being peripheral to but outside the subject market area. We expect there will be sufficient market demand for both projects, which feature excellent access to freeways and major employment nodes.

APPENDIX 2:


KEY EMPLOYMENT NODES

- **Business Mix by Industry**
- **Employee Counts**
- **Population**

Carlson Center Area (I-494/I-394)

 esri		Business Summary			
		Carlson Center Area			
Data for all businesses in area		0 - 1 mile			
Total Businesses:		609			
Total Employees:		24,308			
Total Residential Population:		5,127			
Employee/Residential Population Ratio (per 100 Residents)		474			
by NAICS Codes	Businesses		Employees		
	Number	Percent	Number	Percent	
Agriculture, Forestry, Fishing & Hunting	0	0.0%	1	0.0%	
Mining	1	0.2%	3	0.0%	
Utilities	0	0.0%	0	0.0%	
Construction	24	3.9%	112	0.5%	
Manufacturing	22	3.6%	4,172	17.2%	
Wholesale Trade	17	2.8%	170	0.7%	
Retail Trade	54	8.9%	1,212	5.0%	
Motor Vehicle & Parts Dealers	7	1.1%	380	1.6%	
Furniture & Home Furnishings Stores	5	0.8%	15	0.1%	
Electronics & Appliance Stores	3	0.5%	45	0.2%	
Bldg Material & Garden Equipment & Supplies Dealers	3	0.5%	26	0.1%	
Food & Beverage Stores	5	0.8%	229	0.9%	
Health & Personal Care Stores	5	0.8%	39	0.2%	
Gasoline Stations	0	0.0%	1	0.0%	
Clothing & Clothing Accessories Stores	7	1.1%	70	0.3%	
Sport Goods, Hobby, Book, & Music Stores	4	0.7%	56	0.2%	
General Merchandise Stores	1	0.2%	111	0.5%	
Miscellaneous Store Retailers	10	1.6%	109	0.4%	
Nonstore Retailers	3	0.5%	130	0.5%	
Transportation & Warehousing	4	0.7%	584	2.4%	
Information	20	3.3%	382	1.6%	
Finance & Insurance	102	16.7%	2,469	10.2%	
Central Bank/Credit Intermediation & Related Activities	15	2.5%	252	1.0%	
Securities, Commodity Contracts & Other Financial	53	8.7%	590	2.4%	
Insurance Carriers & Related Activities; Funds, Trusts & Other	33	5.4%	1,627	6.7%	
Real Estate, Rental & Leasing	40	6.6%	282	1.2%	
Professional, Scientific & Tech Services	112	18.4%	1,401	5.8%	
Legal Services	35	5.7%	187	0.8%	
Management of Companies & Enterprises	2	0.3%	10	0.0%	
Administrative & Support & Waste Management & Remediation	31	5.1%	716	2.9%	
Educational Services	12	2.0%	214	0.9%	
Health Care & Social Assistance	58	9.5%	6,817	28.0%	
Arts, Entertainment & Recreation	5	0.8%	22	0.1%	
Accommodation & Food Services	21	3.4%	5,209	21.4%	
Accommodation	9	1.5%	5,008	20.6%	
Food Services & Drinking Places	12	2.0%	201	0.8%	
Other Services (except Public Administration)	33	5.4%	523	2.2%	
Automotive Repair & Maintenance	8	1.3%	279	1.1%	
Public Administration	0	0.0%	0	0.0%	
Unclassified Establishments	51	8.4%	10	0.0%	
Total	609	100.0%	24,308	100.0%	

Golden Triangle Area

 esri		Business Summary			
		Golden Triangle Area			
Data for all businesses in area		0 - 1 mile			
Total Businesses:		760			
Total Employees:		19,736			
Total Residential Population:		1,965			
Employee/Residential P opulation Ratio (per 100 Residents)		1,004			
by NAICS Codes	Businesses		Employees		
	Number	Percent	Number	Percent	
Agriculture, Forestry, Fishing & Hunting	2	0.3%	6	0.0%	
Mining	0	0.0%	0	0.0%	
Utilities	0	0.0%	0	0.0%	
Construction	29	3.8%	422	2.1%	
Manufacturing	65	8.6%	2,541	12.9%	
Wholesale Trade	78	10.3%	2,229	11.3%	
Retail Trade	70	9.2%	3,704	18.8%	
Motor Vehicle & Parts Dealers	6	0.8%	29	0.1%	
Furniture & Home Furnishings Stores	4	0.5%	27	0.1%	
Electronics & Appliance Stores	12	1.6%	101	0.5%	
Bldg Material & Garden Equipment & Supplies Dealers	7	0.9%	37	0.2%	
Food & Beverage Stores	4	0.5%	790	4.0%	
Health & Personal Care Stores	7	0.9%	1,451	7.4%	
Gasoline Stations	1	0.1%	3	0.0%	
Clothing & Clothing Accessories Stores	4	0.5%	19	0.1%	
Sport Goods, Hobby, Book, & Music Stores	7	0.9%	135	0.7%	
General Merchandise Stores	3	0.4%	33	0.2%	
Miscellaneous Store Retailers	8	1.1%	59	0.3%	
Nonstore Retailers	6	0.8%	1,021	5.2%	
Transportation & Warehousing	11	1.4%	140	0.7%	
Information	40	5.3%	1,936	9.8%	
Finance & Insurance	66	8.7%	2,540	12.9%	
Central Bank/Credit Intermediation & Related Activities	13	1.7%	1,371	6.9%	
Securities, Commodity Contracts & Other Financial	20	2.6%	123	0.6%	
Insurance Carriers & Related Activities; Funds, Trusts & Other	34	4.5%	1,047	5.3%	
Real Estate, Rental & Leasing	35	4.6%	597	3.0%	
Professional, Scientific & Tech Services	123	16.2%	2,839	14.4%	
Legal Services	10	1.3%	134	0.7%	
Management of Companies & Enterprises	3	0.4%	13	0.1%	
Administrative & Support & Waste Management & Remediation	27	3.6%	422	2.1%	
Educational Services	15	2.0%	373	1.9%	
Health Care & Social Assistance	41	5.4%	638	3.2%	
Arts, Entertainment & Recreation	16	2.1%	325	1.6%	
Accommodation & Food Services	25	3.3%	682	3.5%	
Accommodation	6	0.8%	227	1.2%	
Food Services & Drinking Places	19	2.5%	454	2.3%	
Other Services (except Public Administration)	35	4.6%	264	1.3%	
Automotive Repair & Maintenance	6	0.8%	79	0.4%	
Public Administration	3	0.4%	36	0.2%	
Unclassified Establishments	76	10.0%	29	0.1%	
Total	760	100.0%	19,736	100.0%	

I-394/US 169 Interchange Area




esri[®]

Business Summary


US 169/I-394 Interchange Area

Data for all businesses in area		0 - 1 mile			
Total Businesses:		873			
Total Employees:		19,551			
Total Residential Population:		6,273			
Employee/Residential Population Ratio (per 100 Residents)		312			
by NAICS Codes	Businesses		Employees		
	Number	Percent	Number	Percent	
Agriculture, Forestry, Fishing & Hunting	1	0.1%	3	0.0%	
Mining	1	0.1%	10	0.1%	
Utilities	0	0.0%	0	0.0%	
Construction	49	5.6%	589	3.0%	
Manufacturing	48	5.5%	6,671	34.1%	
Wholesale Trade	37	4.2%	813	4.2%	
Retail Trade	95	10.9%	2,280	11.7%	
Motor Vehicle & Parts Dealers	15	17%	1,003	5.1%	
Furniture & Home Furnishings Stores	4	0.5%	17	0.1%	
Electronics & Appliance Stores	9	10%	156	0.8%	
Bldg Material & Garden Equipment & Supplies Dealers	9	10%	238	1.2%	
Food & Beverage Stores	12	14%	198	1.0%	
Health & Personal Care Stores	5	0.6%	25	0.1%	
Gasoline Stations	3	0.3%	31	0.2%	
Clothing & Clothing Accessories Stores	11	13%	127	0.6%	
Sport Goods, Hobby, Book, & Music Stores	4	0.5%	41	0.2%	
General Merchandise Stores	5	0.6%	152	0.8%	
Miscellaneous Store Retailers	14	16%	246	1.3%	
Nonstore Retailers	5	0.6%	47	0.2%	
Transportation & Warehousing	8	0.9%	359	1.8%	
Information	30	3.4%	1,407	7.2%	
Finance & Insurance	97	11.1%	1,209	6.2%	
Central Bank/Credit Intermediation & Related Activities	22	2.5%	302	1.5%	
Securities, Commodity Contracts & Other Financial	34	3.9%	321	1.6%	
Insurance Carriers & Related Activities; Funds, Trusts & Other	41	4.7%	586	3.0%	
Real Estate, Rental & Leasing	50	5.7%	438	2.2%	
Professional, Scientific & Tech Services	140	16.0%	1,505	7.7%	
Legal Services	27	3.1%	142	0.7%	
Management of Companies & Enterprises	1	0.1%	40	0.2%	
Administrative & Support & Waste Management & Remediation	44	5.0%	422	2.2%	
Educational Services	13	1.5%	469	2.4%	
Health Care & Social Assistance	74	8.5%	1,235	6.3%	
Arts, Entertainment & Recreation	15	1.7%	293	1.5%	
Accommodation & Food Services	41	4.7%	978	5.0%	
Accommodation	3	0.3%	156	0.8%	
Food Services & Drinking Places	37	4.2%	822	4.2%	
Other Services (except Public Administration)	64	7.3%	553	2.8%	
Automotive Repair & Maintenance	7	0.8%	25	0.1%	
Public Administration	10	1.1%	222	1.1%	
Unclassified Establishments	54	6.2%	54	0.3%	
Total	873	100.0%	19,551	100.0%	


Opus Park Area

 esri		Business Summary		
		Opus Park Area		
Data for all businesses in area		0 - 1 mile		
Total Businesses:		640		
Total Employees:		14,845		
Total Residential Population:		9,147		
Employee/Residential Population Ratio (per 100 Residents)		162		
by NAICS Codes	Businesses		Employees	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing & Hunting	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%
Construction	32	5.0%	659	4.4%
Manufacturing	47	7.3%	1,499	10.1%
Wholesale Trade	73	11.4%	2,087	14.1%
Retail Trade	59	9.2%	936	6.3%
Motor Vehicle & Parts Dealers	7	1.1%	113	0.8%
Furniture & Home Furnishings Stores	1	0.2%	8	0.1%
Electronics & Appliance Stores	8	1.2%	170	1.1%
Bldg Material & Garden Equipment & Supplies Dealers	3	0.5%	91	0.6%
Food & Beverage Stores	7	1.1%	100	0.7%
Health & Personal Care Stores	4	0.6%	187	1.3%
Gasoline Stations	0	0.0%	0	0.0%
Clothing & Clothing Accessories Stores	8	1.2%	55	0.4%
Sport Goods, Hobby, Book, & Music Stores	5	0.8%	27	0.2%
General Merchandise Stores	3	0.5%	17	0.1%
Miscellaneous Store Retailers	10	1.6%	50	0.3%
Nonstore Retailers	3	0.5%	118	0.8%
Transportation & Warehousing	4	0.6%	81	0.5%
Information	26	4.1%	1,129	7.6%
Finance & Insurance	64	10.0%	3,169	21.3%
Central Bank/Credit Intermediation & Related Activities	8	1.2%	181	1.2%
Securities, Commodity Contracts & Other Financial	19	3.0%	224	1.5%
Insurance Carriers & Related Activities; Funds, Trusts & Other	37	5.8%	2,764	18.6%
Real Estate, Rental & Leasing	43	6.7%	324	2.2%
Professional, Scientific & Tech Services	79	12.3%	1,693	11.4%
Legal Services	6	0.9%	38	0.3%
Management of Companies & Enterprises	3	0.5%	18	0.1%
Administrative & Support & Waste Management & Remediation	27	4.2%	190	1.3%
Educational Services	14	2.2%	203	1.4%
Health Care & Social Assistance	38	5.9%	1,022	6.9%
Arts, Entertainment & Recreation	4	0.6%	121	0.8%
Accommodation & Food Services	21	3.3%	648	4.4%
Accommodation	4	0.6%	326	2.2%
Food Services & Drinking Places	18	2.8%	322	2.2%
Other Services (except Public Administration)	46	7.2%	1,027	6.9%
Automotive Repair & Maintenance	10	1.6%	50	0.3%
Public Administration	2	0.3%	24	0.2%
Unclassified Establishments	58	9.1%	14	0.1%
Total	640	100.0%	14,845	100.0%


US 169/Excelsior Blvd. Area

 esri		Business Summary			
		US 169/Excelsior Blvd. Area			
Data for all businesses in area		0 - 1 mile			
Total Businesses:				741	
Total Employees:				14,356	
Total Residential Population:				13,736	
Employee/Residential Population Ratio (per 100 Residents)				105	
by NAICS Codes	Businesses		Employees		
	Number	Percent	Number	Percent	
Agriculture, Forestry, Fishing & Hunting	0	0.0%	0	0.0%	
Mining	1	0.1%	75	0.5%	
Utilities	0	0.0%	0	0.0%	
Construction	41	5.5%	337	2.3%	
Manufacturing	24	3.2%	730	5.1%	
Wholesale Trade	39	5.3%	987	6.9%	
Retail Trade	122	16.5%	2,436	17.0%	
Motor Vehicle & Parts Dealers	19	2.6%	512	3.6%	
Furniture & Home Furnishings Stores	13	1.8%	148	1.0%	
Electronics & Appliance Stores	8	1.1%	145	1.0%	
Bldg Material & Garden Equipment & Supplies Dealers	8	1.1%	197	1.4%	
Food & Beverage Stores	13	1.8%	426	3.0%	
Health & Personal Care Stores	11	1.5%	162	1.1%	
Gasoline Stations	0	0.0%	1	0.0%	
Clothing & Clothing Accessories Stores	9	1.2%	156	1.1%	
Sport Goods, Hobby, Book, & Music Stores	7	0.9%	26	0.2%	
General Merchandise Stores	9	1.2%	489	3.4%	
Miscellaneous Store Retailers	22	3.0%	164	1.1%	
Nonstore Retailers	3	0.4%	10	0.1%	
Transportation & Warehousing	15	2.0%	307	2.1%	
Information	22	3.0%	451	3.1%	
Finance & Insurance	46	6.2%	463	3.2%	
Central Bank/Credit Intermediation & Related Activities	13	1.8%	330	2.3%	
Securities, Commodity Contracts & Other Financial	13	1.8%	42	0.3%	
Insurance Carriers & Related Activities; Funds, Trusts & Other	20	2.7%	91	0.6%	
Real Estate, Rental & Leasing	45	6.1%	231	1.6%	
Professional, Scientific & Tech Services	80	10.8%	4,667	32.5%	
Legal Services	9	1.2%	44	0.3%	
Management of Companies & Enterprises	2	0.3%	14	0.1%	
Administrative & Support & Waste Management & Remediation	31	4.2%	186	1.3%	
Educational Services	21	2.8%	359	2.5%	
Health Care & Social Assistance	56	7.6%	978	6.8%	
Arts, Entertainment & Recreation	12	1.6%	206	1.4%	
Accommodation & Food Services	41	5.5%	813	5.7%	
Accommodation	2	0.3%	10	0.1%	
Food Services & Drinking Places	39	5.3%	803	5.6%	
Other Services (except Public Administration)	99	13.4%	1,010	7.0%	
Automotive Repair & Maintenance	22	3.0%	118	0.8%	
Public Administration	5	0.7%	95	0.7%	
Unclassified Establishments	39	5.3%	10	0.1%	
Total	741	100.0%	14,356	100.0%	

Ridgedale Area

 esri		Business Summary			
		Ridgedale Area			
Data for all businesses in area		0 - 1 mile			
Total Businesses:		653			
Total Employees:		9,735			
Total Residential Population:		6,140			
Employee/Residential Population Ratio (per 100 Residents)		159			
by NAICS Codes	Businesses		Employees		
	Number	Percent	Number	Percent	
Agriculture, Forestry, Fishing & Hunting	1	0.2%	1	0.0%	
Mining	1	0.2%	3	0.0%	
Utilities	0	0.0%	0	0.0%	
Construction	24	3.7%	112	12%	
Manufacturing	8	1.2%	119	1.2%	
Wholesale Trade	18	2.8%	138	1.4%	
Retail Trade	172	26.3%	4,512	46.3%	
Motor Vehicle & Parts Dealers	4	0.6%	329	3.4%	
Furniture & Home Furnishings Stores	12	1.8%	121	1.2%	
Electronics & Appliance Stores	10	1.5%	164	1.7%	
Bldg Material & Garden Equipment & Supplies Dealers	5	0.8%	29	0.3%	
Food & Beverage Stores	10	1.5%	498	5.1%	
Health & Personal Care Stores	25	3.8%	208	2.1%	
Gasoline Stations	0	0.0%	0	0.0%	
Clothing & Clothing Accessories Stores	68	10.4%	927	9.5%	
Sport Goods, Hobby, Book, & Music Stores	15	2.3%	264	2.7%	
General Merchandise Stores	6	0.9%	1,752	18.0%	
Miscellaneous Store Retailers	16	2.5%	215	2.2%	
Nonstore Retailers	1	0.2%	4	0.0%	
Transportation & Warehousing	3	0.5%	10	0.1%	
Information	24	3.7%	354	3.6%	
Finance & Insurance	53	8.1%	567	5.8%	
Central Bank/Credit Intermediation & Related Activities	11	1.7%	327	3.4%	
Securities, Commodity Contracts & Other Financial	17	2.6%	83	0.9%	
Insurance Carriers & Related Activities; Funds, Trusts & Other	25	3.8%	157	1.6%	
Real Estate, Rental & Leasing	37	5.7%	218	2.2%	
Professional, Scientific & Tech Services	75	11.5%	420	4.3%	
Legal Services	12	1.8%	62	0.6%	
Management of Companies & Enterprises	1	0.2%	6	0.1%	
Administrative & Support & Waste Management & Remediation	26	4.0%	269	2.8%	
Educational Services	8	1.2%	104	1.1%	
Health Care & Social Assistance	68	10.4%	928	9.5%	
Arts, Entertainment & Recreation	6	0.9%	32	0.3%	
Accommodation & Food Services	33	5.1%	1,138	11.7%	
Accommodation	2	0.3%	123	1.3%	
Food Services & Drinking Places	31	4.7%	1,015	10.4%	
Other Services (except Public Administration)	55	8.4%	776	8.0%	
Automotive Repair & Maintenance	8	1.2%	196	2.0%	
Public Administration	4	0.6%	26	0.3%	
Unclassified Establishments	35	5.4%	3	0.0%	
Total	653	100.0%	9,735	100.0%	

MN Hwy 101 & 7 Area

 esri		Business Summary		
		Hwy 7 & 101 Area		
Data for all businesses in area		0 - 1 mile		
Total Businesses:		277		
Total Employees:		2,879		
Total Residential Population:		6,124		
Employee/Residential Population Ratio (per 100 Residents)		47		
by NAICS Codes	Businesses		Employees	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing & Hunting	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%
Construction	18	6.5%	77	2.7%
Manufacturing	3	1.1%	14	0.5%
Wholesale Trade	10	3.6%	40	1.4%
Retail Trade	34	12.3%	602	20.9%
Motor Vehicle & Parts Dealers	3	1.1%	23	0.8%
Furniture & Home Furnishings Stores	0	0.0%	0	0.0%
Electronics & Appliance Stores	3	1.1%	17	0.6%
Bldg Material & Garden Equipment & Supplies Dealers	6	2.2%	46	1.6%
Food & Beverage Stores	4	1.4%	277	9.6%
Health & Personal Care Stores	4	1.4%	45	1.6%
Gasoline Stations	0	0.0%	0	0.0%
Clothing & Clothing Accessories Stores	3	1.1%	13	0.5%
Sport Goods, Hobby, Book, & Music Stores	0	0.0%	0	0.0%
General Merchandise Stores	1	0.4%	150	5.2%
Miscellaneous Store Retailers	8	2.9%	31	1.1%
Nonstore Retailers	2	0.7%	0	0.0%
Transportation & Warehousing	2	0.7%	8	0.3%
Information	12	4.3%	415	14.4%
Finance & Insurance	25	9.0%	150	5.2%
Central Bank/Credit Intermediation & Related Activities	6	2.2%	73	2.5%
Securities, Commodity Contracts & Other Financial	12	4.3%	49	1.7%
Insurance Carriers & Related Activities; Funds, Trusts & Other	7	2.5%	28	1.0%
Real Estate, Rental & Leasing	14	5.1%	103	3.6%
Professional, Scientific & Tech Services	56	20.2%	255	8.9%
Legal Services	16	5.8%	70	2.4%
Management of Companies & Enterprises	1	0.4%	1	0.0%
Administrative & Support & Waste Management & Remediation	6	2.2%	23	0.8%
Educational Services	4	1.4%	301	10.5%
Health Care & Social Assistance	29	10.5%	338	11.7%
Arts, Entertainment & Recreation	7	2.5%	108	3.8%
Accommodation & Food Services	17	6.1%	254	8.8%
Accommodation	1	0.4%	1	0.0%
Food Services & Drinking Places	16	5.8%	253	8.8%
Other Services (except Public Administration)	22	7.9%	189	6.6%
Automotive Repair & Maintenance	1	0.4%	3	0.1%
Public Administration	0	0.0%	0	0.0%
Unclassified Establishments	19	6.9%	1	0.0%
Total	277	100.0%	2,879	100.0%

Marquette Advisors

Real Estate Consultants



The Residential Analytics Group



Marquette Advisors -- The Residential Analytics Group

The ***Residential Analytics Group*** of Marquette Advisors provides market and financial feasibility studies, appraisals, and varied consulting and advisory services on behalf of the real estate development community. We offer a team of the industry's foremost market experts who are regularly called upon to assist property owners, developers, investors, and lenders, as well as planners and government agencies in making intelligent decisions regarding the market potential and financial feasibility of residential and mixed-use development and redevelopment projects.

Marquette Advisors provides a focused analysis that is customized to meet the individual needs of each client. We strive to provide the right advice and solutions for every project on which we consult. Throughout our team's history, we have analyzed hundreds of situations, providing clear development advisory services and thoughtful answers to client questions and problems.

The Residential Analytics Group of Marquette Advisors provides market and financial feasibility analyses, valuation and advisory services in the following areas:

- Multifamily residential (for-sale & rental)
- Single-family & residential subdivision development
- Seniors housing
- Student housing
- Hotel condos & fractional housing
- Mixed-use developments, incorporating residential and commercial uses
- Community housing needs assessments

Additionally, through the ***Hospitality Group*** of Marquette Advisors, we provide a full range of market research, financial advisory and feasibility study services related to hotels, casinos, entertainment and convention facilities, sports arenas, and recreational developments.

Marquette Advisors Offices:

Minneapolis Office: 80 South 8th Street, Suite 900, Minneapolis, MN 55402
Phone: 612-335-8888; Fax: 612-334-3022

Seattle Office: 2723 California Avenue SW, Seattle, WA 98116
Phone: 425-392-7482; Fax: 425-392-7330

New York Office: 1325 Avenue of the Americas, 28th Floor, New York, NY 10019
Phone: 212-786-6360; Fax: 612-334-3022

Marquette Advisors

FEASIBILITY STUDIES

All of our assignments are scoped according to the specific needs of the client. Our market studies are regularly used to evaluate and guide real estate development projects, ranging from acquisition/rehab opportunities, to free-standing new apartment or condominium developments, to complex mixed-use communities. Our feasibility studies typically evaluate both the market viability and financial feasibility of a development project. These reports are regularly used to secure financing.



A Marquette Advisors feasibility study typically includes each of the following components:

- Site Analysis
- Definition of Draw Area & Competitive Market Area
- Analysis of Demographics & Economic Conditions
- Competitive Market Analysis with Detailed Competitive Supply Audit and Development Pipeline Assessment
- Buyer/Renter Profile Analysis
- Development Recommendations -- sizing, price/rents, amenities, design considerations
- Demand Analysis and Absorption Forecasting
- Financial Feasibility

COMMUNITY HOUSING NEEDS ASSESSMENTS

Our community housing needs assessments and policy studies employ the disciplined methodology outlined above and focus on the needs of a particular geographical area ó a city or a county, for example ó to facilitate the strategic development of a variety of housing products. Our clients include, but are not limited to: municipalities, counties, non-profit affordable housing organizations, and downtown business associations.

ECONOMIC IMPACT ANALYSIS

Marquette Advisors has developed a specialty in providing economic impact studies for residential development projects, as well as studies which analyze the economic impact of affordable and workforce housing shortages upon individual communities and entire regions.



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Marquette Advisors

DEVELOPMENT CONSULTING

As fee-paid developers, Marquette Advisors have executed programs for large residential parcels, including development conceptualization, programming, planning and sale for those owners and investors who require professional assistance to enhance and maximize their residential property assets. We have recently worked on the behalf of property owners in advising and assisting them in the evaluation of condominium conversion opportunities.



BUSINESS PLANS

Marquette Advisors have developed business plans scaled for large single-family, multi-family and multi-use developments. We are expert at developing strategic plans required for successful implementation.



VALUATION SERVICES

Marquette Advisors offers a complete range of MAI appraisal products for all real estate property classes throughout the country. Our appraisals have been utilized to underwrite and support new developments, execute re-merchandising strategies, assist in workouts of problem projects, and complete acquisitions.



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PROFESSIONAL QUALIFICATIONS OF LOUIS W. FRILLMAN, CRE, FRICS, MAI

President

MARQUETTE ADVISORS & MARQUETTE CAPITAL ADVISORS



Louis W. Frillman has been engaged in the business of providing counsel to the real estate investment and development business nationwide since 1975. During this time, he has completed counseling assignments dealing with significant decisions regarding market feasibility and absorption analysis studies, valuations and disposition of major business properties, and investment analyses for acquisition of property by institutional investors of all types. In addition, he has actively overseen major development programs for all types of property developments; he holds the professional designations FRICS (Fellow, Royal Institution of Chartered

Surveyors), MAI (Member Appraisal Institute), and CRE (Member, American Society of Real Estate Counselors).

Marquette Advisors currently operates a national real estate counseling practice with offices in Minneapolis and Seattle. Marquette provides comprehensive solutions to complex real estate problems and is practiced at managing and overseeing large real estate consulting projects nationwide. Marquette Capital Advisors specializes in transactional advisory services, crossing all property types and geographic boundaries.

Mr. Frillman formerly was Executive Vice President of Marquette Partners, a 490-employee firm that managed and oversaw 49 million sf of investment properties of all types, including regional and community shopping centers nationwide, as well as office and industrial properties and corporate portfolios.

Mr. Frillman is regularly retained to advise on large real estate assets and portfolios which require solutions to complex problems involving ownership and financial structuring. He is a recognized expert at devising complex value-enhancement strategies. He has completed several thousand market studies, appraisals, and devised business plans for properties of all types. His practice has spanned North America and parts of Europe regularly for over 25 years.

Mr. Frillman has a Bachelor of Arts Degree in Finance from the College of St. Thomas. He has lectured and taught real estate-related topics at the University of St. Thomas and has been a guest lecturer at numerous continuing education seminars for the Law Board, NAIOP, American Society of Real Estate Counselors, and NACORE. He has spoken frequently at varied industry conferences.

Mr. Frillman is a licensed and bonded real estate broker in multiple states. He is an affiliate member of the National Association of Industrial and Office Parks (NAIOP), and served on the Legislative Committee of that association. He is a member of the American Society of Real Estate Counselors, the real estate counseling affiliate of the National Association of Realtors. He is an elected member of the Appraisal Institute and has served on the MAI Demonstration Appraisal Reports Committee nationally, and was a member of the Board of Directors for the local Institute Chapter as well as on the local admissions committee. He has also served as Chairman of the Candidate Guidance Committee. He is an invited member as a Fellow of the Royal Institute of Chartered Surveyors, the most widely recognized group of real estate development and investment experts in the world.

Marquette Advisors

Mr. Frillman has developed all types of income-producing properties, and in addition, has developed single-family custom housing. Finally, he has provided counsel to real estate buyers, sellers, investors and lenders concerning virtually all types of real estate, worldwide.

Mr. Frillman's community activities include being a full member of the Greater Minneapolis Board of Realtors, an associate member of the Urban Land Institute, a member of the National Trust for Historic Preservation, and the Riverfront Development Committee of the Downtown Council of Minneapolis.

Mr. Frillman is an invited member of Lambda Alpha International, the Honorary Society for the Advancement of Land Economics.

Mr. Frillman's charitable activities include eight years as director of Catholic Charities for the Elderly; he served that board as development coordinator of Marian Center, a 150-bed skilled care and 100-unit assisted living care facility. He was responsible for coordinating all aspects of development including facility design and review, construction management, marketing programming, and ongoing management supervision.

Currently, Louis W. Frillman resides at 1661 Harbor Avenue SW, Seattle, Washington. He and his wife maintain a pied-à-terre at 459 Portland in St. Paul, Minnesota. He is married to the former Carol A. Motsinger and has four children.



**PROFESSIONAL QUALIFICATIONS OF
BRENT E. WITTENBERG, CRE**

*Vice President
Marquette Advisors*



Brent E. Wittenberg is Vice President of Marquette Advisors, a Minneapolis-based firm providing comprehensive real estate consulting services to residential, retail, industrial, office, hospitality, gaming, entertainment and recreational developments. Mr. Wittenberg is an invited member of the American Society of Real Estate Counselors (CRE).

Brent has a diverse background and for more than 20 years has completed numerous consulting assignments for income producing real estate developments. He has completed assignments in 37 states and in Canada, including market and financial feasibility studies, economic and fiscal impact studies, and varied consulting assignments. He is a known expert in the field of real estate research and feasibility analysis, spanning all property sectors. He has completed engagements related to multifamily housing, residential subdivision analysis, seniors housing, casinos, hotels, conference and banquet facilities, golf courses, retail shopping centers and individual retail store operations, gas station/convenience stores, full service truck stops, office and industrial developments, community centers and health clubs, and aviation-related real estate operations such as corporate hangar facilities and FBOs. Brent has developed an expertise in providing feasibility studies for complex mixed-use projects, redevelopment projects, urban infill and downtown development. He understands the unique aspects of redevelopment and public-private partnerships, having worked in both sectors.

Brent has also developed a specialty in providing affordable housing market analyses and needs assessments on behalf of cities, counties, regional and state planning agencies throughout the United States. Specifically, his studies have addressed the relationship between housing affordability and economic development. Recently, he has authored reports on this issue on behalf of clients in Minneapolis/St. Paul, Tallahassee, FL, Portland, OR and Jasper and Beaufort Counties (Hilton Head), SC.

Brent has spoken at Urban Land Institute conferences and seminars sponsored by the Minnesota Multi-Housing Association and the Institute of Real Estate Management. He has also been a guest lecturer at local universities. Mr. Wittenberg is regularly quoted in *The Business Journal of Minneapolis-St. Paul*, *Minnesota Real Estate Journal*, *Finance and Commerce*, *Minneapolis StarTribune*, *St. Paul Pioneer Press*, *Heartland Real Estate Business*, *National Real Estate Investor*, and *Apartment Finance Today* regarding multifamily market trends, and has provided articles for several of these publications. Brent has also served as a "Best in Real Estate" judge on behalf of the Twin Cities Business Journal in 2002, 2003 and 2010. Brent served on the Board of Directors of the Minnesota Multi-Housing Association in 2005 and 2006, and is currently active on multiple committees within that organization.

Mr. Wittenberg earned a Master of City and Regional Planning Degree (MCRP) from Clemson University, where he was recognized by the American Institute of Certified Planners (AICP) for outstanding attainment in the study of planning. He earned a Bachelor of Arts Degree in Local and Urban Affairs at St. Cloud State University.

Brent resides in Orono, MN with his wife Carrie and their son Landon.

**PROFESSIONAL QUALIFICATIONS OF
JACQUI A. TAYLOR**

*Associate Vice President
Marquette Advisors*



Jacqui A. Taylor is Associate Vice President at Marquette Advisors, a Minneapolis-based firm providing comprehensive real estate consulting services to residential, retail, industrial, office, hospitality, gaming, entertainment and recreational developments.

Ms. Taylor has completed consulting assignments for developers, lenders, and government entities ranging from feasibility and market studies, to appraisals and financial analyses. She has developed a deep expertise in housing, consulting for both rental and for-sale, affordable and market-rate housing products. Additionally, she consults in land development, understanding the markets for industrial, office, and retail product and helping to recommend the highest and best use for a specific site. Aside from income-producing real estate, she has consulted for public companies and government entities including Target Corporation, Wells Fargo, the University of Minnesota, Greater MSP Economic Development Organization, and several local cities. These projects range from route alignment for mass transit corridors to economic impact modeling. As a result, she approaches each project with an understanding of private and public interests and helps to facilitate cross-sector conversations.

Prior to joining Marquette Advisors, Ms. Taylor worked in development and asset management for 10 years, both for owners and financiers of Commercial Real Estate. Most recently she worked as an Investment Analyst, managing two separate privately-held portfolios, together totaling 12 million square feet and valued at \$1.1 billion. Previous to this, she worked for two non-profit entities financing affordable housing. As Portfolio Analyst, she helped to facilitate and fund multifamily tax-credit projects and acquire foreclosed single-family homes on behalf of private and governmental clients.

Jacqui holds a Master's of Urban and Regional Planning degree from the University of Minnesota Humphrey School and a Bachelor of Business Administration degree in Real Estate Finance from the University of San Diego. She is an active member in Urban Land Institute (ULI) and the Commercial Real Estate Development Association (NAIOP). She volunteers as a Tutor and Financial Mentor for Breaking Free and the Blake Road Collaborative.



PARTIAL LISTING OF ENGAGEMENTS RESIDENTIAL ANALYTICS GROUP

The following is a small sampling of engagements recently completed by our firm. The list is not intended to be comprehensive, as Marquette has consulted on hundreds of residential-related developments over 20+ years. Rather, this list is intended to demonstrate the variety and breadth of our experiences as advisors to real estate market participants and investors. We are pleased to provide additional project examples and/or references upon request.

DEVELOPERS / INVESTORS / LENDERS

RYAN COMPANIES – Development Consulting – Proposed “Estelle” Luxury Condominiums – Edina, MN: Market research and advisory services regarding a proposed luxury condominium development on France Avenue near Southdale Center in Edina, MN.

RYAN COMPANIES – Development Consulting – Proposed Luxury Hotel & Branded Residences – Mall of America, Bloomington, MN: Market feasibility study, development recommendations and financial projections for a proposed five-star hotel and branded residences at the Mall of America in Bloomington, MN.

FLAHERTY & COLLINS / DOUGHERTY MORTGAGE – “2700 University” – St. Paul, MN: Market feasibility study for a proposed apartment development on University Avenue, adjacent to the planned Westgate LRT Station.

TIMBERLAND PARTNERS/PROSPECT PARK PROPERTIES – “Green on 4th” – St. Paul, MN: Feasibility study and appraisal for apartment development near University Avenue and Green Line LRT.

DOUGHERTY MORTGAGE / DOMINIUM DEVELOPMENT – Proposed general occupancy and senior affordable apartments – St. Paul, MN: Feasibility studies for proposed senior and general occupancy affordable apartments near University Avenue and MN-280.

COOKIE DRAWER CO. – “The Ray” – St. Paul, MN: Market study and development recommendations for infill development of micro apartments near University & Raymond and the Green Line LRT in St. Paul.

DOUGHERTY FUNDING / NOLAN PROPERTY GROUP / BADER DEVELOPMENT – “700 Central” – Minneapolis, MN: Complete market feasibility study for a proposed mixed-use development, inclusive of residential apartments and retail space for lease within the context of a historic renovation project.

SOLHEM COMPANIES / TE MILLER – “The Lindy” – Minneapolis, MN: Market study and development recommendations for The Lindy, an infill development in the Lyn/Lake neighborhood of Minneapolis on the Midtown Greenway.

SOLHEM COMPANIES / TE MILLER – Development Consulting – Proposed North Loop Luxury Condo Development -- Minneapolis: Market assessment, development program review and pricing analysis for proposed boutique condo residence in the North Loop neighborhood of Downtown Minneapolis.

LENNAR MULTIFAMILY INVESTORS – Market Study & Development Recommendations – “NordHaus” – Northeast Minneapolis, MN: Market feasibility study for a proposed mixed-use development incorporating luxury rental apartments along with a mix of retail and restaurant concepts on a site on 1st Avenue NE in Minneapolis. Analysis included a detailed assessment of the development concept and full review of both apartment and retail market conditions in the immediate neighborhood and broader market areas.



IRONTON ASSET GROUP – “Custom House” Rental Apartments Feasibility – Downtown St. Paul, MN: Market study, concept review, demand analysis and complete development recommendations for proposed conversion of former US Post Office property on Kellogg Blvd to a high-rise apartment community.

TARGET CORPORATION / CUNINGHAM GROUP – Mixed Use Market Study & Master Plan – Target Corporate Campus – Brooklyn Park, MN: Marquette Advisors provided a market study and advisory services on behalf of Target Corporation related to master planning of a 320-acre land holding near U.S. 169 and MN Hwy. 610. Marquette was retained to provide a review of the development potential for added corporate office, retail/restaurant, hotel and residential components and appropriate development phasing.

OPUS DEVELOPMENT CORP. – “365 Nicollet” – Downtown Minneapolis, MN: Marquette Advisors provided a complete market feasibility study and development recommendations for 365 Nicollet, a luxury high-rise apartment community on the former Ritzö hotel block in Downtown Minneapolis.

OPUS DEVELOPMENT CORP. – “The Nic on 5th” – Downtown Minneapolis, MN: Market study and due diligence consulting in support of Opus regarding a proposed luxury high-rise development, including a review of the proposed development concept, recommendations regarding unit mix, sizing, amenities and supportable rental rates.

OPUS DEVELOPMENT CORP. – “Oxbo” – Downtown St. Paul, MN: Market study and development recommendations for luxury apartment development on West 7th Street in Downtown St. Paul.

HINES INTERESTS – “Dock Street Flats” - Downtown Minneapolis apartment feasibility: Market study and development recommendations for proposed luxury apartment community on Washington Avenue in downtown Minneapolis, Minnesota.

DOUGHERTY MORTGAGE & THE MELROSE CO. – “Arlington Row” rental townhomes, St. Louis Park, MN: Market feasibility study for proposed workforce housing development on two sites in St. Louis Park, MN.

THE EXCELSIOR GROUP & GRANDBRIDGE REAL ESTATE CAPITAL – “The Flats at West End” Rental Apartments Feasibility – St. Louis Park, MN: Feasibility study, including complete development recommendations and revenue forecast for a proposed luxury apartment community in St. Louis Park, MN.

OPUS DEVELOPMENT – “Stadium Village Flats” – University of MN: Market study, development recommendations, feasibility analysis for student-housing development near the U of M.

SCHAFFER-RICHARDSON – “the M on Hennepin” – NE Minneapolis, MN: Complete market study and development recommendations for a proposed apartment development along Hennepin Avenue in NE Minneapolis.

SCHAFFER-RICHARDSON – “Cameron Apartments” – Minneapolis, MN: Market study for a proposed affordable apartment community in the North Loop neighborhood of Minneapolis, involving the renovation of a historic warehouse building to a 43-unit apartment complex. Marquette provided a market study to be utilized by the developer in project planning and related to Low Income Housing Tax Credit application process.

ALATUS LLC – Development Consulting – Proposed Residential High-Rise – NE Mpls: Market research and advisory services regarding a proposed 30-story luxury condominium development at 2nd & Central in NE Minneapolis.

ALATUS LLC – “Latitude 45” - Downtown Minneapolis apartment feasibility: Market study and development recommendations for proposed luxury apartment high-rise development on Washington Avenue in downtown Minneapolis, Minnesota.



ALATUS LLC – Proposed apartments – Rochester, MN: Market study and development recommendations proposed luxury apartments and rental townhomes on 2nd Street in Rochester, just north of the St. Mary's Medical Center campus of Mayo Medical Center.

INLAND DEVELOPMENT PARTNERS – Proposed Apartments – Downtown Robbinsdale, MN: Market study and development recommendations for infill apartment development adjacent to the under-construction HyVee Foods in downtown Robbinsdale, MN.

CPM DEVELOPMENT – Proposed Mixed Use Development – Stadium Village, University of MN: Marquette Advisors provided a market feasibility study for a proposed mixed-use redevelopment project near Oak and Washington in the Stadium Village neighborhood. Full market studies provided for a gourmet grocery store and a hotel development at this prime site near the U of M.

OPUS DEVELOPMENT CORP. – Proposed “Station at Washington” – U of M - Minneapolis, MN: Marquette Advisors provided a market feasibility study for a proposed 100-unit (160-bed) student apartment community in the Stadium Village neighborhood near the U of M main campus.

THE EXCELSIOR GROUP – “The Vintage on Selby Apartments” - St. Paul, Minnesota: Market feasibility study, inclusive of full development and phasing recommendations for a proposed mixed-use development at Snelling and Selby in St. Paul, MN involving luxury apartments along with an upscale gourmet grocery store.

TRUCORE REALTY – “The Plymouth Building” – Proposed Historic Renovation & Conversion to Apartments – Downtown Minneapolis, MN: Complete market feasibility study and development recommendations regarding a proposal to convert historic office building to residential apartments over street-level retail and restaurant space at 6th & Hennepin in Downtown Minneapolis.

HARBOR BAY REAL ESTATE – “ENDI” Apartments – Duluth, MN: Market analysis and development advisory services for a proposed upscale 140-unit market rate apartment community on London Road in Duluth, MN.

HARBOR BAY REAL ESTATE – “Preserve on Maine” Apartments – Rochester, MN: Market analysis and development advisory services for a proposed upscale 160-unit market rate apartment community in the Shoppes on Maine in southwest Rochester, MN.

DUKE REALTY – Proposed “West End” Mixed Use Development, St. Louis Park, MN: Market assessment and development recommendations for a major mixed-use redevelopment project on a site near the I-394/Hwy. 100 interchange in St. Louis Park, Minnesota. Study included an initial analysis of the potential to develop residential (for-sale and rental housing), retail, restaurant, hotel and office components within a vibrant mixed-use development concept.

LENNAR MULTIFAMILY – Proposed Apartments “Indigo at Bloomington Central Station” and “Onyx” Apartments – Bloomington & Edina, MN: Marquette Advisors provided market research, data and advisory services regarding Lennar development proposals near Southdale and at Bloomington Central Station.

INSIGNIA DEVELOPMENT GROUP – Proposed Conversion to Residential Condos – “The Lowry Building” – Downtown St. Paul, MN: Marquette Advisors provided a complete market feasibility study for a proposed 60-unit luxury condominium development in Downtown St. Paul.

THE GOODMAN GROUP – “Signature 41” - Chaska, MN: Marquette Advisors provided a market feasibility study for a proposed luxury apartment community in Chaska, MN.

DOUGHERTY FUNDING / LECESSE DEVELOPMENT – “Skye at Arbor Lakes” – Maple Grove, MN: Marquette Advisors provided a complete market feasibility study for a proposed 240-unit luxury apartment community in the Arbor Lakes area of Maple Grove.



TPI PROPERTY INVESTMENTS – Proposed Hotel & Residential Development, Spicer, MN: Market analysis regarding a proposed mixed-use development incorporating hotel and condo units on a site near Green Lake in Spicer, MN.

HUNTER-EMERSON INC. – “MartinBlu” Apartments – Eden Prairie, MN: Market feasibility study and development recommendations for Mitchell Crossing, a planned 192-unit luxury apartment community near the intersection of I-494 & MN Hwy. 5 in Eden Prairie, MN.

BADER DEVELOPMENT – “The Ellipse” Apartments – St. Louis Park, MN: Marquette Advisors was retained to provide advisory services including a detailed review of the proposed unit mix, unit sizes and features, amenity package and rental rates for this luxury apartment community in St. Louis Park.

ABACUS CAPITAL GROUP – Proposed Golden Valley, MN Apartment Development ó Complete market study used by investor group considering an investment opportunity involving a proposed 300+ unit apartment development in Golden Valley, MN.

KRAUS ANDERSON REATLY CO / TRUCORE REALTY – “430 Oak Grove” luxury apartments, Downtown Minneapolis, MN: Market research, consulting and advisory services on behalf of team involving complete renovation and conversion of a historic Loring Park office building to 76 luxury apartments.

KRAUS ANDERSON REATLY CO – “HO” Apartments, Downtown Minneapolis, MN: Market research, consulting and advisory services on behalf of KA regarding a possible apartment concept within a mixed-use development program in the Downtown East neighborhood of Minneapolis.

OAK GROVE CAPITAL / QUEST DEVELOPMENT -- Proposed Apartments, Plymouth, MN: Market feasibility study for proposed 159-unit, mixed income apartment community at MN Hwy 55 & US 169 in Plymouth, MN.

FLAHERTY & COLLINS INC. – Proposed Southdale Apartments – Edina, MN: Marquette Advisors provided a complete market feasibility study for a proposed 250-unit luxury apartment community in near Southdale Center in Edina, MN.

EI-AD GROUP CANADA – “Emerald City, Cite Nature and Maple Grove” - Residential Condominium Development Feasibility & Valuation – Toronto and Montreal, Canada: Marquette Advisors provided market studies, as-is and prospective appraisals on behalf of El-Ad related four major residential condo developments, including two in Toronto (Emerald City and Maple Grove) and two in Montreal (Cite Nature and Nordelec).

TITAN VENTURES – Proposed High-Rise Apartment Development – Downtown Rochester, MN: Market feasibility study and development recommendations for luxury apartments within a planned mixed-use high-rise development in Downtown Rochester incorporating hotel, residential and commercial uses.

SPIRE FEDERAL CREDIT UNION – Hotel/Waterpark, Golf & Residential Development Land Portfolio - Valuation & Work-Out Analysis: Valuation and advisory services on behalf of senior lender provided in reference to a failed hotel/waterpark and golf resort and residential development program. Marquette provided as-is and prospective valuations on behalf of the client, and assisted in evaluating various development and disposition strategies.

ALTSHULER SHAHAM PROVIDENT FUNDS LTD. – “Symphony Tower,” Syracuse, NY – Valuation and Workout Analysis: Marquette Advisors provided an as-is appraisal for a stalled (failed) development involving the conversion of a former hotel tower to rental apartments in downtown Syracuse, NY. As well, Marquette provided detailed financial projections under varied development and repositioning scenarios on behalf of client considering purchase of the property.



HANS HAGEN HOMES – “Red Cedar Canyon” – Hudson, WI: Market study and development recommendations for proposed luxury rental townhomes in Red Cedar Canyon of Hudson, WI.

CBRE / CPM DEVELOPMENT – “1800 Lake” - Uptown Minneapolis: Market study, development recommendations, feasibility and valuation services for a 57-unit luxury apartment community at Lake St. & Knox Avenue near Lake Calhoun in Minneapolis Uptown neighborhood.

EL-AD U.S. HOLDING, INC. – “250 West Apartments” – New York, NY: Marquette Advisors provided a market assessment and appraisal for proposed renovation and repositioning of former office building to multi-family residential units in Manhattan.

EL-AD U.S. HOLDING, INC. – “108 Leonard Apartments” – New York, NY: Marquette Advisors provided a complete appraisal for proposed renovation and repositioning of former office building to luxury residential condominium units in the Tribeca neighborhood of Manhattan.

UNIVERSITY OF MINNESOTA – DEPARTMENT OF RESIDENTIAL LIFE: Marquette Advisors provided a complete review and analysis of on and off-campus housing market conditions near the University of Minneapolis campus. Study included a detailed supply audit and review of recent developments, occupancy levels and market rents.

STUART COS. – “Upper Landing” – St. Paul, MN: Marquette Advisors provided a detailed review of this existing Class A apartment community near Downtown St. Paul in terms of its market positioning, competitive unit/amenity package, and market rental rates.

AGM Financial Services – Proposed “Parkside Village Apartments” – Apple Valley, MN: Marquette Advisors was retained to provide a market value appraisal for this proposed 322-unit apartment community near 152nd & Galaxie in Apple Valley.

MILLER/GUNSBURY DEVELOPMENT – Proposed “Solhavn Apartments” - Downtown Minneapolis, MN: Complete market study, development recommendations, rent estimates and absorption forecast for a proposed 137-unit apartment community in the North Loop neighborhood of Downtown Minneapolis.

JAS APARTMENTS – “The Marmont” - Downtown Minneapolis apartment feasibility: Market study and development recommendations for proposed 350-unit apartment community known as *The Marmont* in downtown Minneapolis, Minnesota near the Guthrie Theater.

HANS HAGEN HOMES – “North Bay” rental townhomes - Blaine, MN: Market study and consulting services regarding proposed rental townhomes within *The Lakes* of Blaine. In addition to providing a market feasibility study which was utilized to secure financing for the project, Marquette Advisors was integral in the development of an appropriate unit mix, features and amenity package for the first luxury rental townhome development in Blaine in several years.

RON CLARK CONSTRUCTION – Proposed Apartments – Chanhassen, MN: Site analysis and preliminary development advisory services on behalf of Ron Clark Construction in consideration of a possible luxury apartment community in Chanhassen, MN.

VARDE PARTNERS – Residential Land Development Consulting - National: Marquette Advisors provided ongoing market research and pricing/absorption forecasting related to varied subdivision investments held by Varde throughout the United States.

SILVER POINT INVESTORS – Proposed Residential Subdivision Development – Park City, UT: Complete appraisal via discounted cash flow approach for a proposed 250-acre master planned community in Park City. This development incorporated a variety of single family and townhouse products and varied timeshare units.



ROTTLUND HOMES, WELSH CO., & ROSEVILLE PROPERTIES – Market study for proposed “Twin Lakes” mixed use development at County C & Cleveland in Roseville, MN: Market assessment and demand analysis for *Twin Lakes*, a proposed mixed-use redevelopment project at County Road C and Cleveland Avenue in Roseville, Minnesota. The proposed development program included 490 for-sale townhouse and condominium units, 240 units of senior housing, 317,000 square feet of retail and restaurant space and 221,000 square feet of office space. Marquette Advisors provided an analysis current and projected market conditions, and provided a demand forecast for each of the proposed development components to determine whether there was sufficient market support for the project.

OPUS NORTHWEST, LLC – Arbor Lakes (Maple Grove, MN) apartment feasibility: Market feasibility study and development recommendations for a proposed luxury apartment community within *The Bridges at Arbor Lakes* in Maple Grove, MN.

CENTRAL BANK – Condominium Valuation & Work-Out Analysis – Stone Bay of Orono, MN: Review and as-is valuation of failed/partially complete residential condominium development in far western suburb of Minneapolis.

SHELTER CORPORATION – Burnsville, MN apartment market study: Market study, rent and occupancy projections for the Burnsville/Savage rental market and Shelter-managed apartment communities, *Dakota Station* and *Winfield Townhomes*.

STEVEN SCOTT MANAGEMENT & DEVELOPMENT – Lakeville, MN apartment assessment: Market analysis and development advisory services related to *Lakeville Woods Apartments* in Lakeville, MN.

T.E. MILLER DEVELOPMENT – Market study and highest and best use consulting, Richfield, MN: Market study and development recommendations for a proposed 33-acre redevelopment project at I-35 and Penn Avenue in Richfield, MN. Marquette provided a detailed assessment of residential, retail, office and lodging market trends and provided specific phased development recommendations for this prime site along the I-494 strip in the Twin Cities metro area.

BLAISSELL APARTMENTS - TURNSTONE GROUP – South Mpls. apartment mkt study: Market study, demand analysis and rental rate recommendations regarding a proposed acquisition/rehab apartment investment in south Minneapolis utilizing *Section 42 LIHTC*.

SHERMAN ASSOCIATES – Sect. 42 apartment feasibility, Minneapolis: Market feasibility study for proposed apartment development near St. Anthony/Main in Minneapolis.

LUPE DEVELOPMENT PARTNERS – Sect. 42 apartment feasibility, Minneapolis: Market feasibility study for proposed apartment development in the East Phillips Neighborhood in Minneapolis, MN.

MIDLAND MORTGAGE INVESTMENT CORPORATION, Clearwater, Florida – Washington DC senior housing market study: A feasibility study for a proposed rental housing project for seniors to be developed in Washington, DC through the *Sect. 42 Low-Income Housing Tax Credit* program.

TRK DEVELOPMENT – Sect. 42 apartment feasibility, Delano, MN: Market feasibility study for a proposed *Section 42* rental housing community in Delano, Minnesota.

LUPE DEVELOPMENT PARTNERS – Minneapolis condominium consulting: Downtown Minneapolis residential condominium market consulting and advisory services.

PEDEERSEN VENTURES – Apple Valley mixed use feasibility: Market feasibility study and detailed development recommendations for a proposed mixed use residential and retail development in Apple Valley. This development, known as *The Village at Founders Circle*, is being designed as a new downtown for this suburban Twin Cities community.



EDINA DEVELOPMENT COMPANY – Residential subdivision mkt. study, St. Cloud, MN: A market feasibility study and development recommendations for proposed rental and for-sale townhomes planned for a master planned community east of St. Cloud.

JPI STUDENT HOUSING – Minneapolis student housing analysis: A study of the market potential for a student housing project on a site near the campus of the University of Minnesota.

KMS PROPERTIES – Uptown Minneapolis apartment market positioning: A study of market rents and rental rate recommendations for an apartment community, subject to renovation and repositioning in the Uptown Minneapolis neighborhood.

AIMCO – Lake Calhoun, Minneapolis area apartment market: Market study and due diligence consulting on behalf of AIMCO in evaluation of investment opportunity in Lake Calhoun area of Minneapolis.

K2 URBAN CORP – Tallahassee, FL residential demand analysis: Market study, demand analysis and economic impact consulting for Evening Rose, a proposed for-sale townhouse community in Tallahassee, FL. Marquette also provided due diligence and advisory services in support of a grant application submitted by K2 Urban to the State of Florida.

ROSSLUND HOMES, St. Louis Park, MN retail market consulting: Site assessment and expert opinion memorandum regarding the potential for retail development at 36th & Wooddale in St. Louis Park, Minnesota.

HARTMAN DEVELOPMENT – Brooklyn Park, MN apartment market: Market research and due diligence regarding the acquisition of a 360-unit apartment community in Brooklyn Park, Minnesota.

CENTRAL COMMUNITY HOUSING TRUST (CCHT) – Rosemount, MN apartment analysis: Market feasibility study for a proposed market rate apartment community in Rosemount, Minnesota.

EDINA DEVELOPMENT COMPANY – Residential subdivision mkt. study, Buffalo, MN: A market feasibility study and development recommendations for a master planned community of 550 homes on a site near Lake Pulaski in Buffalo, Minnesota.

KMS PROPERTIES – Woodbury apartment repositioning analysis: A study of market rents and rental rate recommendations for an apartment community, subject to renovation and repositioning in Woodbury, Minnesota.

CORNERSTONE GROUP – Richfield condo market study: A feasibility study for *Kensington Park*, a mixed-use residential and retail development project in Richfield, Minnesota near the I-494/Lyndale Avenue interchange. The project includes retail and restaurant development, along with for-sale townhomes and loft-style condominiums.

DEL AMERICAN – Bloomington apartment feasibility: A feasibility study for *Le Chateau Grand*, a proposed ultra-luxury apartment tower in Bloomington, Minnesota and an analysis of the potential for condominium conversion and pricing.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO – Regional apartment market consulting: A market assessment and demand forecast for 1) the Twin Cities regional apartment market, and 2) the downtown Minneapolis apartment market.

MMA FINANCIAL, LLC – Rochester rental townhouse feasibility: A feasibility study for a proposed luxury rental townhome development known as *Grandville at Cascade Lakes* in Rochester, Minnesota.

ROSSLUND COMPANY, Osseo, Minnesota – land development analysis: Preliminary market overview for a proposed urban resort and golf course to be included in a suburban planned unit development.



CROCKETT ASSOCIATES, INC – South Minneapolis apartment feasibility: A feasibility study for a proposed mixed-use redevelopment project at the intersection of 48th and Chicago in south Minneapolis, Minnesota.

CENTEX MULTI-FAMILY – Plymouth, MN apartment feasibility: A feasibility study for a proposed upscale rental housing development in Plymouth, Minnesota.

CENTEX MULTI-FAMILY – Downtown St .Paul condo mkt study: An assessment of the market potential of luxury condominiums and townhomes in the proposed “Upper Landing” development adjacent to Downtown St. Paul and the Mississippi River.

HOLIDAY COMPANIES – Bloomington, MN mixed-use feasibility: A feasibility study for a proposed apartment development in Bloomington, Minnesota. An analysis of potential mixed-use redevelopment options for a site in Bloomington.

BDC MANAGEMENT – Apartment valuation services, Minneapolis & St. Paul: Market value appraisals for six rental properties in Minneapolis and St. Paul.

US BANK: - Apartment valuations, Raleigh, NC Market value appraisals for apartment property portfolio in Raleigh, NC.

PEDERSON GROUP – Apartment valuation, Edina: Market value appraisal of the Cedars of Edina, a 600-unit apartment community in Edina, MN.

EXAMPLES OF OUR PUBLIC-SECTOR CLIENTS

CITY OF MINNETONKA, MN – Comprehensive housing needs assessment: Marquette Advisors provided a comprehensive analysis of the housing stock in Minnetonka, MN. This included a review of current and projected future housing needs within the community, by product type and by price/rent level. A detailed analysis of the housing/jobs balance was provided, with insight regarding housing affordability, commuting patterns, and potentially unmet demand for workforce housing in the community.

HENNEPIN COUNTY / SW-LRT COMMUNITY WORKS ó SW-LRT Corridor Housing Gaps Analysis -- Marquette Advisors was retained to provide a comprehensive assessment of housing gaps and future development potential for the “Green Line” LRT corridor and for specific station areas along the route which will connect Downtown Minneapolis with the Twin Cities southwest suburbs.

PORTLAND, OREGON BUSINESS ALLIANCE AND PORTLAND DEVELOPMENT COMMISSION – Comprehensive Downtown Portland residential Market study & economic impact analysis: A comprehensive study of housing market trends and a 5-year demand forecast for housing by price point in downtown Portland, Oregon. The study identified several barriers to development of affordable workforce housing in downtown Portland, estimated the cost to develop affordable housing and the needed public subsidy to support new construction. Further, the analysis included an economic impact study which measured the economic benefits of increasing the supply of affordable workforce housing in downtown Portland, and then measured this impact against the needed subsidy to support new construction. The report documented the “return on investment” (workforce housing development subsidies and incentive programs) from the standpoint of local government.

THE FAMILY HOUSING FUND, THE MINNESOTA HOUSING FINANCE AGENCY, THE METROPOLITAN COUNCIL, AND THE MINNESOTA MULTI-HOUSING ASSOCIATION – An assessment of “workforce” housing needs in the Twin Cities region: A study of the economic impact of the lack of affordable “workforce” housing in the Twin Cities Metropolitan Area. This study measured the current and



future demand for affordable housing in the metro area, as well as cost to produce such housing, the level of subsidy required to support this construction, and the return on investment this investment.

BEAUFORT COUNTY, SOUTH CAROLINA – Comprehensive housing needs assessment: Completion of a for-sale and rental housing needs assessment with detailed 5-year demand projections and development recommendations by price/rent and location for Beaufort County, South Carolina. This coastal South Carolina County includes the Hilton Head area, which has seen rapid resort and high-end residential development during the past five to eight years. Meanwhile, a growing share of the workforce is effectively being priced out of the local housing market, to the point where many of the Hilton Head area workforce is commuting long distances to more affordable housing in adjacent counties. Marquette developed a demand forecast and development recommendations for Beaufort County over a five-year period, assisted in identifying the primary barriers to development of affordable housing in the county, and suggested strategies for reducing or eliminating many of these barriers in support of affordable housing construction in the years ahead.

JASPER COUNTY, SOUTH CAROLINA – Comprehensive housing needs assessment: Analysis of county-wide market rate and affordable housing needs. Marquette Advisors quantified current and future housing needs throughout the county and evaluated the impact of zoning and development density upon residential development feasibility and affordability.

CITY OF MINNEAPOLIS, MINNESOTA – Uptown Minneapolis Small Area Plan: Market study provided to guide development of the Uptown Small Area Plan. Marquette also provided market and financial review of several development scenarios for multiple parcels within the study area, identifying the financial viability of varied alternatives and need for gap financing.

CITY OF MINNEAPOLIS, MINNESOTA – Downtown Minneapolis housing market study: A feasibility study for a proposed luxury high-rise to be constructed in conjunction with a new library and planetarium in downtown Minneapolis, Minnesota.

CITY OF CHAMPLIN, MINNESOTA – Restaurant/Events Center & Commercial Development market study: Market study for a Champlin Crossings, a proposed mixed-use redevelopment project on U.S. 169 at the Mississippi River in Champlin, MN.

CITY OF ST. LOUIS PARK, MINNESOTA – Proposed Mixed-Use Development – Excelsior & France: Market study for a proposed street level commercial development within "The Ellipse," a mixed-use development incorporating retail and restaurant space along with luxury apartments.

CITY OF ST. PAUL, MINNESOTA – Comprehensive Downtown Housing Study: While employed by Maxfield Research Inc., Brent Wittenberg was the lead consultant and primary author of a study which provided a comprehensive assessment of for-sale and rental housing market conditions in and around Downtown St. Paul. This report was used by St. Paul PED in redevelopment planning, and included a specific assessment of planning areas such as the North Quadrant and Upper Landing.