



October 3, 2022

**MEMORANDUM**

TO: Mr. Sam Burns, Planner  
**City of River Falls**

FROM: Mr. Joe Hollman  
**Maxfield Research and Consulting, LLC**

RE: Updated Housing Demand Estimates for the City of River Falls, Wisconsin

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**Introduction/Purpose and Scope of Research**

This memorandum contains a market assessment to update demand calculations to 2030 for housing in the City of River Falls, Wisconsin. These demand estimates update findings from the study titled “A Comprehensive Housing Needs Analysis for the City of River Falls, Wisconsin” which was completed in April 2018. Demand calculations are updated for the following housing product types: general occupancy for-sale housing, general occupancy affordable and market rate rental housing, affordable and market rate active adult senior housing, and service-enhanced senior housing (independent living, assisted living, and memory care).

The scope of the study includes a review of population and household growth trends, household incomes, household tenure, employment trends, and an assessment of current housing market conditions in the Market Area. Maxfield Research also inventoried pending developments in River Falls and the surrounding area and provides updated housing demand estimates for River Falls. The methodology used to calculate demand in this memorandum is proprietary to Maxfield Research but is consistent with methodologies used by analysts throughout the real estate industry.

This report includes both primary and secondary research. Primary research includes data on proposed housing developments. Secondary research is credited to the source when used and is usually data from the U.S. Census or regional planning agencies. Secondary research is always used as a basis for analysis and is carefully considered along with other factors that may impact projections. All information on existing housing properties and pending housing developments was gathered by Maxfield Research and is accurate to the best of our knowledge.

## Primary Market Area Definition

Demographic characteristics and trends are important factors when evaluating housing needs in any given market. This section of the report begins by delineating the draw area for housing products in River Falls and examines the demographic and economic characteristics of the draw area. A review of these characteristics provides insight into the demand for various types and styles of housing in River Falls.

Maxfield Research determined the draw area for housing in the City of River Falls based on geographic and man-made barriers, commuting and community orientation patterns, school district boundaries, and our general knowledge of the draw areas for various housing product types.

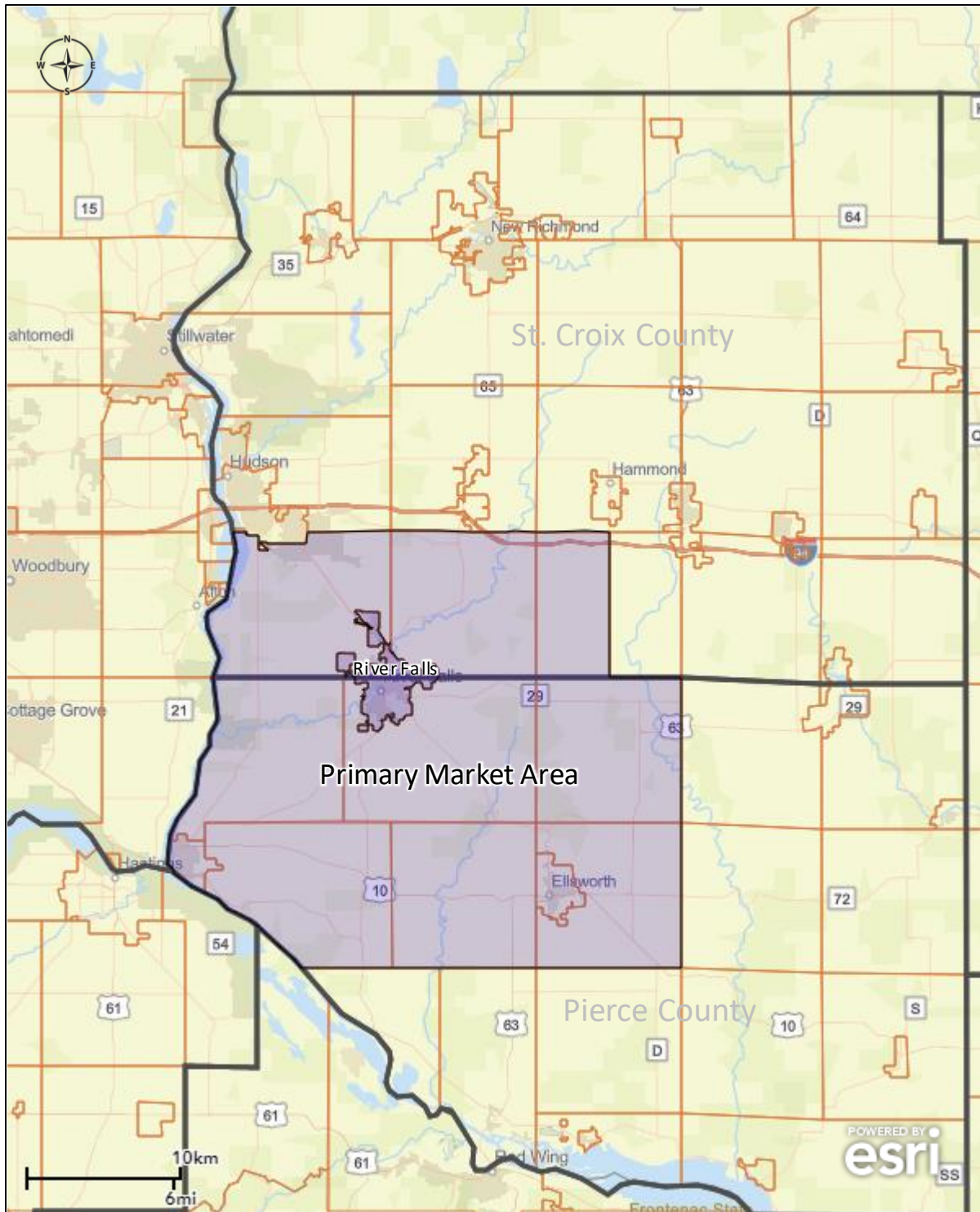
Considering these factors, we determined the Primary Market Area (PMA) for housing in the City as an aggregation of 13 county subdivisions in Pierce County and St. Croix County, Wisconsin, as summarized below. This is the same PMA that was used for the 2018 study.

<u>County Subdivision</u>	<u>County</u>
- Clifton town	Pierce
- Ellsworth village	Pierce
- Ellsworth town	Pierce
- Martell town	Pierce
- Oak Grove town	Pierce
- Prescott city	Pierce
- River Falls city	Pierce
- River Falls town	Pierce
- Trimbelle town	Pierce
- Kinnickinnic town	St. Croix
- Pleasant Valley town	St. Croix
- River Falls city	St. Croix
- Troy town	St. Croix

Housing demand in River Falls will be driven primarily by household growth and turnover of existing households in the PMA. A portion of the housing demand in the City, however, will be generated from outside the area, so demographic and economic comparisons are made to the 15-County Minneapolis-St. Paul, MN-WI Metropolitan Statistical Area which is comprised of the Minnesota Counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Le Sueur, Mille Lacs, Scott, Sherburne, Washington, and Wright, along with Pierce and St. Croix County in Wisconsin.

The map on the following page illustrates River Falls' location in the PMA.

### Primary Market Area

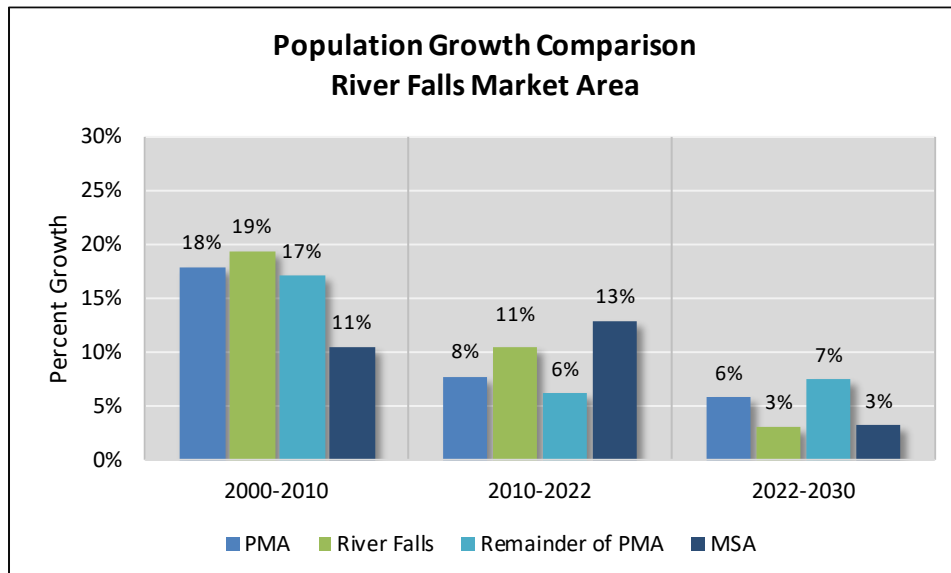


## Population and Household Growth Trends

Table 1 presents population and household growth trends in the Market Area from 2000 to 2030. The 2000, 2010, and 2020 figures are from the U.S. Census while 2022 estimates and 2027 projections are provided by ESRI (a nationally recognized demographics firm). Maxfield Research applied ESRI’s annual growth rate projections to the 2027 forecasts to arrive at the projections for 2030.

TABLE 1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS RIVER FALLS MARKET AREA 2000 to 2030								
Population								
	PMA		City of River Falls		Remainder of PMA		MSP, MN-WI MSA*	
2000 Census	33,852		12,560		21,292		3,016,562	
2010 Census	39,927		15,000		24,927		3,333,633	
2020 Census	42,463		16,182		26,281		3,690,261	
2022 Estimate	43,039		16,582		26,457		3,764,607	
2027 Forecast	44,573		16,903		27,670		3,839,797	
2030 Forecast	45,533		17,100		28,433		3,885,996	
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
2010 - 2020	2,536	6.4%	1,182	7.9%	1,354	5.4%	356,628	10.7%
2020 - 2022	576	1.4%	400	2.5%	176	0.7%	74,346	2.0%
2022 - 2027	1,534	3.6%	321	1.9%	1,213	4.6%	75,190	2.0%
2027 - 2030	960	2.2%	197	1.2%	763	2.8%	46,199	1.2%
Households								
	PMA		City of River Falls		Remainder of PMA		MSP, MN-WI MSA*	
2000 Census	11,885		4,269		7,616		1,154,883	
2010 Census	14,412		5,150		9,262		1,293,601	
2020 Census	15,706		5,719		9,987		1,434,315	
2022 Estimate	16,042		5,904		10,138		1,463,670	
2027 Forecast	16,759		6,081		10,678		1,492,694	
2030 Forecast	17,212		6,191		11,021		1,510,524	
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
2010 - 2020	1,294	9.0%	569	11.0%	725	7.8%	140,714	10.9%
2020 - 2022	336	2.1%	185	3.2%	151	1.5%	29,355	2.0%
2022 - 2027	717	4.5%	177	3.0%	540	5.3%	29,024	2.0%
2027 - 2030	453	2.7%	110	1.8%	343	3.2%	17,830	1.2%
*15-County Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area								
Sources: US Census; ESRI; Maxfield Research & Consulting, LLC								

- As of 2010, the PMA contained 39,927 people and 14,412 households. ESRI estimates that the PMA experienced 7.8% population growth (3,112 people) against household growth of 11.3% (1,630 households) between 2010 and 2022.
  - River Falls gained an estimated 1,582 people (10.5% growth) and 754 households (14.6% growth), while the Remainder of the PMA added 1,595 people (6.4% growth) and 926 households (10.1% growth).
- The pace of household growth was high relative to population growth in the PMA suggesting a trend toward shrinking household sizes. This trend reflects a general shift in demographic factors that favor smaller households, such as growth in single-person households, as well as an aging household base.
- ESRI projects a continuation of steady growth in the Market Area between 2022 and 2030, as the PMA is projected to add 2,494 people (5.8% growth) and 1,170 households (7.3%).
  - River Falls is projected to add an estimated 518 people (3.1%) and 287 households (4.9%), while the Remainder of the PMA adds an estimated 1,976 people (7.5%) and 883 households (8.7%).
- Achieving the projected household growth will depend on the availability of suitable housing options in the PMA. Population and household growth must rely on the addition of new housing units in the Market Area catering to a variety of household types and age groups.



## Age Distribution

The age distribution of a community’s population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes. Table 2 on the following page presents the age distribution of the Market Area population from 2010 to 2027. Information from 2010 is sourced from the U.S. Census, while the 2022 estimates and projections for 2027 were provided by ESRI.

- Due to the large college student population in the area, River Falls has a relatively large population distribution among the younger age groups. In 2022, the largest adult cohort by age in River Falls is 20 to 24, totaling an estimated 3,048 people (18.4% of the population), followed by the 25 to 34 age group with an estimated 2,515 people (15.2%).
- The 55 to 64 cohort is the largest age group in the PMA with 5,688 people (13.2% of the population), followed closely by the 25 to 34 age cohort with 5,627 people (13.1%). In the MSA, age 25 to 34 is the largest cohort with 14.1% of the total population.
- Rapid growth is expected to occur among seniors. Aging of baby boomers led to an 85% increase (1,822 people) in the 65 to 74 age group between 2010 and 2022 in the PMA. As this group ages, the 65 to 74 age group is projected to grow 17% by 2027, adding 685 people, while the 75 and older age group expands 31% (674 people).

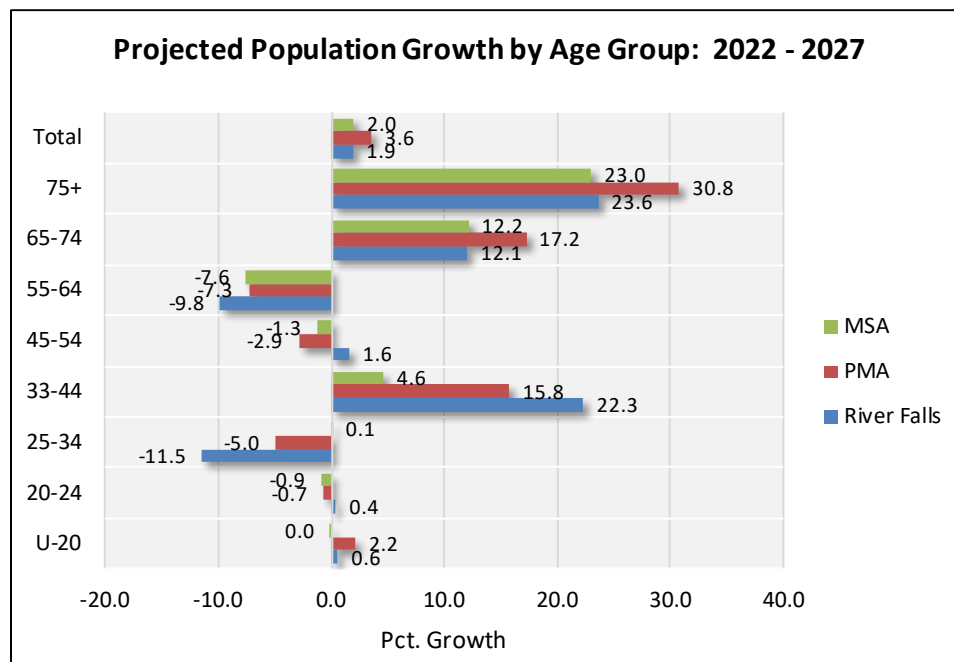


TABLE 2 POPULATION AGE DISTRIBUTION RIVER FALLS MARKET AREA 2010 - 2027							
Age	Census	Estimate	Projection	Change			
	2010	2022	2027	2010-2022		2022-2027	
				No.	Pct.	No.	Pct.
<b>River Falls</b>							
Under-20	4,190	4,316	4,342	126	3.0	26	0.6
20 to 24	3,572	3,048	3,061	-524	-14.7	13	0.4
25 to 34	2,073	2,515	2,226	442	21.3	-289	-11.5
35 to 44	1,382	1,721	2,105	339	24.5	384	22.3
45 to 54	1,436	1,432	1,455	-4	-0.3	23	1.6
55 to 64	1,113	1,607	1,449	494	44.4	-158	-9.8
65 to 74	597	1,193	1,337	596	99.8	144	12.1
75+	637	750	927	113	17.7	177	23.6
<b>Total</b>	<b>15,000</b>	<b>16,582</b>	<b>16,903</b>	<b>1,582</b>	<b>10.5</b>	<b>321</b>	<b>1.9</b>
<b>Primary Market Area</b>							
Under-20	11,254	10,958	11,194	-296	-2.6	236	2.2
20 to 24	4,665	4,325	4,293	-340	-7.3	-32	-0.7
25 to 34	4,626	5,627	5,348	1,001	21.6	-279	-5.0
35 to 44	5,063	5,166	5,982	103	2.0	816	15.8
45 to 54	6,088	5,105	4,956	-983	-16.1	-149	-2.9
55 to 64	4,430	5,688	5,272	1,258	28.4	-416	-7.3
65 to 74	2,156	3,978	4,663	1,822	84.5	685	17.2
75+	1,645	2,191	2,865	546	33.2	674	30.8
<b>Total</b>	<b>39,927</b>	<b>43,039</b>	<b>44,573</b>	<b>3,112</b>	<b>7.8</b>	<b>1,534</b>	<b>3.6</b>
<b>Minneapolis-St. Paul, MN-WI MSA</b>							
Under-20	918,853	947,161	946,866	28,308	3.1	-295	0.0
20 to 24	217,127	238,852	236,607	21,725	10.0	-2,245	-0.9
25 to 34	484,087	529,485	530,046	45,398	9.4	561	0.1
35 to 44	462,071	519,578	543,540	57,507	12.4	23,962	4.6
45 to 54	516,326	462,949	457,132	-53,377	-10.3	-5,817	-1.3
55 to 64	377,318	486,385	449,560	109,067	28.9	-36,825	-7.6
65 to 74	192,062	346,268	388,360	154,206	80.3	42,092	12.2
75+	165,789	233,929	287,686	68,140	41.1	53,757	23.0
<b>Total</b>	<b>3,333,633</b>	<b>3,764,607</b>	<b>3,839,797</b>	<b>430,974</b>	<b>12.9</b>	<b>75,190</b>	<b>2.0</b>
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC							

- Solid growth is also expected to occur in the age 35 to 44 cohort in the PMA, adding 816 people (16% growth) between 2022 and 2027, as the peak of the “echo boom” moves through the age group.

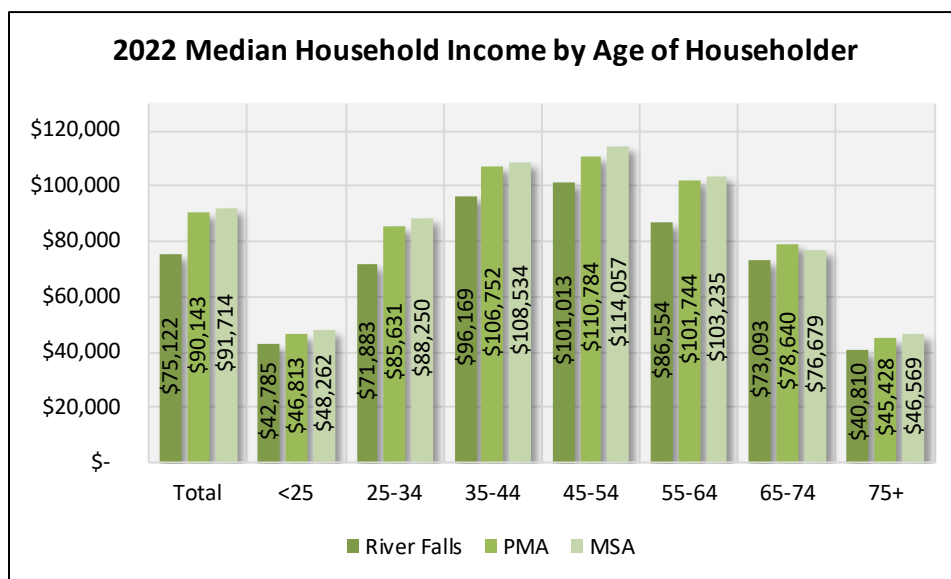
- Modest contraction is projected for the age 45 to 54 cohort, declining -2.9% (-149 people) in the PMA, although River Falls is projected to experience 1.6% growth in this age group, adding 23 people.
  - Traditionally, the 35 to 44 and 45 to 54 age groups have been a target market for move-up ownership housing, although a higher proportion of these cohorts are now likely to rent their housing longer than in the past versus shifting over into the for-sale market due to lifestyle and economic factors.
- The Market Area is expected to experience declines in the 55 to 64 age group between 2022 and 2027, which is projected to contract -9.8% (-158 people) in River Falls, -7.3% in the PMA, and -7.6% in the MSA.
  - The loss projected for this cohort is a result of the comparatively small number of people who will move into this age group between 2022 and 2027, a phenomenon known as the “baby bust.” The “baby bust” is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.
- Contraction is also forecast for younger adults in the PMA between 2022 and 2027, as the 20 to 24 cohort is projected to decline -0.7% (-32 people), while the 25 to 34 age group contracts -5.0% (-279 people).
- Based on age distribution projections for River Falls and the PMA, demand growth is expected to be strongest for housing units catering to the senior population and move-up ownership housing. Demand for other housing products will likely be generated by turnover as opposed to population and household growth.
- Typical housing products sought by households in various age groups include:
  - Rental housing targeting the young adult (20 to 24 and 25 to 34) age groups
  - Maintenance-free, single-level housing (ownership or rental) targeting the empty nester population (55 to 74 age group)
  - Entry-level ownership housing for first-time home buyers (age 25 to 34)
  - Move-up ownership housing for family households (age 35 to 54), and,
  - Age-restricted active adult or service-enhanced (i.e. assisted living) housing for seniors.



## Household Income

Household income data helps ascertain the demand for different types of housing based on the size of the market at specific cost levels. In general, housing costs of up to 30% of income are considered affordable by the U.S. Department of Housing and Urban Development (HUD). Table 3 on the following page presents data on household income by age of householder for the PMA in 2022 and 2027. The data is estimated by ESRI.

- In 2022, the median household income is estimated to be \$75,122 in River Falls, lower than the PMA (\$90,143) and the MSA (\$91,714).
- By 2027, the median household income is expected to increase 12.3% to \$84,389 in River Falls and 14.5% to \$103,221 in the PMA. The average annual increases (2.5% in River Falls and 2.9% in the PMA) will exceed the historical annual inflation rate of 1.9% over the past ten years (although lower than the 41-year high rate of inflation experienced the past year).
  - By comparison, the median household income in the MSA is projected to increase 3.0% annually between 2022 and 2027.
- As households age through the lifecycle, incomes tend to peak in their 40s to early 50s. This trend is evident in the Market Area as the age 45 to 54 cohort has the highest estimated income at \$101,013 in River Falls, \$110,784 in the PMA, and \$114,057 in the MSA.



- Household growth is projected to be strongest among the highest income brackets in the PMA, as the total number of households with incomes of \$100,000 or higher increases 23% (1,665 households) between 2022 and 2027.

	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65 -74	75+
<b>2022</b>								
Less than \$15,000	774	146	106	65	61	100	118	178
\$15,000 to \$24,999	677	75	89	57	53	98	143	162
\$25,000 to \$34,999	820	81	123	70	73	132	146	195
\$35,000 to \$49,999	1,441	186	263	137	129	221	237	268
\$50,000 to \$74,999	2,621	197	451	387	369	492	472	253
\$75,000 to \$99,999	2,503	126	424	451	438	543	383	138
\$100,000 to \$199,999	5,832	99	896	1,237	1,307	1,347	705	241
\$200,000 or more	1,374	7	139	302	365	343	174	44
<b>Total</b>	<b>16,042</b>	<b>917</b>	<b>2,491</b>	<b>2,706</b>	<b>2,795</b>	<b>3,276</b>	<b>2,378</b>	<b>1,479</b>
<b>Median Income</b>	<b>\$90,143</b>	<b>\$46,813</b>	<b>\$85,631</b>	<b>\$106,752</b>	<b>\$110,784</b>	<b>\$101,744</b>	<b>\$78,640</b>	<b>\$45,428</b>
<b>2027</b>								
Less than \$15,000	584	121	69	51	39	49	81	174
\$15,000 to \$24,999	506	62	62	41	34	57	105	145
\$25,000 to \$34,999	672	73	89	56	45	80	123	206
\$35,000 to \$49,999	1,234	183	205	130	86	147	197	285
\$50,000 to \$74,999	2,301	176	347	361	271	360	478	307
\$75,000 to \$99,999	2,590	147	409	483	401	481	459	209
\$100,000 to \$199,999	7,302	140	1,031	1,622	1,455	1,493	1,073	489
\$200,000 or more	1,569	7	148	363	372	350	240	88
<b>Total</b>	<b>16,759</b>	<b>909</b>	<b>2,360</b>	<b>3,108</b>	<b>2,703</b>	<b>3,018</b>	<b>2,756</b>	<b>1,904</b>
<b>Median Income</b>	<b>\$103,221</b>	<b>\$51,470</b>	<b>\$99,877</b>	<b>\$113,732</b>	<b>\$118,976</b>	<b>\$112,012</b>	<b>\$95,436</b>	<b>\$59,294</b>
<b>Change 2022 - 2027</b>								
Less than \$15,000	-190	-25	-37	-14	-22	-51	-37	-4
\$15,000 to \$24,999	-171	-13	-27	-16	-19	-41	-38	-17
\$25,000 to \$34,999	-148	-8	-34	-14	-28	-52	-23	11
\$35,000 to \$49,999	-207	-3	-58	-7	-43	-74	-40	17
\$50,000 to \$74,999	-320	-21	-104	-26	-98	-132	6	54
\$75,000 to \$99,999	87	21	-15	32	-37	-62	76	71
\$100,000 to \$199,999	1,470	41	135	385	148	146	368	248
\$200,000 or more	195	0	9	61	7	7	66	44
<b>Total</b>	<b>717</b>	<b>-8</b>	<b>-131</b>	<b>402</b>	<b>-92</b>	<b>-258</b>	<b>378</b>	<b>425</b>
<b>Median Income</b>	<b>\$13,078</b>	<b>\$4,657</b>	<b>\$14,246</b>	<b>\$6,980</b>	<b>\$8,192</b>	<b>\$10,268</b>	<b>\$16,796</b>	<b>\$13,866</b>

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

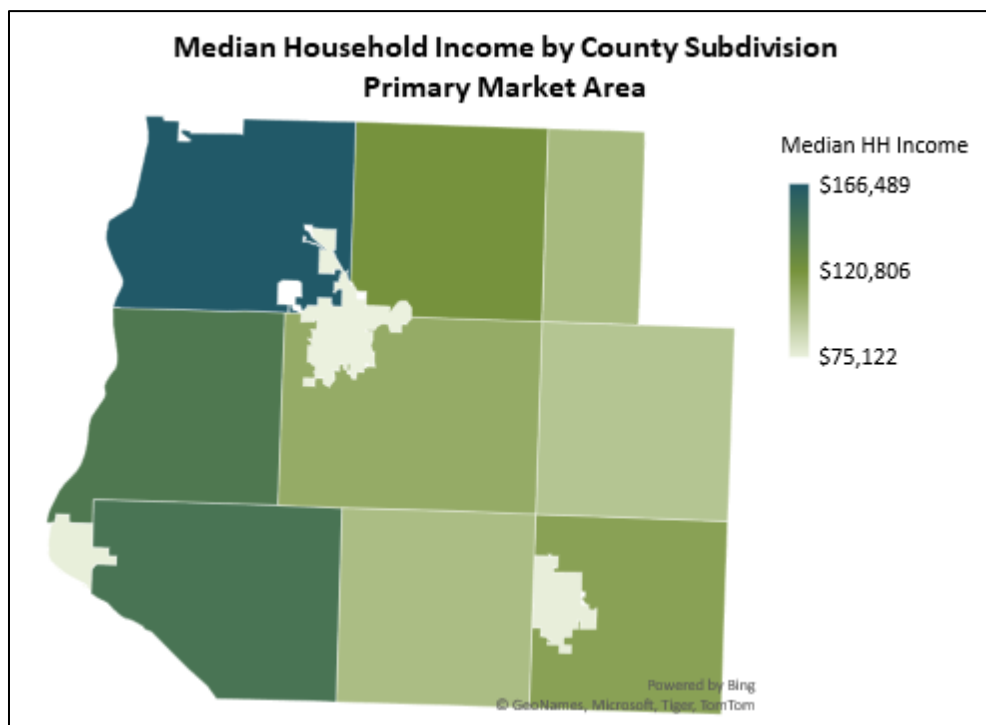
- HUD defines affordable housing cost as less than 30% of a household’s adjusted gross income. Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable. Individual properties, however, may have income restrictions set anywhere from 30% to 80% of AMI. For example, a 30% rent limit generally applies to public housing or project-based Section 8 housing, while Low Income Housing Tax Credit (LIHTC) properties are often restricted to households earning 50% to 60% AMI.

- Based on 2022 income limits for Pierce and St. Croix County provided by HUD, two-person households with incomes below \$28,170 (30% of AMI) would be a target for deep-subsidy (i.e. project-based Section 8) housing. There are an estimated 1,713 households in the PMA with incomes below \$28,170 in 2022 (11% of all households).
- A LIHTC rental housing project targeting one- to four-person households (i.e. one- and two-bedroom units) at 30% to 60% AMI would require incomes in the \$24,660 (one-person household at 30% AMI) to \$70,380 (four-person household at 60% AMI) range. In 2022, there are an estimated 4,640 households in this income band (29% of all households).
- Based on the 2022 median household income in the PMA (\$90,143), a household could afford an apartment unit renting for \$2,254 per month. The following figure illustrates affordable monthly rents by age group (based on 30% of median household income).

Rent Affordability by Age Group in PMA Based on Median Household Income		
Age Group	Household Income	Affordable Rent
<b>Total</b>	\$90,143	\$2,254
<b>&lt;25</b>	\$46,813	\$1,170
<b>25-34</b>	\$85,631	\$2,141
<b>35-44</b>	\$106,752	\$2,669
<b>45-54</b>	\$110,784	\$2,770
<b>55-64</b>	\$101,744	\$2,544
<b>65-74</b>	\$78,640	\$1,966
<b>75+</b>	\$45,428	\$1,136

- The median contract rent for renter-occupied housing units in the City of River Falls is \$800 (2016-2020 ACS). Based on this rent, a household would need to have an annual income of \$32,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2022, an estimated 14,017 households in the PMA (87% of the total) are estimated to have incomes of at least \$32,000.
  - New market rate rental housing is priced higher than the existing, older rental housing stock in the City. For example, one-bedroom units at the newest market rate rental properties in River Falls have an average rent of \$1,345 per month, which requires an annual income of roughly \$53,800 or greater to not exceed 30% of monthly income on housing costs. In 2022, an estimated 11,937 households in the PMA (74% of the total) are estimated to have incomes of at least \$53,800.

- The median resale price for a detached single-family home sold in the City of River Falls is \$357,000 as of August 2022. Assuming that a potential home buyer has good credit and makes a 10% down payment, a household would need to have a minimum annual income of roughly \$108,158 to be income-qualified for a home purchased at the median resale price. An estimated 6,739 households in the PMA (42%) have incomes of \$108,158 or higher.
- There appears to be growing demand for housing from age 65 and older households as well as age 35 to 44 households in the PMA.
  - Housing demand will also be generated by existing households seeking alternatives to their current housing situation (i.e. young family households looking to move to a larger home, renters seeking to purchase a home, empty-nesters that want to downsize).
- The following map illustrates the estimated median household income by County Subdivision in the PMA.



## Income Limits

Table 4 presents income limits and maximum gross rents for Pierce and St. Croix County. These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and published separately by the Wisconsin Housing and Economic Development Authority (WHEDA) based on the date a project is placed into service.

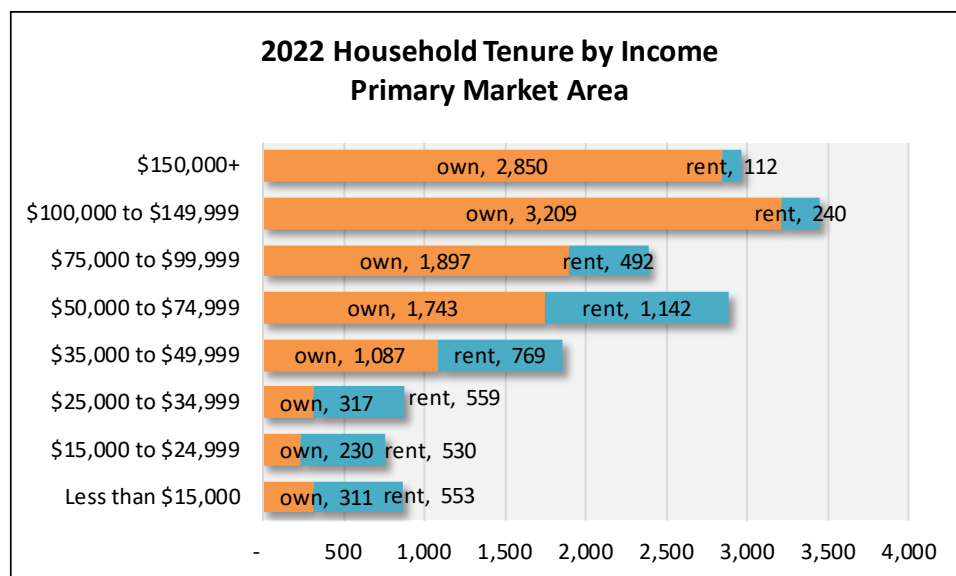
Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable, although properties may have income restrictions set anywhere from 30% to 80% of AMI.

<b>TABLE 4</b> <b>HUD INCOME AND RENT LIMITS</b> <b>PIERCE AND ST. CROIX COUNTY</b> <b>Effective: April 18, 2022</b>					
<b>----- Income Limits by Household Size -----</b>					
<b>HH Size</b>	<b>30% AMI</b>	<b>40% AMI</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>80% AMI</b>
<b>1-Person</b>	\$24,660	\$32,880	\$41,100	\$49,320	\$65,760
<b>2-Person</b>	\$28,170	\$37,560	\$46,950	\$56,340	\$75,120
<b>3-Person</b>	\$31,680	\$42,240	\$52,800	\$63,360	\$84,480
<b>4-Person</b>	\$35,190	\$46,920	\$58,650	\$70,380	\$93,840
<b>5-Person</b>	\$38,010	\$50,680	\$63,350	\$76,020	\$101,360
<b>6-Person</b>	\$40,830	\$54,440	\$68,050	\$81,660	\$108,880
<b>7-Person</b>	\$43,650	\$58,200	\$72,750	\$87,300	\$116,400
<b>8-Person</b>	\$46,470	\$61,960	\$77,450	\$92,940	\$123,920
<b>9-Person</b>	\$49,290	\$65,720	\$82,150	\$98,580	\$131,360
<b>----- Maximum Gross Rents by Bedroom Size -----</b>					
<b>BR Size</b>	<b>30% AMI</b>	<b>40% AMI</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>80% AMI</b>
<b>0-BR</b>	\$616	\$822	\$1,027	\$1,233	\$1,644
<b>1-BR</b>	\$660	\$880	\$1,100	\$1,320	\$1,761
<b>2-BR</b>	\$792	\$1,056	\$1,320	\$1,584	\$2,112
<b>3-BR</b>	\$915	\$1,220	\$1,525	\$1,830	\$2,440
<b>4-BR</b>	\$1,020	\$1,361	\$1,701	\$2,041	\$2,722
<b>5-BR</b>	\$1,126	\$1,502	\$1,877	\$2,253	\$3,004
*Extremely Low Income defined as 30% AMI or less; Very Low Income defined as 30% to 50% AMI; Low-income defined as 50% to 80% AMI					
Sources: WHEDA; HUD; Maxfield Research & Consulting, LLC					

## Household Tenure by Income

Table 5 shows estimated household tenure by income in the Market Area in 2022. Data is based on an estimate from the 2016-2020 American Community Survey and adjusted by Maxfield Research to reflect current year household estimates. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. The higher the income, the lower the percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households, spend more than 30% of their income on housing, while middle-aged households in their prime earning years generally allocate 20% to 25% of their income to housing.

- Typically, as income increases, so does the rate of homeownership. This can be seen in the PMA, where the homeownership rate increases from 36% of households with incomes below \$15,000 to 96% of the households with incomes above \$150,000.



- In River Falls, 85% of households with incomes above \$150,000 were homeowners, while 92% of MSA households with incomes above \$150,000 were homeowners.
- Among owner households in the PMA, the highest proportion had incomes of \$100,000 to \$149,999 (27.6% of all owner households), followed closely by households with incomes at \$150,000 or higher (24.5% of all owner households).
- In River Falls, 31.1% of all owner households had incomes in the \$100,000 to \$149,999 range, while 18.2% of owner households had incomes in the \$50,000 to \$74,999 range.

- The highest proportion of renter households had incomes in the \$50,000 to \$74,999 range in River Falls (26.0% of all renter households), compared to 26.0% of all renter households in the PMA and 19.5% in the MSA.
- A portion of renter households that are referred to as lifestyle renters (those who are financially able to own but choose to rent) often have household incomes of \$50,000 or higher and rent newer apartments, although lifestyle renters could also have lower incomes and be living in older apartments. An estimated 43% of renter households in River Falls had incomes of \$50,000 or more compared to 45% in the PMA and 47% in the MSA.
- An estimated 761 renter households in River Falls and 1,261 renter households in the PMA have incomes less than \$28,170 (the income threshold for a two-person household to be a target for deep-subsidy rental housing), which represents roughly 27% of all renter households in the City and 29% of renter households in the PMA.

	River Falls		Primary Market Area		MSP, MN-WI MSA	
	No.	Pct.	No.	Pct.	No.	Pct.
<b>Owner Households</b>						
Less than \$15,000	90	19.3	311	36.0	30,380	32.1
\$15,000 to \$24,999	55	15.8	230	30.3	34,200	40.7
\$25,000 to \$34,999	101	25.5	317	36.2	45,347	48.1
\$35,000 to \$49,999	380	37.8	1,087	58.6	83,028	54.8
\$50,000 to \$74,999	565	44.2	1,743	60.4	155,550	64.7
\$75,000 to \$99,999	436	60.8	1,897	79.4	152,629	74.9
\$100,000 to \$149,999	964	87.9	3,209	93.0	246,134	84.6
\$150,000+	509	85.4	2,850	96.2	281,102	92.4
<i>Subtotal:</i>	<i>3,100</i>	<i>52.5</i>	<i>11,645</i>	<i>72.6</i>	<i>1,028,370</i>	<i>70.3</i>
<b>Renter Households</b>						
Less than \$15,000	376	80.7	553	64.0	64,313	67.9
\$15,000 to \$24,999	291	84.2	530	69.7	49,810	59.3
\$25,000 to \$34,999	295	74.5	559	63.8	48,982	51.9
\$35,000 to \$49,999	625	62.2	769	41.4	68,591	45.2
\$50,000 to \$74,999	714	55.8	1,142	39.6	84,699	35.3
\$75,000 to \$99,999	282	39.2	492	20.6	51,086	25.1
\$100,000 to \$149,999	133	12.1	240	7.0	44,810	15.4
\$150,000+	87	14.6	112	3.8	23,009	7.6
<i>Subtotal:</i>	<i>2,804</i>	<i>47.5</i>	<i>4,397</i>	<i>27.4</i>	<i>435,300</i>	<i>29.7</i>
<b>Total Households</b>	<b>5,904</b>	<b>100</b>	<b>16,042</b>	<b>100</b>	<b>1,463,670</b>	<b>100</b>

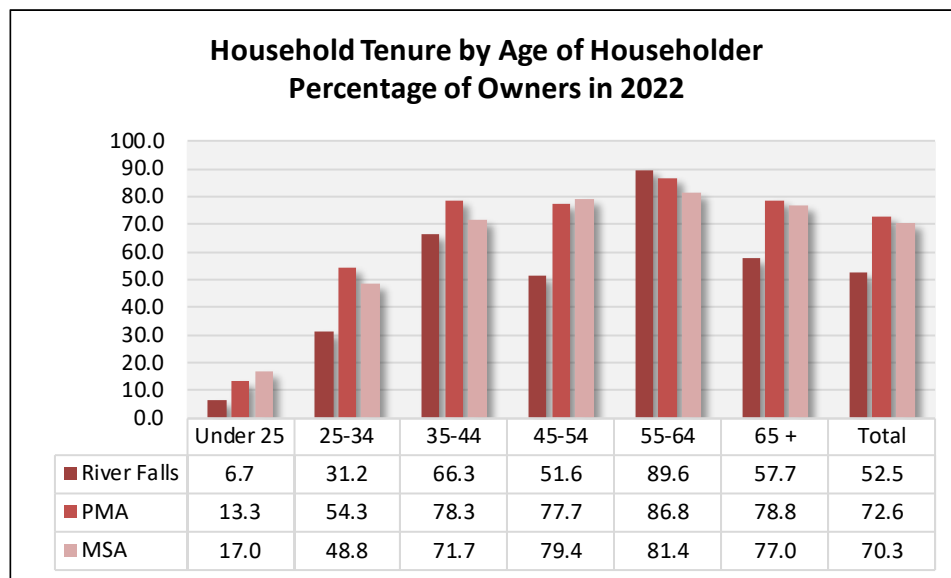
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC

## Household Tenure by Age

Table 6 on the following page shows household tenure by age of householder for the Market Area in 2010 and 2022. Data for 2010 is obtained from the Decennial Census, while the 2022 data is based on the 2016-2020 American Community Survey and adjusted by Maxfield Research to reflect current year household estimates. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes.

Household tenure information is important in understanding households' preferences to rent or own their housing. In addition to preferences, factors that contribute to these proportions include mortgage interest rates, household age, and lifestyle considerations, among others.

- In River Falls, 52.5% of all households own in 2022, giving it a homeownership rate that is notably lower than the PMA (72.6%) and the MSA (70.3%).
  - Within the prime ownership years (35 to 64), 70% of households in River Falls own in 2022, compared to 81% in the PMA and 77% in the MSA.



- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent among the younger Market Area households as 78% of households under the age of 35 rent in River Falls compared to 57% of householders in the PMA and the MSA.

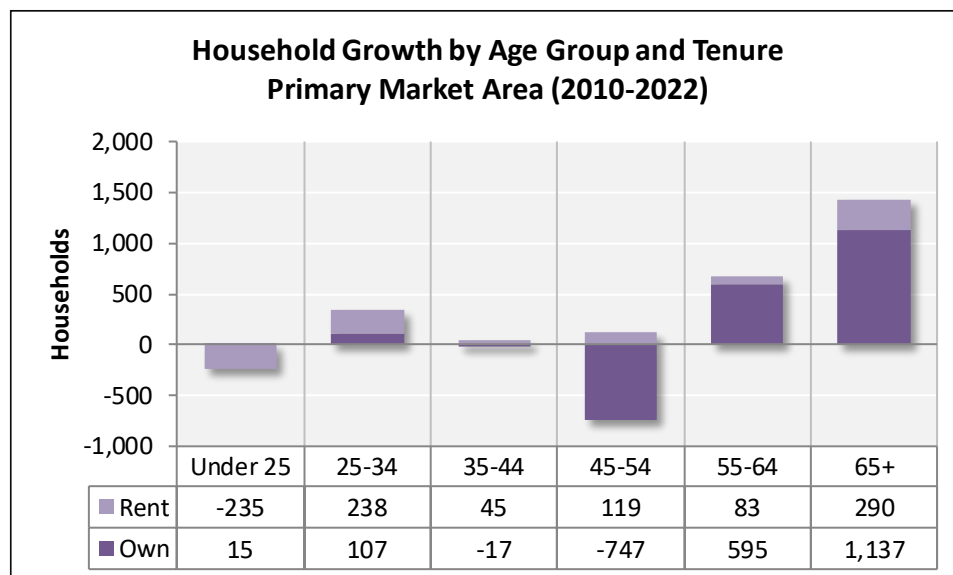


**TABLE 6  
TENURE BY AGE OF HOUSEHOLDER  
RIVER FALLS MARKET AREA  
2010 & 2022**

Age	River Falls				Primary Market Area				Minneapolis-St. Paul, MN-WI MSA				
	2010		2022		2010		2022		2010		2022		
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	
Under 25	Own	54	5.8	45	6.7	107	9.4	122	13.3	10,095	18.1	9,634	17.0
	Rent	879	94.2	625	93.3	1,030	90.6	795	86.7	45,762	81.9	46,888	83.0
	<b>Total</b>	<b>933</b>	<b>100.0</b>	<b>670</b>	<b>100.0</b>	<b>1,137</b>	<b>100.0</b>	<b>917</b>	<b>100.0</b>	<b>55,857</b>	<b>100.0</b>	<b>56,522</b>	<b>100.0</b>
25-34	Own	519	49.4	368	31.2	1,244	58.0	1,351	54.3	123,378	53.5	117,917	48.8
	Rent	532	50.6	812	68.8	902	42.0	1,140	45.7	107,407	46.5	123,793	51.2
	<b>Total</b>	<b>1,051</b>	<b>100.0</b>	<b>1,180</b>	<b>100.0</b>	<b>2,146</b>	<b>100.0</b>	<b>2,491</b>	<b>100.0</b>	<b>230,785</b>	<b>100.0</b>	<b>241,710</b>	<b>100.0</b>
35-44	Own	560	71.8	627	66.3	2,137	79.8	2,120	78.3	185,741	74.0	197,797	71.7
	Rent	220	28.2	319	33.7	541	20.2	586	21.7	65,333	26.0	78,086	28.3
	<b>Total</b>	<b>780</b>	<b>100.0</b>	<b>946</b>	<b>100.0</b>	<b>2,678</b>	<b>100.0</b>	<b>2,706</b>	<b>100.0</b>	<b>251,074</b>	<b>100.0</b>	<b>275,883</b>	<b>100.0</b>
45-54	Own	651	76.6	428	51.6	2,919	85.3	2,172	77.7	239,204	80.8	202,718	79.4
	Rent	199	23.4	401	48.4	504	14.7	623	22.3	56,706	19.2	52,658	20.6
	<b>Total</b>	<b>850</b>	<b>100.0</b>	<b>829</b>	<b>100.0</b>	<b>3,423</b>	<b>100.0</b>	<b>2,795</b>	<b>100.0</b>	<b>295,910</b>	<b>100.0</b>	<b>255,376</b>	<b>100.0</b>
55-64	Own	532	76.9	890	89.6	2,248	86.5	2,843	86.8	189,090	83.4	225,953	81.4
	Rent	160	23.1	103	10.4	350	13.5	433	13.2	37,533	16.6	51,728	18.6
	<b>Total</b>	<b>692</b>	<b>100.0</b>	<b>993</b>	<b>100.0</b>	<b>2,598</b>	<b>100.0</b>	<b>3,276</b>	<b>100.0</b>	<b>226,623</b>	<b>100.0</b>	<b>277,681</b>	<b>100.0</b>
65 +	Own	523	62.0	743	57.7	1,901	78.2	3,038	78.8	178,046	76.3	274,352	77.0
	Rent	321	38.0	543	42.3	529	21.8	819	21.2	55,306	23.7	82,146	23.0
	<b>Total</b>	<b>844</b>	<b>100.0</b>	<b>1,286</b>	<b>100.0</b>	<b>2,430</b>	<b>100.0</b>	<b>3,857</b>	<b>100.0</b>	<b>233,352</b>	<b>100.0</b>	<b>356,498</b>	<b>100.0</b>
<b>TOTAL</b>	Own	2,839	55.1	3,100	52.5	10,556	73.2	11,645	72.6	925,554	71.5	1,028,370	70.3
	Rent	2,311	44.9	2,804	47.5	3,856	26.8	4,397	27.4	368,047	28.5	435,300	29.7
	<b>Total</b>	<b>5,150</b>	<b>100.0</b>	<b>5,904</b>	<b>100.0</b>	<b>14,412</b>	<b>100.0</b>	<b>16,042</b>	<b>100.0</b>	<b>1,293,601</b>	<b>100.0</b>	<b>1,463,670</b>	<b>100.0</b>

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

- The total number of renter households residing in the PMA grew by an estimated 541 households between 2010 and 2022, an increase of 10.3%, while the number of owner-occupied households expanded 10.3% (1,089 households).
  - Renter household growth occurred in all age groups, except under age 25, while owner household growth occurred in all but the 35 to 44 and the 45 to 54 age groups.
- As depicted in the following chart, the largest overall increase occurred in 65 and older age group in the PMA, with the addition of 1,137 owner households (60% growth) and 290 renter households (55% growth).



- Solid household growth also occurred in the 55 to 64 age group, adding 595 owner households (27% growth) and 83 renter households (24% growth), and the 25 to 34 age group with the addition of 107 owner households (9%) and 238 renter households (26%).
- The 35 to 44 age group experienced little change between 2010 and 2022, increasing 1% with the addition of 45 renter households (8% growth) against a decline of -17 owner households (-1%).
- Contraction occurred in the 45 to 54 age group, as owner households decreased -26% (-747 households) while renter households increased 24%, adding 119 households.
- The under age 25 cohort contracted by -220 households (-19%), including a -23% decrease in renter households (-235 households) against an increase of 15 owner households (14% growth).

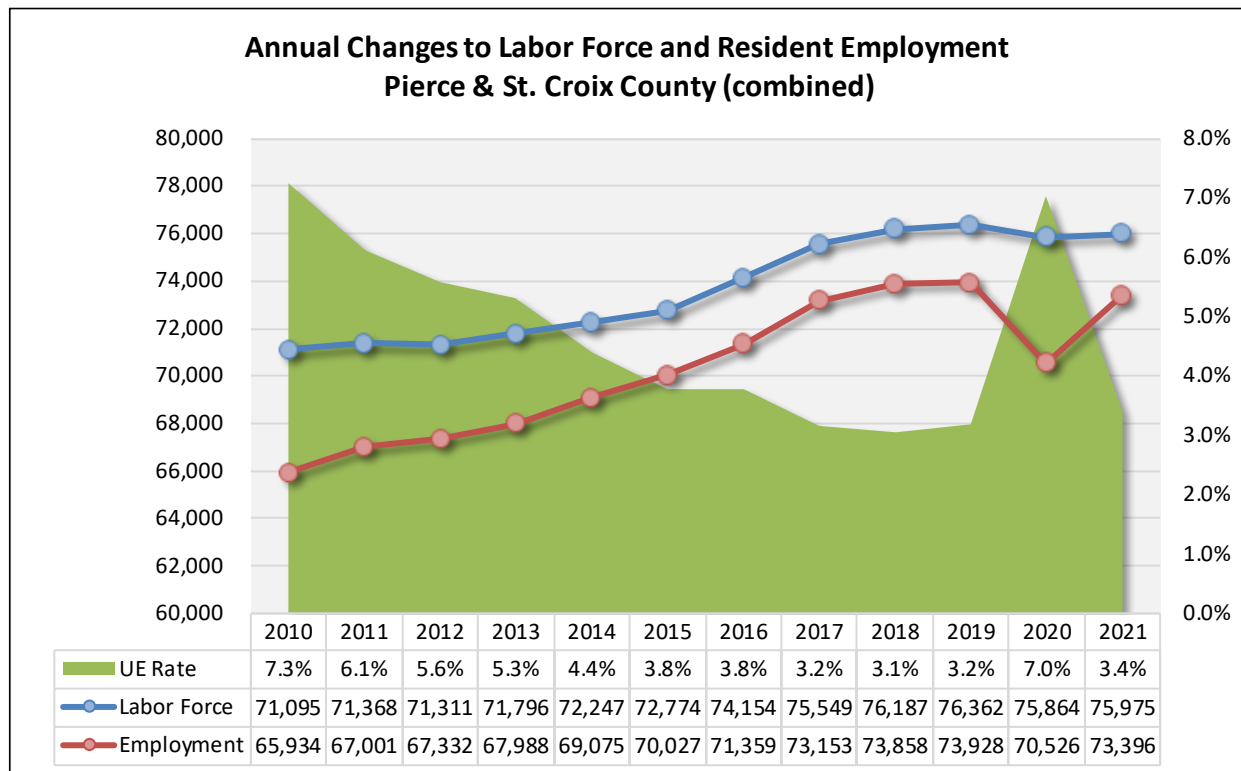
## Employment Trends

Employment characteristics are pertinent when evaluating housing needs in any given market area. These trends warrant consideration since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. This preference is particularly true among renters. Young adults entering the workforce, a primary target market for rental housing, often place great value on living near employment, education, shopping, and entertainment.

The following information, sourced from the Wisconsin Department of Workforce Development, briefly summarizes employment trends and projections in Pierce and St. Croix County, Wisconsin.

### Resident Employment

The following chart illustrates annual labor force and resident employment trends in Pierce and St. Croix County from 2010 through 2021. Note that data for the two counties has been combined. Resident employment data reveals the workforce and number of employed people living in the area, although not all these individuals necessarily work in the area.



- The labor force in Pierce and St. Croix County expanded 6.9% (4,880) between 2010 and 2021 compared to an 11.3% increase in resident employment (7,462).
- Increased hiring drove the unemployment rate down throughout the Market Area from 2010 to 2019 as growth in the number of employed residents outpaced labor force growth.
- Resident employment however, declined sharply in the Market Area during 2020 due to the COVID-19 pandemic and subsequent economic recession, causing the unemployment rate to spike in the first half of the year.
- Unemployment rates have since declined from a high of 16.8% in April 2020 to 3.0% as of June 2022.
- In addition to increased hiring, decreasing labor force participation has contributed to the declining unemployment rates. In Wisconsin, the labor force participation rate declined to a low of 65.8% in April 2020, the lowest participation rate since July 1976 (65.7%). The labor force participation rate increased modestly to 66.7% in summer 2021 but has since declined to 65.9% as of August 2022. By comparison, the labor force participation rate was 62.4% in the United States in August 2022.
  - The decline was due to several factors, notably an aging population but also by workers being forced out of the labor market due to a variety of reasons including industry shut-downs and children needing to attend school from home, among others.

### **Employment Growth Trends**

Table 7 on the following page shows employment growth trends and projections from 2000 to 2030 for Pierce and St. Croix County compared to the West Central Workforce Development Area (WDA), which consists of the Counties of Barron, Chippewa, Clark, Dunn, Eau Claire, Pepin, Pierce, Polk, and St. Croix). Data from 2000 to 2021 represents the annual average employment for that year and is sourced from the Quarterly Census of Employment and Wages (QCEW). All establishments covered under the Unemployment Insurance Program are required to report wage and employment statistics quarterly. Federal government establishments are also covered by the QCEW program. Workers and jobs excluded from these statistics include the self-employed, family farm workers, and those who work only on a commission basis.

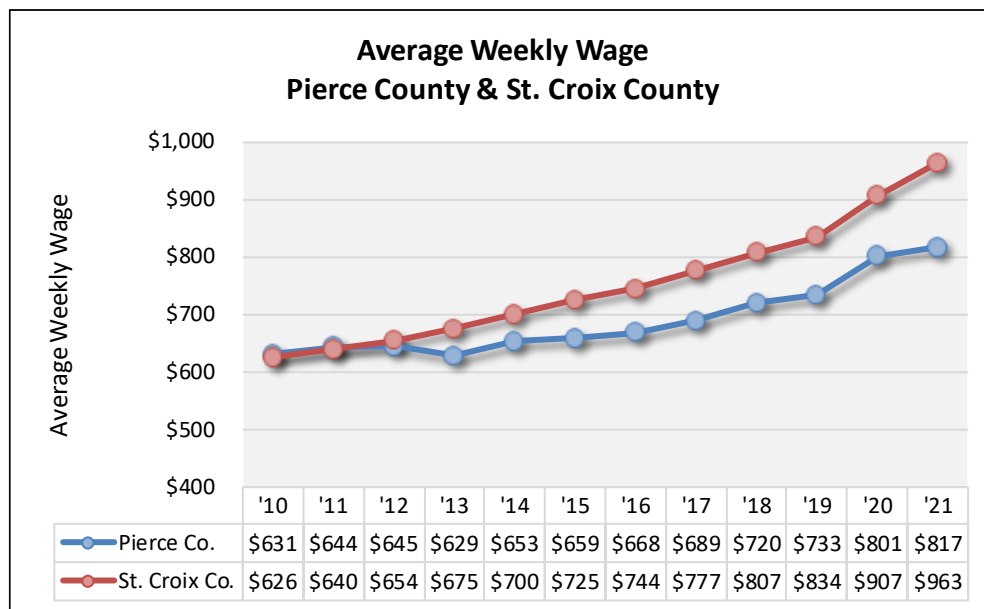
Employment projections for 2030 are based on 2018-2028 industry projections for the WDA, the most recent forecast available. Maxfield Research applied the projected annual rate of growth to 2021 employment data to arrive at the forecast for the Region. We then projected employment for Pierce and St. Croix County based on a review of changes to the proportion of the WDA Region's growth that occurred in each area between 2010 and 2021.

<b>TABLE 7 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS RIVER FALLS MARKET AREA 2000 to 2030</b>								
<b>Annual Employment</b>	<b>Pierce County</b>		<b>St. Croix County</b>		<b>Remainder of Region</b>		<b>West Central WDA*</b>	
<b>2000</b>	9,290		25,856		137,698		172,844	
<b>2010</b>	9,500		27,894		137,011		174,405	
<b>2019</b>	10,334		34,148		151,916		196,398	
<b>2020</b>	9,927		32,753		145,074		187,754	
<b>2021</b>	10,256		33,910		148,646		192,812	
<b>2030 Forecast</b>	<b>10,775</b>		<b>36,456</b>		<b>155,302</b>		<b>202,533</b>	
<b>Change</b>	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>
<b>2000 - 2010</b>	210	2.3%	2,038	7.9%	-687	-0.5%	1,561	0.9%
<b>2010 - 2019</b>	834	8.8%	6,254	22.4%	14,905	10.9%	21,993	12.6%
<b>2019 - 2020</b>	-407	-3.9%	-1,395	-4.1%	-6,842	-4.5%	-8,644	-4.4%
<b>2020 - 2021</b>	329	3.3%	1,157	3.5%	3,572	2.5%	5,058	2.7%
<b>2021 - 2030</b>	<b>519</b>	<b>5.1%</b>	<b>2,546</b>	<b>7.5%</b>	<b>10,228</b>	<b>7.1%</b>	<b>9,721</b>	<b>5.0%</b>
*West Central Workforce Development Area (Wisconsin Counties of Barron, Chippewa, Clark, Dunn, Eau Claire, Pepin, Pierce, Polk, and St. Croix)								
Sources: WI Department of Workforce Development; Maxfield Research & Consulting, LLC								

- Data from the Quarterly Census of Employment and Wages indicates that Pierce and St. Croix County gained a combined 7,088 jobs (19.0% growth) between 2010 and 2019, with Pierce County gaining 834 jobs (8.8%) and St. Croix County adding 6,254 jobs (22.4%).
- Due to the COVID-19 pandemic and subsequent economic recession during the second quarter of 2020, employment declined by a combined -1,802 jobs (-4.1%) between 2019 and 2020.
- Data for 2021 indicates that job growth is recovering in the Market Area, as the number of jobs increased 3.5%, adding 1,486 jobs, including 3.3% growth in Pierce County (329) and 3.5% job growth in St. Croix County (1,157). By comparison, the West Central WDA experienced 2.7% job growth between 2020 and 2021.
- Employment growth is anticipated in the Market Area over the next several years. Based on projections from the Wisconsin Department of Workforce Development, employment in the WDA is projected to expand 5.0% between 2021 and 2030.
- Employment in Pierce County is projected to increase to 10,775 by 2030, adding 519 jobs (5.1% growth), while St. Croix County employment climbs to 36,456 with the addition of 2,546 jobs (7.5%).

**Wage Trends**

The following figure displays the average weekly wage in Pierce County and St. Croix County from 2010 through 2021. Data is sourced from the QCEW.



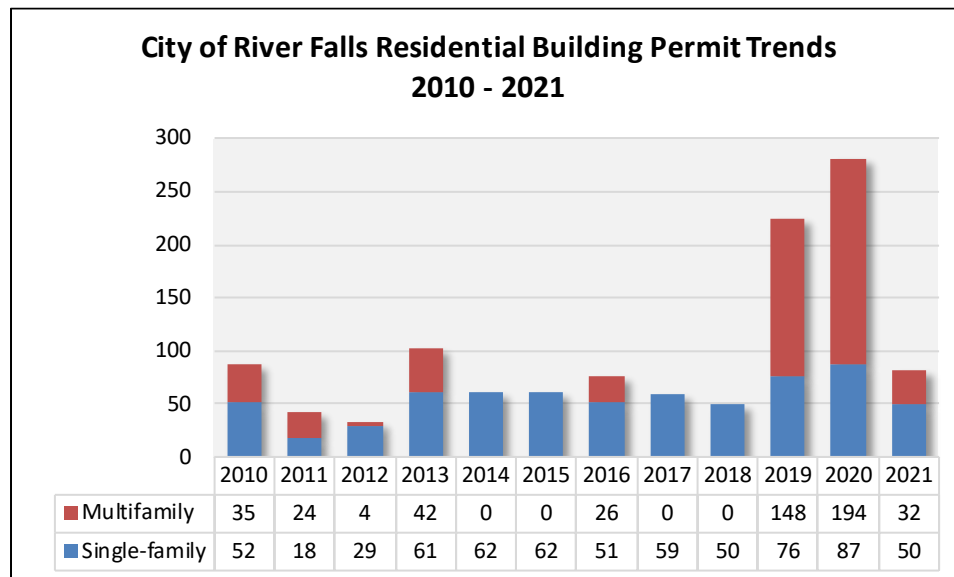
- Average weekly wages have increased at an average annual rate of 2.4% in Pierce County and 4.0% in St. Croix County since 2010, outpacing the historical average annual rate of inflation (1.9%) over the past ten years.
- A household earning the average weekly wage in Pierce County (\$817) would be able to afford an apartment unit renting for \$1,062 per month to not exceed 30% of its monthly income on housing costs, while households earning the average wage in St. Croix County (\$963) could afford an \$1,252 monthly rent.
  - By comparison, the average market rent for one-bedroom units in the competitive set of the newest market rate properties in River Falls is \$1,345.
- Assuming that a potential home buyer has good credit and makes a 10% down payment, a household earning the average weekly wage in Pierce County would be able to afford to purchase a home priced at approximately \$140,000 or lower to not be cost-burdened (paying more than 30% of their income for housing). A household earning the average weekly wage in St. Croix County could afford to purchase a home priced at \$165,000.
  - The median resale price for detached single-family homes in the City of River Falls is \$357,000 as of August 2022.

## Residential Construction Trends

Building permit data presented in Table 8 on the following page for River Falls was provided by the City of River Falls, while information for the Remainder of the PMA was obtained from the U.S. Census Building Permits Survey (BPS) and the HUD State of the Cities Data Systems (SOCDS). Statistics from the BPS are based on reports submitted by local permit officials and the survey covers all jurisdictions that issue building or zoning permits. Communities from the PMA participating in the survey include Ellsworth and Prescott, along with Kinnickinnic, Pleasant Valley, River Falls, and Troy Townships. The HUD SOCDS takes information from the BPS and includes any subsequent Census revisions to achieve higher quality data.

Multifamily housing includes for-sale and rental units and is generally defined as residential buildings containing units built one on top of another and those built side-by-side which do not have a ground-to-roof wall and/or have common facilities. Single-family is defined as fully detached, semi-detached (semi-attached, side-by-side), row houses, and townhouses.

- From 2010 through 2021, 1,162 new housing units were permitted in the City of River Falls, for an average of 97 new units per year, compared to an average of 55 units per year in the Remainder of the PMA (665 total units).



- The pace of new single-family home development in River Falls has increased gradually since 2010, averaging 40 new units per year from 2010 through 2013, 59 units per year from 2014 through 2017, and 66 new single-family units per year from 2019 through 2021.

TABLE 8 RESIDENTIAL BUILDING PERMIT TRENDS RIVER FALLS MARKET AREA 2010 - 2021									
	River Falls			Remainder of PMA			PMA Total		
	SF	MF	TOTAL	SF	MF	TOTAL	SF	MF	TOTAL
2010	52	35	87	19	0	19	71	35	106
2011	18	24	42	15	0	15	33	24	57
2012	29	4	33	33	0	33	62	4	66
2013	61	42	103	74	0	74	135	42	177
2014	62	0	62	74	0	74	136	0	136
2015	62	0	62	67	0	67	129	0	129
2016	51	26	77	68	2	70	119	28	147
2017	59	0	59	63	2	65	122	2	124
2018	50	0	50	56	0	56	106	0	106
2019	76	148	224	68	0	68	144	148	292
2020	87	194	281	46	0	46	133	194	327
2021	50	32	82	78	0	78	128	32	160

Notes: SF = Single Family; MF = Multifamily

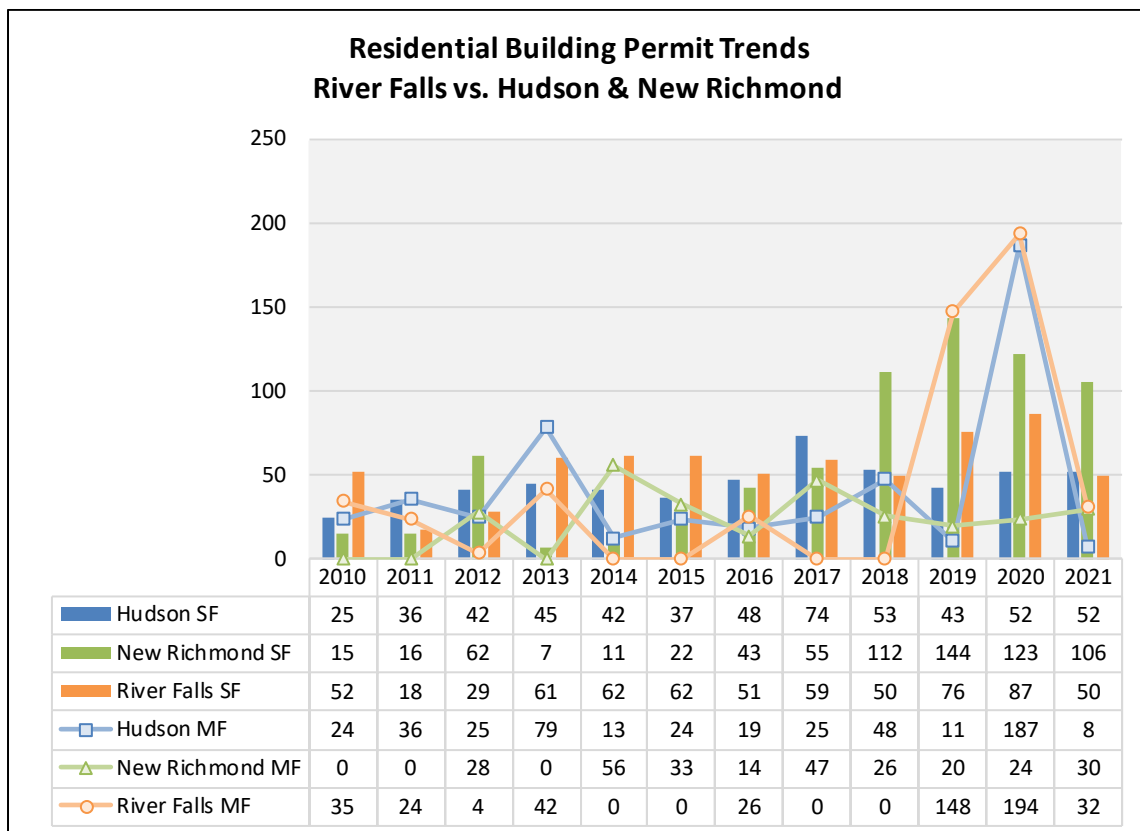
Sources: City of River Falls; HUD SOCDs; Maxfield Research & Consulting, LLC

- Approximately 57% of the permitted housing units since 2010 in River Falls were for single-family homes (657 units), while 43% were for multifamily units (505 units). By comparison, 99% of the permitted units in the Remainder of the PMA were for single-family homes.
- There has been a shift in the type of residential product being built in River Falls in recent years.
  - Between 2010 and 2018, 77% of the permitted units were single-family homes (444 total units), while 23% were multifamily (131 units).
  - Multifamily development activity has accelerated since 2018, representing 64% of all units permitted in River Falls from 2019 through 2021, while 36% were single-family units.
- Nearly all of the housing units permitted in the Remainder of the PMA have been single-family (99% of all permitted units).

The figure on the following page compares building permit trends from 2010 through 2021 in River Falls to the nearby Cities of Hudson and New Richmond in St. Croix County, Wisconsin. Permit data for Hudson and New Richmond was sourced from the HUD SOCDs.



- From 2010 through 2021, 1,048 new housing units were permitted in the City of Hudson, for an average of 87 new units per year, while 994 new units were permitted in New Richmond (83 per year, on average), compared to an average of 97 units per year in River Falls.
- Single-family homes represented 52% of the permitted units in Hudson and 72% of the units in New Richmond. In River Falls, 57% of the permitted units were for single-family homes.

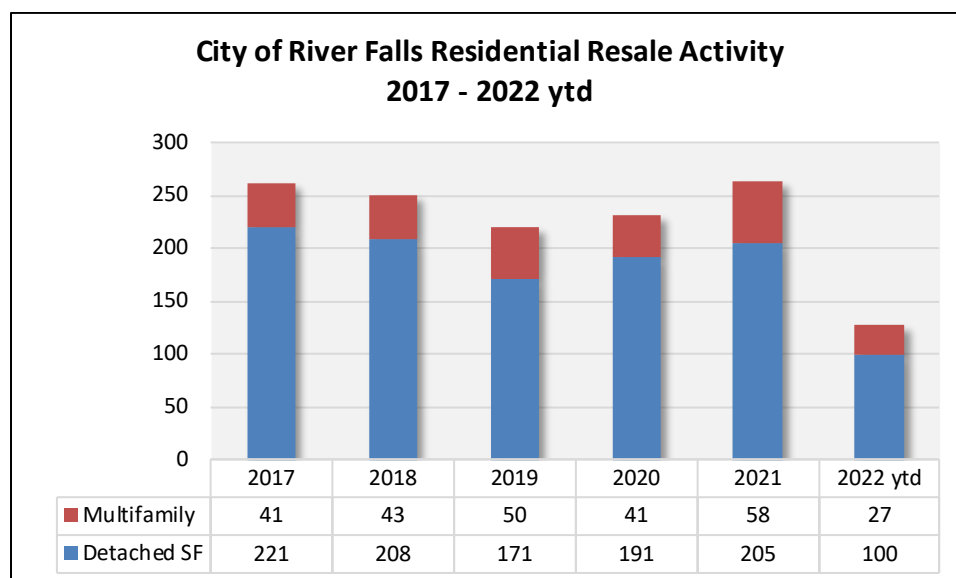


- Similar to River Falls, Hudson has experienced a shift in the housing product types being developed in the City in recent years. Roughly 59% of the permitted units were single-family from 2010 through 2017 (41% multifamily) in Hudson, but from 2018 to 2021, 56% of the permitted units were multifamily while 44% were single-family units.
- While the City of New Richmond has experienced fairly steady multifamily permitting activity, the City has experienced a surge in single-family development since 2018, so the proportion of multifamily units permitted relative to total units permitted has declined in recent years.

## Home Resale Trends

Table 9 on the following page presents home resale data (excludes new construction) from 2017 through August 2022 for the City of River Falls compared to the Remainder of the PMA and the MSA. The table displays the median resale price, number of closed transactions, and marketing time (average days on market) for all detached single-family and multifamily resales, which includes attached single-family (townhome, twin home) and condominium, residential resales. This data was obtained from the Minneapolis Area Association of Realtors.

- From 2017 through August 2022, there were 1,356 residential resales in River Falls, representing approximately 55% of all PMA resales.
- Residential resale activity in River Falls, which decelerated from a total of 262 closed resales in 2017 to 221 resales in 2019, increased 5% to 232 in 2020. Resale activity increased 13% to 263 sales in 2021.

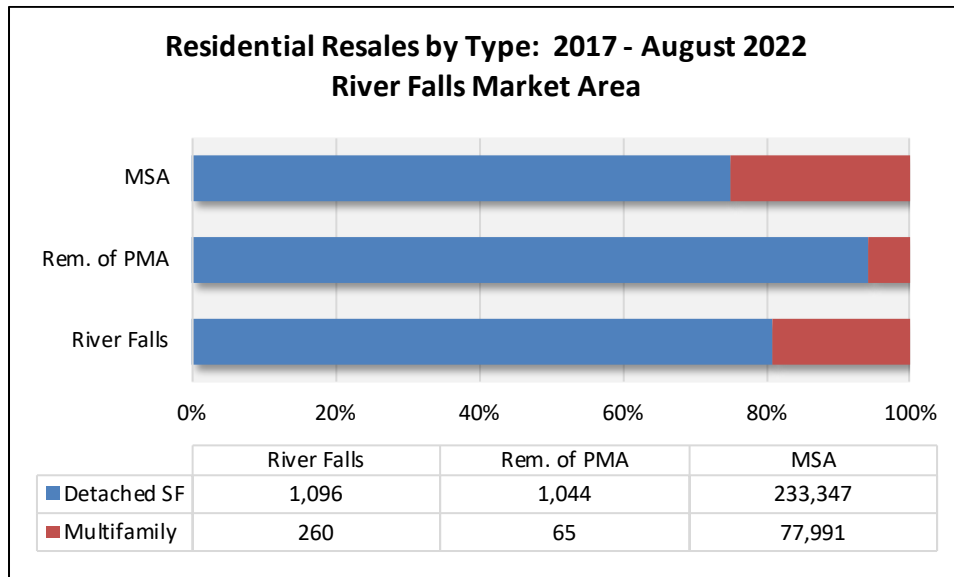


- Since 2017, River Falls has averaged roughly 199 detached single-family resales per year (15.9 resales per month) and 47 multifamily resales per year (3.8 resales per month). By comparison, the Remainder of the PMA averages 15.3 detached single-family resales per month and 0.9 multifamily resales per month.
- Average marketing times have dropped steadily in River Falls, with detached single-family home resales declining from an average of 106 days on market in 2017 to 46 days in 2021. Average multifamily resale marketing times decreased from 52 days on market in 2017 to 29 days in 2022.

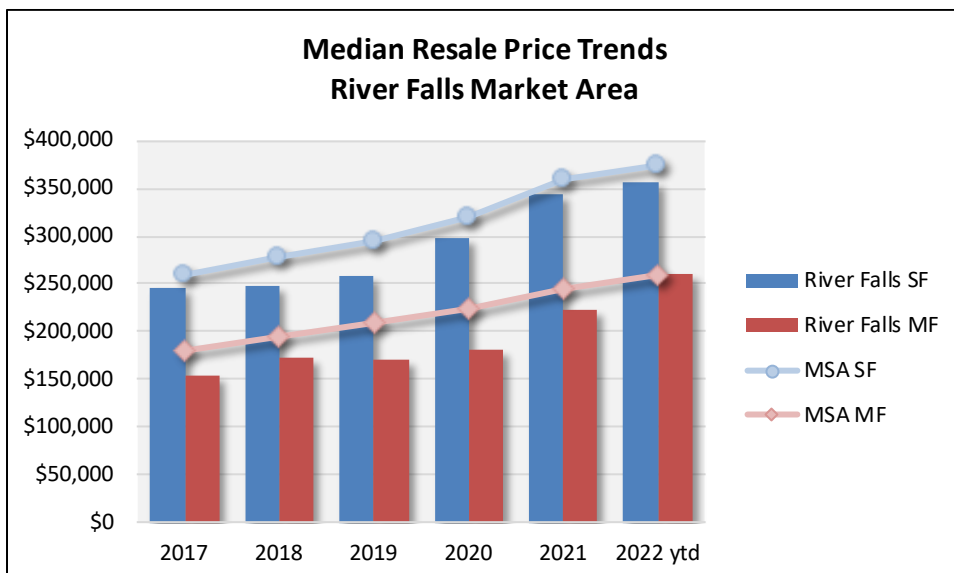
- In 2022, detached single-family homes are selling after an average 39 days on market (through August) in River Falls, while multifamily housing product types are selling quicker, averaging 21 days on market.
- Marketing times for detached single-family homes are faster in River Falls than the Remainder of the PMA (average of 45 days on market) but slower than the MSA (23 days). Multifamily products are selling quicker in River Falls than the Remainder of the PMA (45 days) and the MSA (33 days).

	Detached Single-family					Multifamily*				
	Median Sale Price	% Change	Closed Sales	% Change	Avg. DOM	Median Sale Price	% Change	Closed Sales	% Change	Avg. DOM
<b>City of River Falls</b>										
2022 (Aug.)^	\$357,000	3.5%	100	--	39	\$260,000	16.8%	27	--	21
2021	\$345,000	15.9%	205	7.3%	46	\$222,550	22.6%	58	41.5%	29
2020	\$297,600	15.4%	191	11.7%	63	\$181,500	6.1%	41	-18.0%	46
2019	\$257,900	3.8%	171	-17.8%	68	\$171,000	-0.9%	50	16.3%	43
2018	\$248,500	1.4%	208	-5.9%	91	\$172,500	12.0%	43	4.9%	50
2017	\$245,000	--	221	--	106	\$154,000	--	41	--	52
<b>Remainder of PMA</b>										
2022 ytd^	\$317,000	4.5%	122	--	45	\$230,000	15.0%	6	--	45
2021	\$303,350	19.0%	190	-3.1%	43	\$200,000	8.3%	11	175.0%	36
2020	\$254,950	2.0%	196	2.6%	84	\$184,750	8.0%	4	-66.7%	55
2019	\$250,000	6.4%	191	16.5%	87	\$171,100	-28.3%	12	0.0%	152
2018	\$234,950	9.4%	164	-9.4%	93	\$238,650	37.2%	12	-40.0%	58
2017	\$214,700	--	181	--	131	\$173,993	--	20	--	208
<b>Minneapolis-St. Paul-Bloomington, MN-WI MSA</b>										
2022 ytd^	\$375,000	4.5%	25,100	--	23	\$259,000	5.7%	8,471	--	33
2021	\$359,000	12.2%	44,414	1.6%	23	\$245,000	9.9%	14,721	10.3%	32
2020	\$320,000	8.8%	43,707	10.3%	40	\$223,000	6.2%	13,344	-1.1%	36
2019	\$294,150	5.6%	39,639	1.2%	48	\$210,000	7.7%	13,486	-2.2%	37
2018	\$278,500	7.1%	39,187	-5.1%	48	\$195,000	8.3%	13,790	-2.7%	36
2017	\$260,000	--	41,300	--	57	\$180,000	--	14,179	--	44
^Median sale prices represents a rolling 12 months median; closed sales represents 2022 sales through August *Multifamily includes townhomes, twin homes, condominiums, etc. DOM = Days on Market										
Sources: Minneapolis Area Association of Realtors; Maxfield Research & Consulting, LLC										

- Detached single-family homes comprised 81% of all closed resales in River Falls from 2017 through August 2022. The remaining 19% were multifamily housing product types (i.e. townhomes, twin homes, condos).
- By comparison, roughly 94% of all closed resale transactions in the Remainder of the PMA and 75% of resales in the MSA were detached single-family resales during the same period.



- The 2022 year-to-date median resale price for detached single-family homes in River Falls is \$357,000, slightly lower than the MSA median sales price of \$375,000. The multifamily median sale price in River Falls (\$260,000) is slightly higher than the MSA median of \$259,000.



- At \$317,000, the median resale price for detached single-family homes in the Remainder of the PMA is -11% lower than in River Falls, while the median price for multifamily homes in the Remainder of the PMA (\$230,000) is -12% lower than in River Falls.
- Median resale prices for homes in River Falls have experienced solid growth since 2017, with particularly strong pricing increases in 2020 and 2021.
  - The median resale price for detached single-family homes increased 46% since 2017, expanding at an average annual rate of 9.1% over the past five years. However, pricing increases accelerated to 15.4% in 2020 and 15.9% in 2021.
  - Median resale prices for multifamily (i.e. townhomes, condominiums) for-sale housing product types in River Falls experienced faster growth, increasing 69% since 2017. Over the past five years, median multifamily resale prices have increased at an average rate of 10.0% per year, including at 22.6% jump in 2021.
- Detached single-family pricing in the Remainder of the PMA increased at a similar pace as in River Falls, climbing 48% (9.2% annual average growth) from 2017 through August 2022. The median resale price for multifamily units in the Remainder of the PMA has increased at a 6.2% average annual rate (32% increase) between 2017 and August 2022.
- MSA pricing has also experienced solid growth, as the median resale price for detached single-family homes increased 44% between 2017 and August 2022, while the median resale price for multifamily products also increased 44%.

Table 10 on the following page presents the price distribution for residential resales in River Falls from 2020 through August 2022.

- Detached single-family homes priced between \$200,000 and \$299,999 were the most commonly purchased resale product in River Falls during that timeframe, with 173 closed resales (27.8% of all transactions)
  - Detached single-family homes priced from \$300,000 to \$399,999 represented 27.7% of all resales, while 11.1% of all resales were detached single-family homes price between \$400,000 and \$499,999.
  - Roughly 10.5% all resales were detached single-family homes priced at \$500,000 or higher, while less than 3% of all resales were detached single-family units priced below \$200,000.

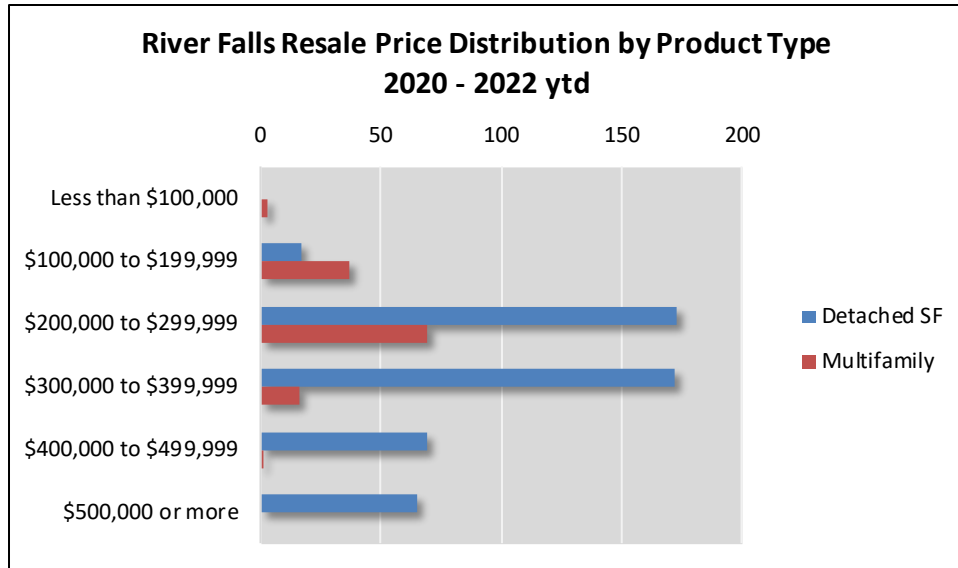
- Multifamily units priced between \$200,000 and \$299,999 represented 11.1% of all resales (69 closed sales) between 2020 and August 2022, while multifamily resales priced between \$100,000 and \$199,999 represented 5.9% of all transactions.
  - Multifamily homes priced from \$300,000 to \$399,999 represented 2.6% of all resales, while 0.5% of all resales were multifamily units priced below \$100,000 and 0.2% of all resales were multifamily units priced between \$400,000 and \$499,999. There were no multifamily unit resales priced at \$500,000 or higher.

	2020		2021		2022 ytd <sup>^</sup>		Total	
	Closed Sales	% of Total	Closed Sales	% of Total	Closed Sales	% of Total	Closed Sales	% of Total
<b>Detached Single-family</b>								
Less than \$100,000	0	0.0%	0	0.0%	0	0.0%	0	0.0%
\$100,000 to \$199,999	9	4.7%	7	3.4%	1	1.0%	17	3.4%
\$200,000 to \$299,999	87	45.5%	58	28.3%	28	28.0%	173	34.9%
\$300,000 to \$399,999	68	35.6%	72	35.1%	32	32.0%	172	34.7%
\$400,000 to \$499,999	13	6.8%	32	15.6%	24	24.0%	69	13.9%
\$500,000 or more	14	7.3%	36	17.6%	15	15.0%	65	13.1%
<b>Total</b>	<b>191</b>	<b>100%</b>	<b>205</b>	<b>100%</b>	<b>100</b>	<b>100%</b>	<b>496</b>	<b>100%</b>
<b>Multifamily*</b>								
Less than \$100,000	1	2.4%	2	3.4%	0	0.0%	3	2.4%
\$100,000 to \$199,999	21	51.2%	14	24.1%	2	7.4%	37	29.4%
\$200,000 to \$299,999	15	36.6%	32	55.2%	22	81.5%	69	54.8%
\$300,000 to \$399,999	3	7.3%	10	17.2%	3	11.1%	16	12.7%
\$400,000 to \$499,999	1	2.4%	0	0.0%	0	0.0%	1	0.8%
\$500,000 or more	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>41</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>27</b>	<b>100%</b>	<b>126</b>	<b>100%</b>

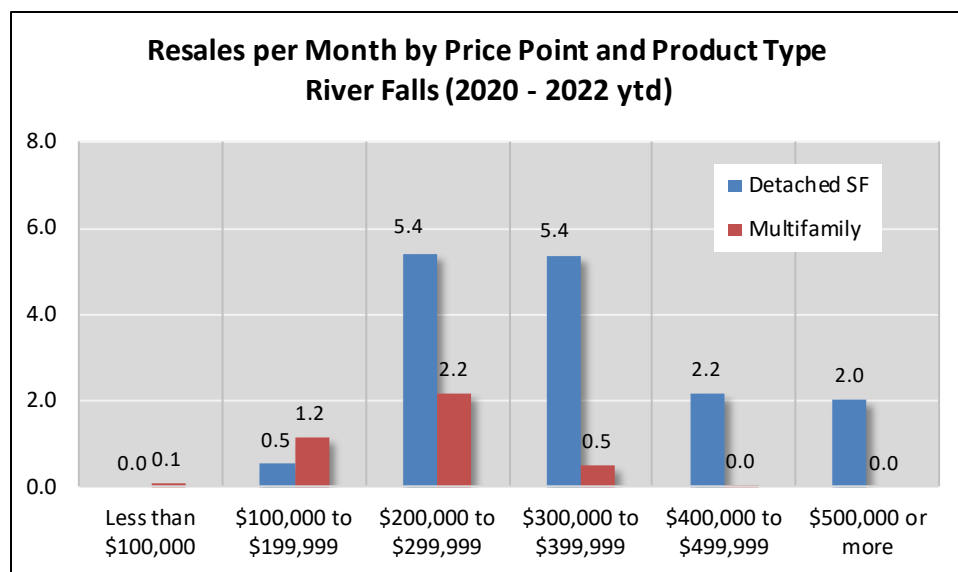
\*Multifamily includes townhomes, twin homes, condominiums, etc.  
<sup>^</sup>2022 year-to-date sales (through August)

Sources: Minneapolis Area Association of Realtors; Maxfield Research & Consulting, LLC

- The following graph depicts the resale priced distribution of detached single-family and multifamily housing products in River Fall from 2020 through August 2022.



- Based on the 622 closed home resales between 2020 and August 2022, River Falls experienced an average of 19.4 residential resales per month, including 15.5 detached single-family resales per month and 3.9 multifamily resales per month.
- As depicted below, detached single-family homes priced in the \$200,000 to \$299,999 and \$300,000 to \$399,999 ranges each average 5.4 resales per month. Multifamily units priced in the \$200,000 to \$299,999 range average 2.2 resales per month.



The following figure summarizes residential resales activity from 2020 through August 2022 in River Falls by decade of the year the home was constructed, including number of closed sales, median resale price, median size (total finished square feet), and median resale price per square foot.

- Among the detached single-family resales, activity was strongest for homes built in the 2000s (95 resales), followed by the 1970s (79 resales). Homes constructed in the 2000s comprise the vast majority of multifamily resales (81), followed by the 1990s (21).
- Detached single-family homes built in the 1990s had the highest median resale price, at \$387,000, followed closely by homes built in the 2000s (\$384,000). However, on a per square foot basis (psf), detached single-family homes constructed since 2010 have the highest resale value (\$158 psf), followed by homes built in the 1940s (\$155 psf).
  - The high psf resale value for homes built in the 1940s is due to the relatively small size of homes constructed during the decade (median home size of 1,605 square feet). Newer homes are much larger (median size of 2,453 for homes built since 1990).
- Multifamily units constructed since 2010 had the highest median resale price (\$275,000), followed by units built in the 1990s (\$225,000). Similarly, per square foot resale values were highest for multifamily units constructed since 2010 (\$176 psf), followed by the 1990s (\$147 psf).

RESIDENTIAL REALES BY DECADE BUILT								
CITY OF RIVER FALLS								
2020 - 2022 YTD								
Decade	Detached Single-family				Multifamily*			
	Closed Sales	Median Price	Median Size^	Median Price PSF	Closed Sales	Median Price	Median Size^	Median Price PSF
Pre-1940	59	\$249,900	1,724	\$145	--	--	--	--
1940s	12	\$249,500	1,605	\$155	--	--	--	--
1950s	27	\$244,900	1,630	\$150	--	--	--	--
1960s	50	\$275,000	1,937	\$142	--	--	--	--
1970s	79	\$295,000	2,060	\$143	--	--	--	--
1980s	56	\$335,000	2,220	\$151	9	\$165,000	1,188	\$139
1990s	57	\$387,000	2,619	\$148	21	\$225,000	1,528	\$147
2000s	95	\$384,000	2,648	\$145	81	\$215,000	1,584	\$136
2010+	61	\$360,000	2,282	\$158	15	\$275,000	1,560	\$176

\*Multifamily includes townhomes, twin homes, condominiums, etc.  
 ^Median size represents total finished square feet  
 2022 year-to-date sales (through August)  
 Sources: Minneapolis Area Association of Realtors; Maxfield Research & Consulting, LLC



- Based on data provided by the Minneapolis Area Association of Realtors, as of September 2022, there is a 1.6-month supply of homes available for sale on the market in River Falls, including a 1.7-month supply of detached single-family homes and a 1.0-month supply of multifamily units.
  - By comparison, there is a 1.3-month supply of housing available in the MSA, including a 1.3-month supply of detached single-family units available and a 1.5-month supply of multifamily units.
- Equilibrium in the for-sale housing market is generally considered to be a six-month supply. This data indicates that there is pent-up demand for ownership housing in River Falls, suggesting a need for additional product, either through turnover of existing housing or new construction.
- Based on the January 2022 Building Inspections Dashboard from the City of River Falls, there are 100 vacant residential lots in the City for future housing development.

#### **New Construction Sales Activity**

- Based on information captured by the Minneapolis Association of Realtors MLS, which captures only a portion of new construction sales data, new construction comprised 12% of all detached single-family sales and 13% of multifamily sales since 2020 in River Falls.
  - A total of 70 new construction detached single-family homes and 18 new multifamily units were purchased in River Falls during that time period.
  - By comparison, in the Remainder of the PMA, new construction comprised 7% of all detached single-family sales (37 new construction sales) but 53% of multifamily sales (24 new construction sales) since 2020.
- The proportions of new construction sales relative to total sales for River Falls are slightly higher than the MSA, where 10% of all detached single-family sales and 9% of multifamily sales have been new construction homes since 2020.
- As of August 2022, new construction detached single-family homes have sold at a median price of \$484,900 in River Falls, up slightly from \$433,047 in 2021. The 2021 median new construction sale price is roughly 26% higher than previously owned homes (\$345,000).
- The August 2022 median sale price for new construction multifamily units is \$396,168 (based on two sales), up from \$324,937 in 2021. The 2021 new construction median sale price for multifamily units is 46% higher than multifamily median resale price.

## Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to evaluate recent rental market trends in the River Falls Market Area. Table 10 shows estimated vacancy rates and gross rental rates from the 2016-2020 ACS (the most recent data available) compared to estimates from the previous four ACS periods. This vacancy estimate is typically higher than what is found in apartment buildings as other types of rentals are included (i.e. vacant single-family rental properties). Data is presented for the City of River Falls, Pierce County, and St. Croix County compared to the MSA.

Based on the ACS definition, a housing unit is considered vacant if no one is living in it at the time of the interview. Also, units occupied at the time of interview entirely by persons who are staying two months or less and who have a more permanent residence elsewhere are considered to be temporarily occupied and are classified as vacant. Vacant units are excluded from the housing inventory if they are open to the elements (roof, walls, windows, and/or doors no longer protect the interior), if they have been condemned, or if they are to be demolished. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities and fuels if these are paid by the renter.

- Based on 2020 ACS data, there are 2,677 renter-occupied units in River Falls, 30% of which (805 units) are in structures with 20 to 49 units, 17% (463) are in structures with ten to 19 units, and 16% (440) are in structures with five to nine units. Another 12% of the renter-occupied units are attached single-family units (326), and 6% are detached single-family units (172).

	2016	2017	2018	2019	2020
<b>Vacancy</b>					
<b>River Falls</b>	4.2%	3.7%	3.8%	3.9%	2.7%
<b>Pierce County</b>	4.0%	4.2%	4.4%	3.7%	4.0%
<b>St. Croix County</b>	3.5%	3.1%	2.2%	2.1%	1.7%
<b>MSA</b>	3.3%	3.4%	3.5%	3.5%	3.6%
<b>Monthly Rent</b>					
<b>River Falls</b>	\$821	\$804	\$856	\$893	\$896
<b>Pierce County</b>	\$781	\$779	\$853	\$874	\$880
<b>St. Croix County</b>	\$922	\$929	\$947	\$962	\$1,036
<b>MSA</b>	\$963	\$1,001	\$1,052	\$1,102	\$1,144
Note: Rent equals median gross rent					
Sources: ACS 5-year Estimates; Maxfield Research & Consulting, LLC					

- Reported vacancies in River Falls were estimated at 2.7% in 2020, lower than the estimated vacancy of 4.0% in Pierce County but higher than the 1.7% vacancy rate estimated in St. Croix County. By comparison, the reported vacancy rate was 3.6% in the MSA in 2020.
- Nationally, the equilibrium vacancy rate for rental housing is considered to be 7.0%. This allows for normal turnover and an adequate supply of alternatives for prospective renters. Reported vacancies in the Market Area have tracked well-below equilibrium in recent years.
- Median gross rents increased between the 2012-2016 ACS and the 2016-2020 ACS, climbing 9.1% to \$896 in River Falls. By comparison, rents in the MSA jumped 18.8% from \$963 in 2016 to \$1,144 in 2020. On an average annual basis, rental rate growth in River Falls (2.3% growth per year) has exceeded the average annual rate of inflation of 1.9% over the past ten years. In the MSA, rents increased at a 4.4% average annual rate from 2016 to 2020.

Table 11 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2016-2020 ACS in River Falls and the Remainder of the PMA compared to the MSA.

- Over 64% of the PMA’s renter-occupied housing units are located in the City of River Falls (2,677 units) and the remaining 36% are scattered around the Remainder of the PMA, most notably in Prescott (501 units) and Ellsworth (469 units).
- As depicted in the following chart, the PMA has a small proportion of units without a bedroom (4% of the inventory) and one-bedroom units (24%), compared to 7% and 35%, respectively, in the MSA. Roughly 46% of the units in the PMA have two bedrooms (37% in the MSA) and 26% have three or more bedrooms (21% in the MSA).

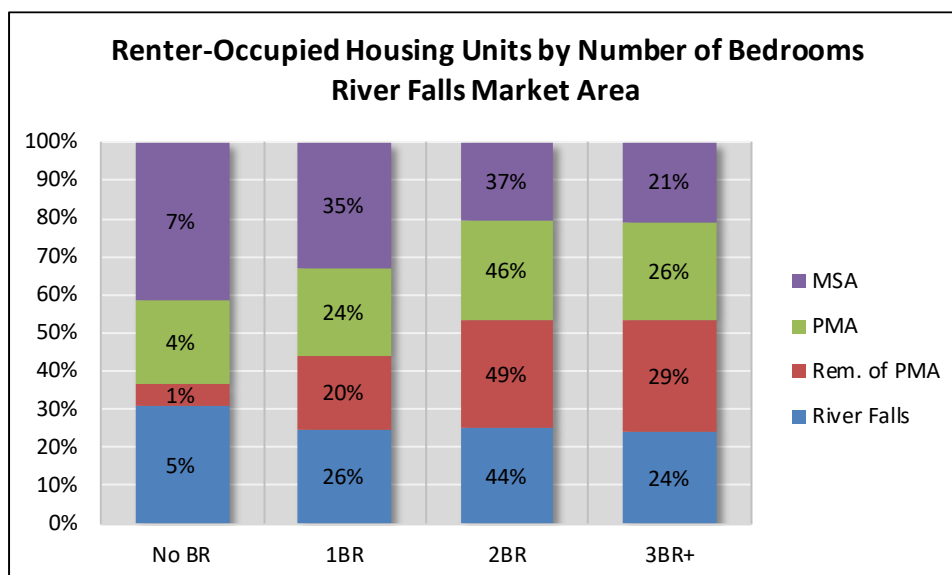
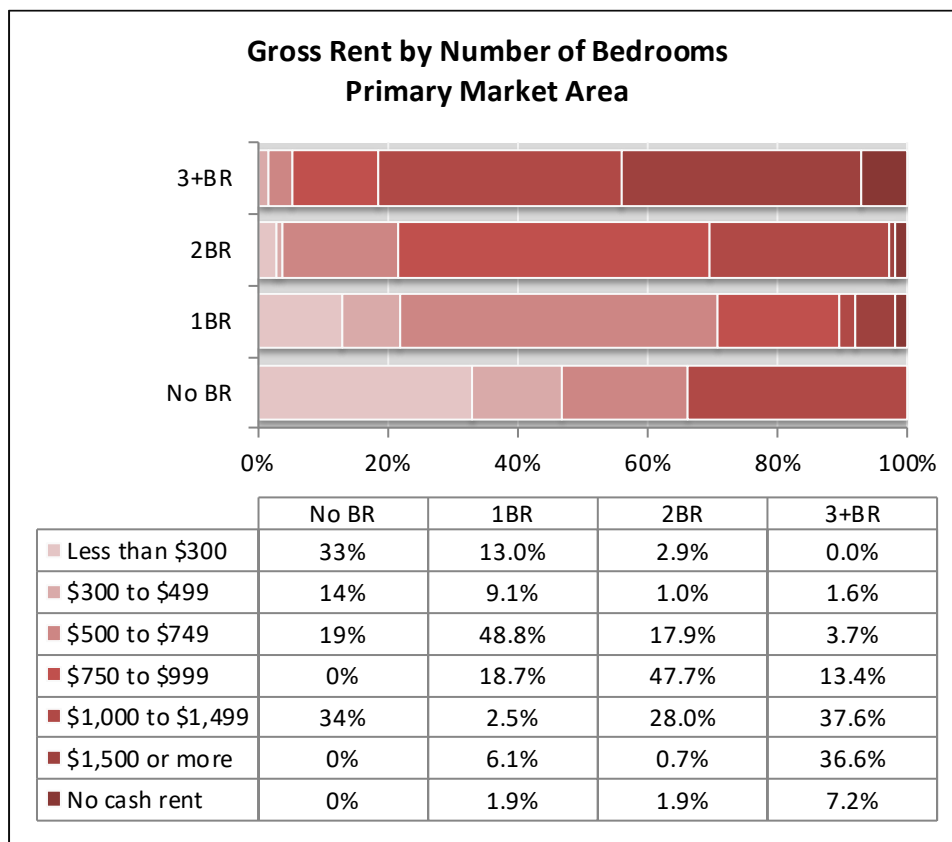


TABLE 11 BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS RIVER FALLS MARKET AREA 2020							
	River Falls		Rem. of PMA		PMA		MSA
	No.	% of Total	No.	% of Total	No.	% of Total	% of Total
<b>Total:</b>	<b>2,677</b>	<b>100%</b>	<b>1,498</b>	<b>100%</b>	<b>4,175</b>	<b>100%</b>	<b>100%</b>
<b>Median Gross Rent</b>	<b>\$896</b>		<b>\$910</b>		<b>\$919</b>		<b>\$1,144</b>
<b>No Bedroom</b>	<b>145</b>	<b>5%</b>	<b>15</b>	<b>1%</b>	<b>160</b>	<b>4%</b>	<b>7%</b>
Less than \$300	38	1%	15	1%	53	1%	1%
\$300 to \$499	22	1%	0	0%	22	1%	0%
\$500 to \$749	31	1%	0	0%	31	1%	1%
\$750 to \$999	0	0%	0	0%	0	0%	2%
\$1,000 to \$1,499	54	2%	0	0%	54	1%	2%
\$1,500 or more	0	0%	0	0%	0	0%	1%
No cash rent	0	0%	0	0%	0	0%	0%
<b>1 Bedroom</b>	<b>700</b>	<b>26%</b>	<b>302</b>	<b>20%</b>	<b>1,002</b>	<b>24%</b>	<b>35%</b>
Less than \$300	94	4%	36	2%	130	3%	3%
\$300 to \$499	0	0%	91	6%	91	2%	2%
\$500 to \$749	367	14%	122	8%	489	12%	3%
\$750 to \$999	141	5%	46	3%	187	4%	11%
\$1,000 to \$1,499	25	1%	0	0%	25	1%	11%
\$1,500 or more	61	2%	0	0%	61	1%	5%
No cash rent	12	0%	7	0%	19	0%	0%
<b>2 Bedrooms</b>	<b>1,187</b>	<b>44%</b>	<b>741</b>	<b>49%</b>	<b>1,928</b>	<b>46%</b>	<b>37%</b>
Less than \$300	28	1%	27	2%	55	1%	1%
\$300 to \$499	20	1%	0	0%	20	0%	1%
\$500 to \$749	226	8%	119	8%	345	8%	2%
\$750 to \$999	615	23%	304	20%	919	22%	6%
\$1,000 to \$1,499	274	10%	265	18%	539	13%	17%
\$1,500 or more	14	1%	0	0%	14	0%	9%
No cash rent	10	0%	26	2%	36	1%	1%
<b>3 or More Bedrooms</b>	<b>645</b>	<b>24%</b>	<b>440</b>	<b>29%</b>	<b>1,085</b>	<b>26%</b>	<b>21%</b>
Less than \$300	0	0%	0	0%	0	0%	0%
\$300 to \$499	12	0%	5	0%	17	0%	1%
\$500 to \$749	13	0%	27	2%	40	1%	1%
\$750 to \$999	48	2%	97	6%	145	3%	2%
\$1,000 to \$1,499	214	8%	194	13%	408	10%	6%
\$1,500 or more	358	13%	39	3%	397	10%	10%
No cash rent	0	0%	78	5%	78	2%	1%

Sources: 2016-2020 American Community Survey; Maxfield Research & Consulting, LLC

- As illustrated below, units with rents between \$750 and \$999 represented the largest proportion of renter-occupied housing units in the PMA (30.0% of all units) in 2020, followed units with monthly rents between \$1,000 and \$1,499 (24.6%).
  - Among the units without a bedroom in the PMA, the largest proportion (34%) had monthly rents in the \$1,000 to \$1,499 range, followed by less than \$300 (33%).
  - The highest proportion of one-bedroom units had rental rates between \$500 and \$749 per month (49% of the one-bedroom units).
  - The largest proportion of two-bedroom units had monthly rents in the \$750 to \$999 range (48%).
  - Roughly 38% of the units with three or more bedrooms in the PMA rent for between \$1,000 and \$1,499 per month while 37% have monthly rents of \$1,500 or higher.



Roughly 3% of the renter-occupied units in PMA were reported as having no cash rent. These units may be owned by friends or relatives who live elsewhere and who allow occupancy at no charge. Rent-free houses or apartment units may be provided to compensate caretakers, ministers, tenant farmers, or others.

## Selected Market Rate General Occupancy Rental Housing Developments

Maxfield Research compiled detailed information for a select group of the newest general occupancy market rate apartment properties in River Falls. Data on these competitive properties is summarized below.

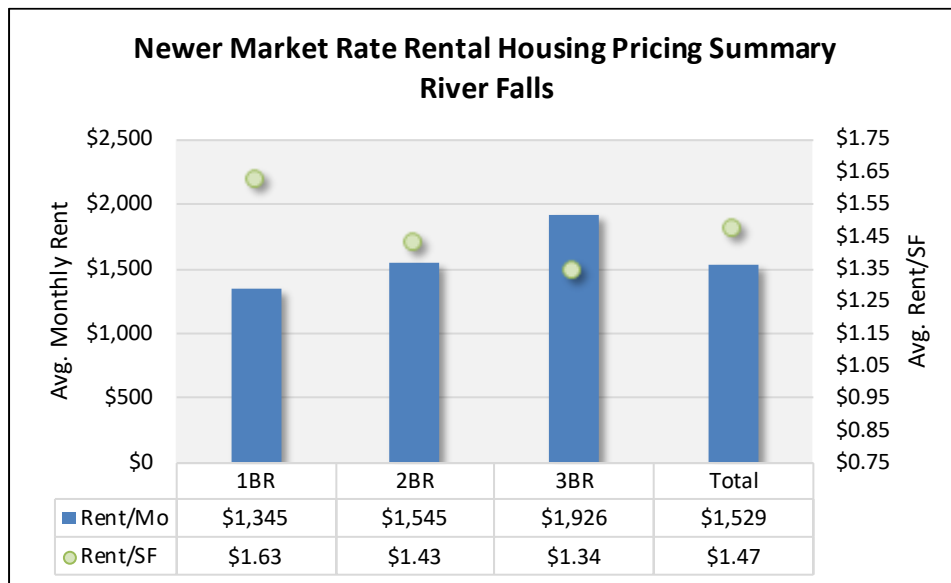
Table 12 and the subsequent points summarize key observations for the selected general occupancy market rate rental properties. The rents represent quoted rental rates and have not been adjusted to reflect the inclusion or exclusion of utilities. The per square foot average rents presented reflect a weighted average based on the number of units in each development. Therefore, developments with a larger number of units of any one type contribute more toward the average than those with only a few units of a specific type.

- Maxfield Research identified four general occupancy market rate rental housing projects that have opened in River Falls since the Comprehensive Housing Needs Analysis was completed in 2018, including:
  - Peregrine Terrace at 798 Peregrine Circle (92 units, open 2021)
  - Milltown Residences at 1570 DeSanctis Place (84 units, open 2021)
  - City Station at 308 River Street (24 units, open 2020)
  - The Aberdeen at 3431 Aberdeen Place (60 units, open 2020).
- These four properties contain a total of 260 units, two of which were vacant as of September 2022, representing a 0.8% vacancy rate, well-below equilibrium. Nationally, the equilibrium vacancy rate for rental housing is considered to be 7.0% which allows for normal turnover and an adequate supply of alternatives for prospective renters.

TABLE 12 UNIT TYPE SUMMARY SELECTED NEWER MARKET RATE RENTAL DEVELOPMENTS September 2022						
Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents		
				Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
1BR	67	26%	827	\$1,145 - \$1,400	\$1,345	\$1.63
2BR	169	65%	1,084	\$1,395 - \$1,727	\$1,545	\$1.43
3BR	24	9%	1,434	\$1,877 - \$2,000	\$1,926	\$1.34
<b>Total:</b>	<b>260</b>	<b>100%</b>	<b>1,050</b>	<b>\$1,145 - \$2,000</b>	<b>\$1,529</b>	<b>\$1.47</b>

Source: Maxfield Research & Consulting, LLC

- Two-bedroom units comprise 65% of the inventory and another 26% are one-bedroom units. Three-bedroom units represent 9% of the inventory.
- On average, units in these select market rate projects have 1,050 square feet, with one-bedroom units being the smallest (827 square feet) and the three-bedroom units being the largest at 1,434 square feet. Two-bedroom units average 1,084 square feet.
- Average monthly rental rates range from a low of \$1,345 for one-bedroom units to \$1,926 for three-bedroom units. Two-bedroom units average \$1,545 per month.
- The weighted average monthly rent at these market rate properties is \$1,529 which equates to \$1.47 per square foot.



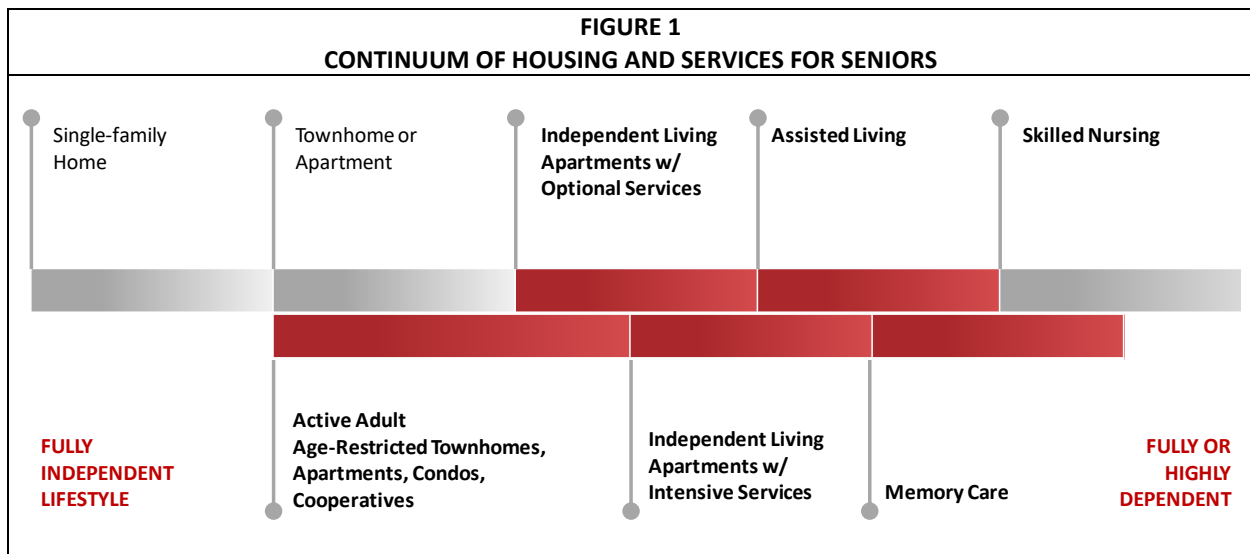
- Three other rental housing projects have opened in River Falls since 2018, but they are not general occupancy market rate developments, so they are excluded from the above analysis. These projects include:
  - Birchcrest Apartments (student-oriented rental housing)
  - The 1300 (affordable general occupancy rental housing)
  - The Depot (affordable senior rental housing).

## Senior Housing Market Overview

This section provides an assessment of the market support for senior housing (active adult, independent living, assisted living, and memory care) in River Falls. An overview of the demographic and economic characteristics of the senior population in the Market Area is presented along with an inventory of existing and pending senior housing developments in the PMA.

### Senior Housing Defined

Senior housing is a concept that generally refers to the integrated delivery of housing and services to seniors. However, as Figure 1 illustrates, senior housing embodies a wide variety of product types across the service-delivery spectrum.



Products range from independent apartments and/or townhomes with virtually no services on one end, to highly specialized, service-intensive assisted living units or housing geared for people with dementia-related illnesses (termed "memory care") on the other end of the spectrum. In general, independent senior housing attracts people age 65 and over while assisted living typically attracts people age 80 and older who need assistance with activities of daily living (ADLs).

For analytical purposes, Maxfield Research and Consulting, LLC classifies senior housing into five primary categories based on the level and type of services offered as described in the figure on the following page. Facilities referred to as "catered living" offer a flexible living arrangement where residents can live independently and purchase assisted living services as needed without relocating to a unit specifically designated for independent living or assisted living.



<b>Active Adult/Few Services</b>
Active Adult properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Residents are generally age 70 or older if in an apartment-style building. Organized entertainment, activities and occasionally a transportation program represent the extent of services typically available at these properties. Because of the lack of services, active adult properties generally do not command the rent premiums of more service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.
<b>Independent Living</b>
Independent Living properties offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties often dedicate a larger share of the building to common areas, because units are smaller than in active adult housing and to encourage socialization. Independent living properties attract a slightly older target market than adult housing (i.e. seniors age 75 or older). Rents are also above those of active adult buildings. Sponsorship by a nursing home, hospital or health care organization is common.
<b>Assisted Living</b>
Assisted Living properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their health situation), who need extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have staff on duty 24 hours per day or at least 24-hour emergency response.
<b>Memory Care</b>
Memory Care properties, designed specifically for persons suffering from Alzheimer's disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which addresses housing needs almost exclusively for widows or widowers, a higher proportion of persons afflicted with Alzheimer's disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.
<b>Skilled Nursing Care</b>
Skilled Nursing Care, or long-term care, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, insurance as well as use of private funds.

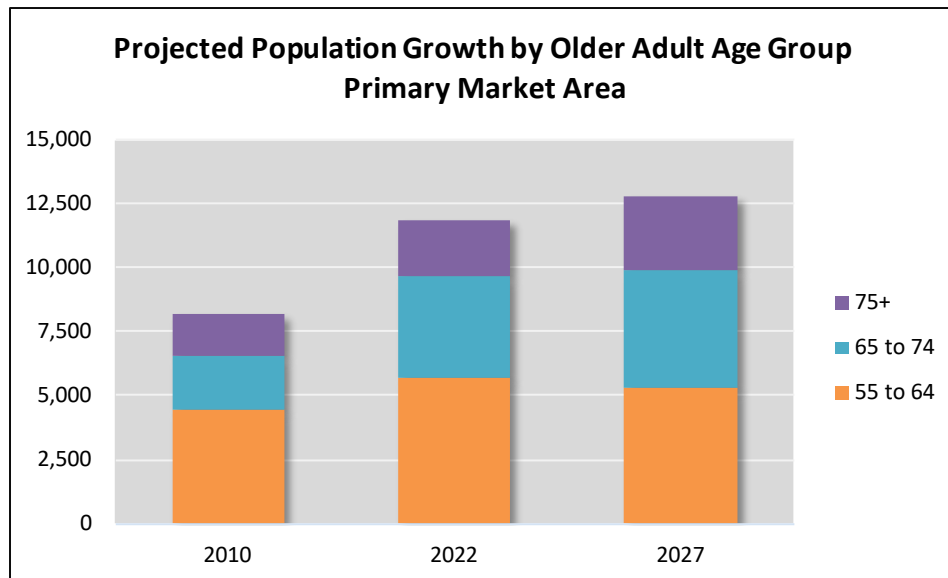
The State of Wisconsin Department of Health Services separates long term care living options into four different categories. These are summarized below.

- **Residential Care Apartment Complex (RCAC):** An apartment that includes a kitchen, living area, bedroom and private bathroom. Services required at RCACs include meals, house-keeping, laundry, arranging medical appointments, and transportation. RCACs may also provide up to 28 hours per week of personal care or nursing services.
- **Community Based Residential Facility (CBRF):** A facility where five or more unrelated adults reside, and care, treatment, or services other than basic room and board are provided. Services provided include three meals per day and assistance with activities of daily living. CBRFs may also provide no more than three hours per week of nursing care.
- **Adult Family Home (AFH):** Defined as “a place where three or four adults who are not related to the operator reside and receive care, treatment or services that are above the level of room and board and that may include up to seven hours per week of nursing care per resident.”
- **Nursing Home:** A nursing home is a facility licensed to provide skilled nursing care. Services include three meals per day, 24-hour skilled nursing care, rehab, and personal care.

### **Older Adult (Age 55+) Population and Household Trends**

The Demographic Analysis section of this study presented general demographic characteristics of the population and household base in the area. The following points summarize key findings from that section as they pertain to the older adult population in the PMA.

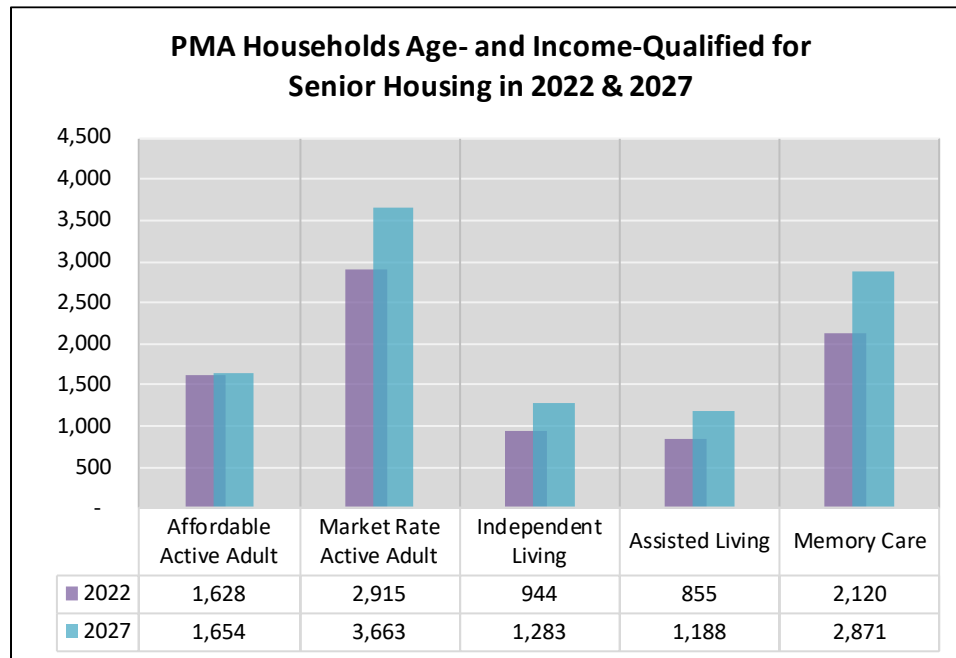
- The most rapid growth is expected to occur among older adults in the PMA. Aging of baby boomers led to an 85% increase (1,822 people) in the 65 to 74 age group between 2010 and 2022 in the PMA. As this group ages, the 65 and older age cohorts are expected to experience increases between 2022 and 2027.
  - The 75 and older age group is projected to grow 31%, adding 674 people.
  - The 65 to 74 age group is projected to expand 17% (685 people).
  - The 55 to 64 age group is expected to contract -7%, decreasing by -416 people.



- The key market for active adult housing is comprised of senior households age 65 and older, although many active adult properties are restricted to residents age 55 and older.
- The primary market for service-enhanced housing is senior households age 75 and older. While individuals in their 50s and 60s typically do not comprise the market base for service-enhanced senior housing, they often have elderly parents to whom they provide support when they decide to relocate to senior housing. Elderly parents often prefer to be near their adult caregivers, so the older adult age cohort (age 55 to 64) also generates some additional demand for service-enhanced senior housing products.
- The frailer the senior, the greater the proportion of their income they will typically spend on housing and services. Studies have shown that seniors are willing to pay increasing proportions of their incomes on housing with services, with income allocations described below:
  - 40% to 50% for market rate active adult senior housing with little or no services
  - 65% for independent living, and
  - 80% to 90% or more for assisted living housing.
- The proceeds from the sales of their homes, as well as financial assistance from their adult children, are often used as supplemental income to afford senior housing alternatives.
- The target market for affordable active adult senior housing is households age 65 and older with incomes at or below 60% Area Median Income (AMI). At 60% AMI, household income limits are \$49,320 for a one-person household and \$56,340 for a two-person household.

- As of 2022, there are an estimated 1,628 households age 65 and older in the PMA with incomes at or below \$56,340 (42% of all age 65 and older households in the PMA).
- The number of households projected to income-qualify for affordable active adult housing at 60% AMI is projected to increase by 25 households in 2027 (2% growth).
- The key market for market rate active adult housing is comprised of senior households (age 65 and older) with incomes of \$35,000 or more. The age threshold increases to 70 and older if in an apartment-style building.
  - In 2022, we estimate there are 2,915 age- and income-qualified households in the PMA that comprise the key market for active adult housing.
  - Including all households with incomes of \$40,000 and over (adjusted for inflation), the number of age 65 and older households projected to income-qualify for market rate active adult housing is expected to grow to 3,663 households in 2027 (26% growth).
- Independent living housing demand is driven by senior households (age 75 and older) with incomes of \$35,000 or more. We estimate the number of age- and income-qualified households in the PMA to be 944 householders in 2022, increasing to 1,283 householders (36% growth) in 2027.
- The target market for assisted living housing is senior households age 75 and older with incomes of at least \$40,000 (plus senior homeowners with lower incomes). As of 2022, there are an estimated 855 older senior households (age 75 and older) in the PMA with incomes of at least \$40,000, accounting for 58% of all older senior households.
  - Including all households with incomes of \$45,000 and over (adjusted for inflation), the number of older senior households projected to income-qualify for senior housing with services is expected to grow 39% to 1,188 households in 2027.
- Memory care housing has a target market of senior households age 65 and older with a memory impairment and incomes of at least \$60,000. We estimate that roughly 15% of the senior population has a memory impairment.
  - In 2022, we estimate that there are 2,120 age 65 and older households in the PMA with incomes of at least \$60,000, accounting for 55% of all senior households. Based on the estimated 15% incidence rate of Alzheimer's/dementia, approximately 318 households in the County are candidates for memory care housing in 2022.

- The number of income-qualified (\$65,000 adjusted for inflation) households is projected to increase 35% to 2,871 by 2027 (431 households eligible for memory care housing based on the 15% incidence rate).

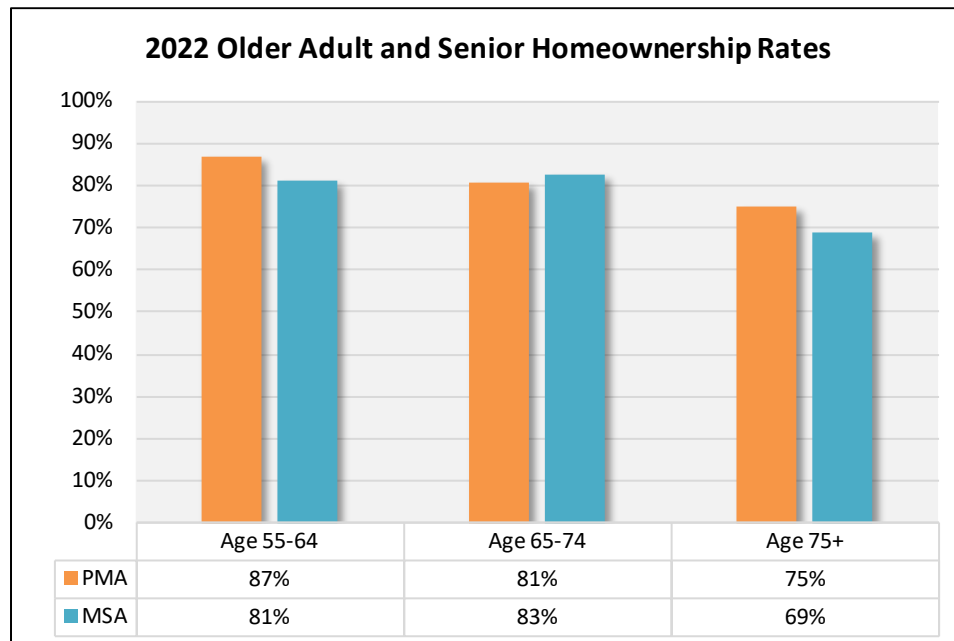


- The income qualifications identified above account for estimated pricing at existing, older, senior housing products. A new construction senior housing development will likely be priced higher than much of the existing product, so higher household incomes may be needed to support new construction senior housing in the PMA.

Homeownership information lends insight into the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to support monthly fees for alternative housing.

- The PMA maintains homeownership rates in the older adult age cohorts that are higher than in the MSA.
  - The estimated homeownership rate is 87% for age 55 to 64 households compared to 81% throughout the MSA. The PMA’s homeownership rate for age 65 to 74 households drops to 81% compared to 83% in the MSA.
- Seniors typically begin to consider moving into senior housing alternatives in their early to mid-70s. This movement pattern is demonstrated by the decline in homeownership between the 65 to 74 age cohort (81%) and the 75 and older age cohort (75%) in the PMA.

- By comparison, the homeownership rate in the MSA dropped from 83% (age 65 to 74) to 69% (age 75 and older).
- With a homeownership rate of 79% for all households age 65 and older, many residents would be able to use proceeds from the sales of their homes toward senior housing alternatives.



- The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing.
- Home sale data is useful in that it represents the amount of equity seniors may be able to derive from the sales of their homes that could be used to cover the cost of senior housing alternatives.
- Through August of 2022, the median resale price of older homes was \$325,000 in the PMA. Sales of newer homes are excluded because seniors often reside in older homes and are typically not a target market for new detached single-family home construction, so we evaluate sales data for homes that are at least 15 years old.
- Based on the 2022 median sale price for older homes in the PMA, a senior household could generate approximately \$6,110 of additional income annually (about \$509 per month), if they invested in an income-producing account (2.0% interest rate) after accounting for marketing costs and/or real estate commissions (6.0% of home sale price).

- Should a senior utilize the home proceeds dollar for dollar to support living in service-enhanced housing, the proceeds of the home sale would last several years, as outlined below:
  - Over ten years in independent living housing (monthly rent approximated at \$2,500)
  - Over six years in assisted living (monthly rent approximated at \$4,000),
  - Roughly four years in memory care housing (monthly rent approximated at \$6,500).
- Seniors in service-intensive housing typically have lengths of stays between two and three years indicating that a large portion of PMA seniors will be financially prepared to privately pay for their housing and services.
- Due, in part, to the strong housing market in River Falls and the PMA (as indicated by rising resale prices and shortened marketing times), many seniors – particularly those in the market for independent housing products – may be more inclined to sell their single-family home and consider housing alternatives.
  - While the COVID-19 pandemic likely caused some seniors who might otherwise consider senior housing alternatives to remain in their home in the short-term, we anticipate that high vaccination rates has stimulated a recovery in senior housing demand.

### **Supply of Senior Housing in the PMA**

Table 13 on the following page shows the inventory of existing senior housing in the PMA that would be competitive with a new senior housing development on the subject property.

- As displayed in the table, we identified 15 senior housing facilities in the PMA, totaling 585 units. We identified one 20-unit market rate active adult rental facility and 11 affordable or subsidized active adult properties totaling 237 units.
  - The Depot, Windmill Place, Margaret Place, Cottages of Ellsworth, and Crossing Meadows are shallow-subsidy senior housing facilities, totaling 146 units, while the remaining 188 units are deep-subsidy facilities.
- We also identified five service-enhanced facilities in the PMA containing a total of 231 senior housing units.
  - We identified one 60-unit facility that provides independent living, two assisted living facilities with 67 units, and four memory care facilities with 104 units.
  - The Comforts of Home facility in River Falls and the Preferred Senior Living facility in Ellsworth both offer assisted living and memory care units.

<b>TABLE 13</b> <b>SENIOR HOUSING PROPERTIES</b> <b>PRIMARY MARKET AREA</b> <b>September 2022</b>			
Facility	City	Year Built	Total Units
<b>Active Adult - Market Rate Rental</b>			
Comforts of Home - The Grands	River Falls	2009	20
<b>Total</b>			<b>20</b>
<b>Active Adult - Affordable/Subsidized Rental</b>			
The Depot	River Falls	2021	50
Windmill Place	River Falls	2007	24
Oakpark Apartments	River Falls	1986	25
Edgewater	River Falls	1976	45
Briarwood	River Falls	1979	32
Riverview Manor	River Falls	1971	37
St. Criox Manor	Prescott	1980	24
Margaret Place Senior Apts	Prescott	--	24
Cottages of Ellsworth	Ellsworth	1997	24
Crossing Meadows	Ellsworth	--	24
Lee Dreyfus Manor	Ellsworth	--	25
<b>Total</b>			<b>334</b>
<b>Independent Living</b>			
Wellhaven Senior Apartments RCAC	River Falls	1986	60
<b>Total</b>			<b>60</b>
<b>Assisted Living</b>			
Comforts of Home - The Falls RCAC	River Falls	2007	43
Preferred Senior Living CBRF	Ellsworth	2014	24
<b>Total</b>			<b>67</b>
<b>Memory Care</b>			
Comforts of Home CBRF	River Falls	2008	28
Comforts of Home CBRF II	River Falls	2014	40
Our House River Falls CBRF	River Falls	1996	20
Preferred Senior Living CBRF	Ellsworth	2014	16
<b>Total</b>			<b>104</b>
Source: Maxfield Research & Consulting, LLC			



- There are ten properties in River Falls, including:
  - Wellhaven (a 60-unit independent living RCAC facility)
  - Our House (a 20-unit memory care CBRF facility),
  - The Comforts of Home campus which offers a 43-unit assisted living RCAC building, two memory care CBRF buildings (a 28-unit facility which opened in 2008 and a 40-unit building which opened in 2014), and 20 market rate active adult rental units.
  - The Depot is shallow-subsidy LIHTC active adult rental community that opened in 2021.
  - Windmill Place, Oakpark Apartments, Edgewater, Briarwood, and Riverview Manor are all operated by the River Falls Housing Authority.
- These units are incorporated into the demand calculations presented later in this report, but we adjust the number of competitive units based on the location of the property in the PMA.
- All units in River Falls are considered fully competitive. We consider 25% of the units in Ellsworth and Prescott to be competitive. Due to the location of these facilities near the edge of the PMA boundary, they would have a different draw area from the PMA for River Falls, although the draw areas would overlap.

## **Pending Housing Developments**

Maxfield Research compiled information provided by planning staff from the City of River Falls and surrounding communities to identify any housing developments that are proposed, planned, or under construction that may impact demand for new housing in the City. Our findings are summarized in the subsequent points and Table 14 on the following page.

- We identified nine pending housing developments in River Falls, containing a total of 728 new housing units.
  - Three projects, totaling 141 units are under construction, and one other 32-unit project has been approved and is expected to move forward. Another 555 units in six projects are proposed and in various stages of the planning approval process.
- We identified 88 senior housing units under construction at Sycamore Senior Living which includes 84 service-enhanced units (38 independent living, 30 assisted living, 16 memory care units) and four market rate active adult rental units.

- There are 42 general occupancy market rate rental townhomes under construction at Dawes Place Phase I and 32 market rate apartment units at Lake George Lofts that have been approved. Another 101-unit market rate apartment project (Paulson Road Apartments) and a 190-unit rental townhome development have been proposed.
- There are also 275 for-sale housing units/lots pending in River Falls.
  - The 11-unit Wasson Townhome development is under construction.
  - There are 93 detached single-family lots proposed at the Apollo Road Subdivision.
  - Three proposed projects (Thompson Property South, Dawes Place Phase II, and the Apollo Road Subdivision) contain lots for 171 twin homes.

<b>TABLE 14 PENDING HOUSING DEVELOPMENTS CITY OF RIVER FALLS September 2022</b>			
<b>Project Name</b>	<b>Product Type</b>	<b>Units</b>	<b>Status</b>
<b>Senior Housing</b>			
Sycamore Senior Living	Service-Enhanced	84	Under Construction
	<i>Independent Living</i>	38	
	<i>Assisted Living</i>	30	
	<i>Memory Care</i>	16	
	Market Rate Active Adult	4	
<b>General Occupancy Rental Housing</b>			
Dawes Place Ph I	Rental Townhomes	42	Under Construction
Lake George Lofts	Apartments	32	Approved
Paulson Rd Apartments	Apartments	101	Proposed
Thompson Property N	Market Rate Townhomes	190	Proposed
<b>General Occupancy For-Sale Housing</b>			
Wasson Townhomes	Townhomes	11	Under Construction
Thompson Property S	Twin Homes	77	Proposed
Dawes Place Ph II	Twin Homes	70	Proposed
Apollo Rd Subdivision	Twin Homes	24	Proposed
Apollo Rd Subdivision	Detached Single-family	93	Proposed
<b>Total:</b>		<b>728</b>	
Sources: City of River Falls; Maxfield Research & Consulting, LLC			

## For-Sale Housing Market Demand Analysis

Earlier sections of this report examined growth trends and demographic characteristics of the household base in the PMA along with housing market conditions in River Falls and the surrounding Market Area. This section of the report quantifies demand for additional general occupancy for-sale housing units in the PMA, specifically the City of River Falls, between 2022 and 2030.

Table 15 on the following page presents demand calculations for general occupancy for-sale housing in the PMA between 2022 and 2030. This analysis identifies potential demand for general occupancy for-sale housing that is generated from both new households and turnover households.

First, we calculate potential demand from new household growth based on the propensity of households to own their housing. For the purpose of this analysis, we focus on households between the ages of 18 and 64 that will account for the majority of general-occupancy for-sale housing demand. We also include a portion (30%) of the demand potential generated by households age 65 to 74, as a segment of this age group that is able to live independently could be drawn to a new general occupancy for-sale housing development in the area. Next, we calculate the percentage of household growth that would likely own their housing based on 2020 American Community Survey data.

- Demand for for-sale housing units in the PMA from household growth totals 357 units by 2030.

As of 2022, there are an estimated 9,519 owner households in the PMA that comprise the primary market for general occupancy for-sale housing. This estimate includes households under the age of 65 along with 30% of households in the 65 to 74 age group. Based on household turnover data from the 2020 American Community Survey, we estimate that 34% of these owner households will experience turnover between 2022 and 2030.

- This estimate results in anticipated turnover of 3,236 existing households in the PMA by 2030.

We then estimate the percent of existing owner households turning over that would prefer to purchase new housing. Based on recent home sale activity in the PMA along with data from the National Association of Realtors 2020 Home Buyer and Seller Generational Trends report, we anticipate that 15% of owner households turning over will desire new housing.

- Based on this benchmark, we estimate that there will be demand from existing households for 485 new owned housing units in the PMA between 2022 and 2030.

<b>TABLE 15 GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND PRIMARY MARKET AREA 2022 to 2030</b>			
<b>DEMAND FROM PROJECTED HOUSEHOLD GROWTH</b>			
Projected household growth in PMA 2022 to 2030 <sup>1</sup>			1,170
(times) Pct. of HH growth for general occupancy housing <sup>2</sup>	x		43%
(equals) Projected demand for general occupancy units	=		503
(times) Propensity to own <sup>3</sup>	x		71%
(equals) Number of potential owner households from HH growth	=		<b>357</b>
<b>DEMAND FROM EXISTING OWNER HOUSEHOLDS</b>			
Existing owner households in PMA <sup>2</sup>	=		9,519
(times) Estimated % of owner turnover (age 64 and younger, 2022 to 2030) <sup>4</sup>	x		34%
(equals) Total existing households projected to turnover 2022 to 2030	=		3,236
(times) Estimated % desiring new owner housing <sup>5</sup>	x		15%
(equals) Demand from existing households	=		<b>485</b>
<b>Total Demand From Household Growth and Existing Households, 2022 to 2030</b>	<b>=</b>		<b>843</b>
(plus) Ownership demand generated from outside PMA	+		25%
<b>(equals) Total demand potential for ownership housing in PMA</b>	<b>=</b>		<b>1,124</b>
(times) Percent of PMA demand capturable in River Falls	x		55%
<b>(equals) Total demand potential for ownership housing in River Falls</b>	<b>=</b>		<b>618</b>
		<b>Detached Single-Family</b>	<b>Multifamily*</b>
(times) Pct. desiring detached single-family vs other for-sale units <sup>6</sup>	x	65%	35%
<b>(equals) Total demand potential for new for-sale housing in River Falls</b>	<b>=</b>	<b>402</b>	<b>216</b>
<sup>1</sup> Projected household growth <sup>2</sup> Households under age 65 plus 30% of households age 65 to 74 <sup>3</sup> Pct. owner households from 2016-2020 American Community Survey <sup>4</sup> Based on household turnover and mobility data (American Community Survey) <sup>5</sup> Based on recent sales activity (new construction vs. previously owned sales) and national trends <sup>6</sup> Based on new construction sales data, construction trends, and growth projections by age group * Multifamily includes product types such as townhomes, twin homes, and condominiums.			
Source: Maxfield Research & Consulting, LLC			

Total demand from household growth and existing household turnover between 2022 and 2030 equates to 843 new for-sale housing units in the PMA. An additional proportion is added for households that would purchase their home in the PMA who currently reside outside the area.

- We estimate that 25% of the demand potential for general occupancy ownership housing would be derived from outside the PMA, increasing total demand to 1,124 units.

Based on growth trends and projections and the distribution of households in the PMA, we estimate the proportion of PMA demand capturable in the City of River Falls. We estimate that River Falls can capture 55% of the ownership housing demand in the PMA, resulting in the demand potential for 618 owned housing units in the City between 2022 and 2030.

Based on building permit trends, recent new construction sales activity, and household growth projections by age group, we estimate that 65% of the householders seeking new housing will desire detached single-family homes, while the remaining 35% will seek other multifamily housing product types (i.e. townhomes, twin homes, condominiums).

- We anticipate that there will be demand for 402 detached single-family homes and 216 multifamily units in River Falls between 2022 and 2030.
- On an annual basis, new for-sale housing demand in the City equates to 77 new housing units per year, including 50 new detached single-family homes per year and 27 new multifamily units per year.

These demand estimates assume that residential lots will be available for development in the City of River Falls, as it would be difficult for the City to capture the projected demand potential without a supply of development-ready lots.

As noted previously, there are 100 vacant residential lots in River Falls (January 2022 Building Inspections Dashboard). Based on the for-sale housing demand calculations, there is a 1.3-year supply of vacant lots in the City which is sufficient to satisfy short-term demand, but additional lots will be needed longer-term.

We identified a total of 275 lots in the development pipeline (i.e. under construction, proposed) in River Falls, including 93 detached single-family lots and 182 multifamily lots.

- Based on our demand calculations, the existing and pending supply of detached single-family lots appears insufficient to meet projected demand (402 lots needed between 2022 and 2030).
- With demand for 216 multifamily lots by 2030, there is also a modest shortfall of multifamily lots pending (182), although a portion of the 100 existing vacant lots may be able to accommodate multifamily housing product types.

## Rental Housing Demand Analysis

Table 16 on the following page presents our calculation of general occupancy rental housing demand in the PMA between 2022 and 2030. Factors considered include demographic trends, population shifts, and pending developments. Potential rental housing demand is calculated from two categories:

1. From new household growth based on the propensity of households to rent their housing in the Primary Market Area; and,
2. From existing households that will remain in the Market Area because new product is available and they value other area amenities including proximity to education, employment, entertainment and recreation.

First, we calculate potential demand from new household growth based on the propensity of households to rent their housing. For the purpose of this analysis, we focus on households between the ages of 18 and 64 that will account for the majority of general occupancy rental demand. We also include a portion (30%) of the demand potential generated by households age 65 and older, as a segment of this age group that is able to live independently could be drawn to a new general occupancy rental housing development in the PMA. Next, we calculate the percentage of household growth that will likely rent their housing based on 2020 American Community Survey data. Demand for general occupancy rental housing units in the PMA from household growth totals 146 units by 2030.

The second part of the analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. Mobility rates were calculated for the renter population based on American Community Survey data and were applied to the existing renter household base.

As of 2022, there are an estimated 3,824 renter households in the PMA that comprise the primary market for general occupancy rental housing. This estimate includes households under the age of 65 along with 30% of households in the 65 to 74 age group. Based on household turnover data from the 2020 American Community Survey, we estimate that 82% of these renter households will experience turnover between 2022 and 2030. This estimate results in anticipated turnover of 3,136 existing households in the PMA by 2030. We then estimate the percentage of the existing renter households that will seek new rental housing resulting in demand for 502 new units from turnover by 2030.

Together with demand from projected household growth and turnover, the total demand for rental housing is summarized. Total demand for general occupancy rental housing between 2022 and 2030 is 648 units in the PMA.

<b>TABLE 16 DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING CITY OF RIVER FALLS 2022 to 2030</b>			
<b>Demand From Household Growth</b>			
Projected household growth in the PMA 2022 to 2030 <sup>1</sup>			1,170
(times) Pct. Of HH growth for general occupancy housing <sup>2</sup>	x	43%	
(equals) Projected demand for general occupancy units	=		503
(times) Proportion Estimated to Be Renting Their Housing <sup>3</sup>	x	29%	
<b>(equals) Projected Demand for Rental Housing Units</b>	<b>=</b>		<b>146</b>
<b>Demand From Existing Households</b>			
Number of renter households in the PMA, 2022 <sup>4</sup>	=		3,824
(times) Estimated % of renter turnover between 2022 & 2030 <sup>5</sup>	x	82%	
(equals) Existing Renter Households Projected to Turnover, 2022 to 2030	=		3,136
(times) Estimated % Desiring New Rental Housing <sup>6</sup>	x	16%	
<b>(equals) Demand From Existing Households</b>	<b>=</b>		<b>502</b>
<b>Total Demand From Household Growth and Existing Households</b>			<b>648</b>
(plus) Rental demand from outside PMA	+		25%
<b>(equals) Potential Demand for Rental Housing in the PMA (2022 to 2030)</b>	<b>=</b>		<b>863</b>
(times) Percent of PMA Demand Capturable in the City of River Falls	-		65%
<b>(equals) Total Demand for Rental Housing in River Falls</b>	<b>=</b>		<b>561</b>
		<b>Deep Subsidy</b>	<b>Shallow Subsidy</b>
(times) Percent of rental demand by product type <sup>7</sup>	x	25%	35%
<b>(equals) Total demand for new general occupancy rental housing units</b>	<b>=</b>	<b>140</b>	<b>196</b>
(minus) Units under construction or expected to move forward*	-	0	251
<b>(equals) Excess demand for new general occupancy rental housing</b>	<b>=</b>	<b>140</b>	<b>196</b>
<sup>1</sup> Estimated household growth <sup>2</sup> Pct. of household growth under age 65 plus 30% of households age 65 and older. <sup>3</sup> Pct. Renter households under age 65. <sup>4</sup> Renter households age 64 and younger plus 30% of renter households age 65 and older. <sup>5</sup> Based on household turnover and mobility data (2020 American Community Survey, Five Year Estimates). <sup>6</sup> Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council. <sup>7</sup> Based on a combination of current rental product, income limits, and household incomes of area renters. *Pending competitive units at 95% occupancy.			
Source: Maxfield Research & Consulting, LLC			

An additional proportion is added for households that would move to a rental project in the PMA who currently reside outside the PMA. We estimate that 25% of the demand potential for rental housing in the PMA would be derived from outside the PMA, increasing demand to 863 units between 2022 and 2030.

Due to factors such as the geographic distribution of the renter population in the PMA along with the location of services (entertainment, shopping, education, etc.), we anticipate that the City of River Falls can capture 65% of the demand potential in the PMA. Based on this capture rate, we find demand for 561 new general occupancy rental units in River Falls between 2022 and 2030.

Based on a review of renter household incomes and income limits set by HUD, we estimate that approximately 40% of the total demand will be for market rate housing, while 25% of the demand will be for deep-subsidy housing (affordable to households at 30% AMI or less), and 35% will be for shallow-subsidy housing (affordable to households between 30% AMI and 60% AMI).

- In total, we estimate that there is demand for 140 deep-subsidy units, 196 shallow-subsidy units, and 225 market rate units in the City of River Falls between 2022 and 2030.

Next, we subtract pending general occupancy rental housing developments in River Falls at equilibrium (95% occupancy). Projects that have been approved or are under construction are incorporated into the rental housing demand calculations. The 190-unit market rate rental townhome project (Thompson Property N) is expected to move forward and is also included. Due to the uncertain timing and status of the proposed Paulson Road Apartments project, this development may not move forward, or they may not move forward as currently planned, so we do not incorporate these units into our demand calculations.

In total, we estimate that there is excess demand for 140 deep-subsidy rental units and 196 shallow-subsidy rental units between 2022 and 2030. Note that, due to the income limits in Pierce and St. Croix County established by HUD relative to rents at new market rate rental housing in River Falls, there is some crossover between shallow-subsidy demand and market rate demand (i.e. a household income-qualified for shallow-subsidy housing would also income qualify for new market rate rental housing).

The market rate rental housing units pending in River Falls slightly exceeds the estimated demand potential for new market rate rental units in the City between 2022 and 2030, indicating that the general occupancy market rate rental housing market is at risk of reaching market saturation in the short-term. Typically, when real estate markets experience oversupply and reach saturation, rental rates decline as occupancy rates contract and development activity slows.

For pending general occupancy market rate projects to lease-up successfully, they will need to attract a greater proportion of households from outside the PMA than projected in this demand calculation. Additionally, construction start dates for some of the planned projects could be phased with a decision to proceed with subsequent phases being based on the interest and lease-up experienced during the initial phase(s).



## Senior Housing Demand Analysis

Tables 17 through 21 on the following pages present our demand calculations for senior housing demand in River Falls in 2022 and 2027, including market rate active adult demand (Table 17), affordable and subsidized active adult senior demand (Table 18), independent living demand (Table 19), assisted living demand (Table 20), and memory care demand (Table 21).

### Market Rate Active Adult Senior Housing Demand

Table 17 on the following page presents our demand calculations for market rate active adult housing in River Falls in 2022 and 2027. The market for active adult housing is comprised of older adult (age 55 to 64), younger senior (age 65 to 74) and older senior (age 75+) households, with market demand weighted most heavily toward older seniors.

In order to arrive at the potential age-, income- and asset-qualified base for active adult housing, we include all age-qualified households with incomes of \$35,000 or more plus homeowner households with incomes between \$30,000 and \$34,999 who would qualify with the proceeds from a home sale. The number of qualifying homeowner households is estimated by applying the appropriate homeownership rate to each age cohort.

Seniors are willing to pay increasing proportions of their income on alternative housing, beginning with an income allocation of 40% to 50% for market rate active adult senior housing with little or no services. Older households with incomes of \$35,000 allocating 45% of their income toward housing costs could afford monthly rents of \$1,313. Households with incomes of \$30,000 allocating 50% of their income toward rent and using proceeds from an older home sold at the median price in the PMA (estimated at \$325,000 in 2022) could afford a monthly rent of \$1,634.

- We estimate there are 6,051 age-, income- and asset-qualified PMA households that comprise the market for active adult housing in 2022, increasing to 6,611 qualified households in 2027.

Adjusting to include appropriate capture rates for each age cohort (0.5% of households age 55 to 64, 5.0% of households age 65 to 74, and 12.0% of households age 75 and older) results in a demand potential for 239 active adult housing units in 2022 and 298 units in 2027. These capture rates reduce the total number of age/income/asset-qualified households to consider only the portion of older adult and senior households who would be willing, able, and inclined to move to senior housing alternatives, including both owner- and renter-occupied housing.

We estimate that seniors currently residing outside the PMA will generate 25% of the demand for active adult housing – increasing demand to 318 active adult units in 2022. Demand from outside the PMA includes parents of adult children living in the area, individuals who live outside the PMA but have an orientation to the area (i.e. church, doctor), and former residents who desire to return upon retirement.

<b>TABLE 17</b>						
<b>MARKET RATE ACTIVE ADULT/FEW SERVICES HOUSING DEMAND</b>						
<b>CITY OF RIVER FALLS</b>						
<b>2022 &amp; 2027</b>						
	<b>2022</b>			<b>2027</b>		
	<b>Age of Householder</b>			<b>Age of Householder</b>		
	<b>55-64</b>	<b>65-74</b>	<b>75+</b>	<b>55-64</b>	<b>65-74</b>	<b>75+</b>
# of Households w/ Incomes of >\$35,000 <sup>1</sup>	2,946	1,971	944	2,781	2,380	1,283
# of Households w/ Incomes of \$30,000 to \$34,999 <sup>1</sup>	+ 66	73	98	+ 49	66	95
(times ) Homeownership Rate	x 87%	81%	75%	x 87%	81%	75%
(equals) Total Potential Market Base	= 3,003	2,030	1,018	= 2,824	2,433	1,354
(times) Potential Capture Rate	x 0.5%	5.0%	12.0%	x 0.5%	5.0%	12.0%
(equals) Demand Potential	= 15	102	122	= 14	122	163
<b>Potential Demand from PMA Residents</b>	= <b>239</b>			= <b>298</b>		
(plus) Demand from Outside PMA (25%) <sup>2</sup>	+ 80			+ 99		
<b>(equals) Total Demand Potential</b>	= <b>318</b>			= <b>398</b>		
	<b>Owner</b>		<b>Renter</b>	<b>Owner</b>		<b>Renter</b>
(times) % by Product Type	x 60%		x 40%	x 60%		x 40%
(equals) Demand Potential by Product Type	= 191		= 127	= 239		= 159
(minus) Existing & Pending MR Active Adult Units <sup>3</sup>	- 0		- 19	- 0		- 23
<b>(equals) Excess Demand for MR Active Adult Units</b>	= <b>191</b>		= <b>108</b>	= <b>239</b>		= <b>136</b>
(times) Percent capturable in River Falls	x 65%		x 65%	x 65%		x 65%
<b>(equals) Number of Units Supportable in River Falls</b>	= <b>124</b>		= <b>70</b>	= <b>155</b>		= <b>88</b>

<sup>1</sup> 2027 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$35,000 and \$39,999.

<sup>2</sup> We estimate that roughly 25% of demand will come from outside the PMA.

<sup>3</sup> Existing and pending units are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research & Consulting, LLC

Demand for market rate active adult housing is apportioned between ownership and rental product types. Based on the age distribution of the population, homeownership rates, existing product, and trends for active adult housing products, we project that 60% of the demand will be for owner-occupied active adult housing (191 units in 2022), and the remaining 40% of demand will be for active adult rental housing units (127 units in 2022).

From the demand potential, we subtract existing and pending active adult units in the PMA at 95% occupancy. We identified one market rate active adult rental project, totaling 20 units. Overall, we subtract 19 competitive rental units from the 2022 demand potential after accounting for a 5% vacancy rate. We then incorporate pending active adult units in the PMA and subtract the total from the 2027 demand potential. We identified four active adult rental units under construction in the PMA at the Sycamore Senior Living project in River Falls.

In total, we find excess demand for 191 market rate active adult ownership units and 108 market rate active adult rental units in 2022. Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and homeowners with incomes of \$35,000 to \$39,999 would be candidates for active adult housing in 2027. Following the same methodology, we project that excess demand will increase to 239 market rate active adult ownership units and 136 market rate active adult rental units by 2027.

Due to factors such as the geographic distribution of the senior population in the PMA along with the location of services (medical, religious, retail, etc.) in the PMA, we anticipate that the City of River Falls can capture 65% of the excess demand potential in the PMA.

- Based on this capture rate, we find demand for 194 market rate active adult units in River Falls in 2022 (124 owner-occupied and 70 renter-occupied units), growing to 244 units in 2027 (155 owner- and 88 renter-occupied units).

### **Affordable/Subsidized Active Adult Senior Housing Demand**

Table 18 on the following page presents our demand calculations for affordable (shallow-subsidy and deep-subsidy) active adult senior housing in River Falls in 2022 and in 2027. While the methodology used to calculate demand for affordable housing closely mirrors the methodology used to calculate demand for market rate housing, we make adjustments to more precisely quantify demand among this market segment.

The following points summarize these adjustments:

- **Income-Qualifications:** In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior households age 55 and older that qualify for the income guidelines for two-person households in 2022. Households earning between 30% and 60% of AMI are generally candidates for shallow-subsidy housing, while households earning less than 30% AMI are typically a market for deep-subsidy housing. The income-restriction in Pierce and St. Croix County for a two-person household at 30% AMI is \$28,170 and the income-restriction for a two-person household at 60% AMI is \$56,340.

- Capture Rates:** Households in a need-based situation (either requiring services or financial assistance) more readily move to housing alternatives than those not in need-based situations. Based on our experience in market feasibility for affordable and subsidized senior housing, along with our analysis of demographic and competitive market factors in the PMA, we apply a conservative 25% capture rate to the age/income-qualified market to arrive at a total potential demand in the PMA.

Using the methodology described above results in a demand potential for a total of 465 affordable (shallow-subsidy and deep-subsidy) active adult housing units in 2022. An additional proportion is added for senior households that would move into affordable active adult housing in the PMA who currently reside outside the area. We estimate that seniors currently residing outside the PMA will generate 25% of the demand for shallow/deep-subsidy active adult senior housing, increasing demand to 620 units.

TABLE 18 AFFORDABLE ACTIVE ADULT/FEW SERVICES SENIOR HOUSING DEMAND CITY OF RIVER FALLS 2022 & 2027						
	2022			2027		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <\$56,340 <sup>1</sup>	674	762	866	488	712	942
Less Households w/ Incomes of \$45,000 to \$56,340 <sup>1</sup> (times ) Homeownership Rate	- 196 x 87%	196 81%	152 75%	- 155 x 87%	206 81%	132 75%
(equals) Total Potential Market Base by Age	= 503	603	752	= 353	545	843
(equals) Total Potential Market Base	= 1,859			= 1,741		
(times) % of Seniors Needing/Desiring Affordable Hsg	x 25%			x 25%		
<b>(equals) Potential Demand from PMA</b>	= <b>465</b>			= <b>435</b>		
(plus) Demand from Outside PMA (25%)	+ 155			+ 145		
<b>(equals) Total Demand Potential</b>	= <b>620</b>			= <b>580</b>		
<b>Product (Subsidy) Type</b>	<b>Deep-Subsidy</b>		<b>Shallow-Subsidy</b>	<b>Deep-Subsidy</b>		<b>Shallow-Subsidy</b>
(times) % by Product Type	x 41%		x 59%	x 41%		x 59%
<b>(equals) Demand Potential by Product Type</b>	= <b>254</b>		= <b>366</b>	= <b>238</b>		= <b>342</b>
(minus) Existing and Pending Affordable Units <sup>2</sup>	- 93		- 87	- 93		- 87
<b>(equals) Excess Demand for Affordable Units</b>	= <b>161</b>		= <b>279</b>	= <b>145</b>		= <b>255</b>
(times) Percent that Could be Captured in River Falls	x 65%			x 65%		
<b>(equals) Excess Demand in River Falls</b>	= <b>105</b>		= <b>181</b>	= <b>94</b>		= <b>166</b>

<sup>1</sup> 2027 calculations adjusted for inflation (1.5% annually). Homeowner households with incomes between \$45,000 and \$56,340 are excluded from the market potential for financially-assisted housing.

<sup>2</sup> Existing units are deducted at market equilibrium, or 95% occupancy.

Source: Maxfield Research & Consulting, LLC

Based on the existing and projected distribution of households with incomes below \$56,340, we estimate the proportion of demand for shallow-subsidy and deep-subsidy units. We estimate that 41% of the demand will be for deep-subsidy units and 59% will be for shallow-subsidy units. In total, we estimate that there is total demand for 254 deep-subsidy units and 366 shallow-subsidy units in the PMA in 2022.

Next, we subtract existing competitive units. There are two shallow-subsidy active adult projects in River Falls (74 units), 24 units in Prescott, and 48 units in Ellsworth. Overall, we subtract 87 shallow-subsidy units from the demand potential after adjusting for location and accounting for a 5% vacancy rate, resulting in excess demand for 279 shallow-subsidy active adult housing in the PMA in 2022. We also include 65% of the of the deep-subsidy units in the PMA that are restricted to seniors or residents with a disability. We use 65% of these units because an estimated 35% of the units are occupied by persons with a disability (based on the 2018 Comprehensive Housing Needs Analysis for River Falls). After accounting for a 5% vacancy rate and adjusting for location, we find excess demand for 161 deep-subsidy units in the PMA in 2022.

To calculate demand in 2027, we increase the income-qualifications to account for inflation and would incorporate pending affordable senior housing units. However, we did not identify any affordable senior housing developments under construction or approved in the PMA.

- Following the same methodology as outlined above for 2022, excess demand is projected to decline to 145 deep-subsidy units and 255 shallow-subsidy units in the PMA in 2027.

We anticipate that the City of River Falls can capture 65% of the excess demand potential for subsidized active adult housing in the PMA. Based on this capture rate, we find demand for 105 deep-subsidy and 181 shallow-subsidy units in River Falls in 2022. Demand in River Falls is projected to contract to 94 deep-subsidy units and 166 shallow-subsidy units in 2022.

### **Demand for Independent Living Senior Housing**

Table 19 on the following page presents our demand calculations for independent living senior housing in the PMA in 2022 and 2027. This analysis focuses on the potential private pay/market rate demand for independent living units.

To arrive at the potential age-income qualified base for independent senior housing, we include all senior households with incomes of \$35,000 or more and homeowners with incomes between \$30,000 and \$35,000 who would qualify with the proceeds from a home sale (this proportion was estimated based on the homeownership rates for each age cohort).

Senior householders with incomes of \$35,000 allocating 65% of their income toward base housing cost could afford beginning rents of approximately \$1,900. Householders with incomes of \$30,000 allocating 65% of their income toward rent and using the proceeds from an older home sold at the median sale price in the PMA (\$325,000) could afford rents of \$2,134 per month. These rents are similar to monthly fees being charged for independent living units at Wellhaven in River Falls (rents, published in the Care Options Network SeniorCare GuideBook, are \$1,912 per month for one-bedroom units).

- We estimate the number of age/income/asset-qualified households in the PMA to be 3,048 households in 2022, increasing to 3,788 households in 2027.

<b>TABLE 19 INDEPENDENT LIVING DEMAND PRIMARY MARKET AREA 2022 &amp; 2027</b>				
	<b>2022</b>		<b>2027</b>	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Householders w/ Incomes of \$35,000+ in 2022 / \$40K in 2027	1,971	944	2,380	1,283
(plus) HHs w/ Incomes of \$30K-\$35K in '22 & \$35K-\$40K in '27	73	98	66	95
(times) Homeownership Rate	x 81%	75%	x 81%	75%
(equals) Potential Market	= 59	74	= 53	71
(equals) Total Potential Market Base	= 2,030	1,018	= 2,433	1,354
(times) Potential Capture Rate of Independent Living Demand <sup>1</sup>	x 1.5%	13.0%	x 1.5%	13.0%
(equals) Potential Demand	= 30	+ 132	= 37	+ 176
Total Local Demand Potential	= 163		= 213	
(plus) Demand from Outside PMA (25%)	+ 54		+ 71	
<b>(equals) Total Demand Potential</b>	<b>= 217</b>		<b>= 283</b>	
(minus) Existing & Pending Competitive Units <sup>2</sup>	- 57		- 93	
<b>(equals) Excess Independent Demand Potential</b>	<b>= 160</b>		<b>= 190</b>	
(times) Percent capturable in River Falls	x 65%		x 65%	
<b>(equals) Number of Units Supportable in River Falls</b>	<b>= 104</b>		<b>= 124</b>	
<sup>1</sup> The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for service-intensive assisted living.).				
<sup>2</sup> Competitive existing and pending units at 95% occupancy (market equilibrium).				
Source: Maxfield Research & Consulting, LLC				

Demand for independent living senior housing is need-driven, which reduces the qualified market to only the portion of seniors who need some assistance. Thus, the age/income-qualified base is multiplied by the percentage of seniors who need some assistance with at least three Instrumental Activities of Daily Living (IADLs), but not six or more Activities of Daily Living (ADLs) and IADLs, as these frailer seniors would need the level of care found in service-intensive assisted living.

According to the Summary Health Statistics of the U.S. Population: National Health Interview Survey (conducted by the U.S. Department of Health and Human Services), the percentage of seniors having limitation in ADLs (bathing, dressing, toileting, transferring, eating) and IADLs (using the telephone, shopping, food preparation, housekeeping, laundry, transportation, taking medication, handling finances) are as follows:

<b>Limitation in ADLs &amp; IADLs</b>		
<b>Age</b>	<b>ADLs</b>	<b>IADLs</b>
65-74 years	3.3%	6.3%
75+ years	11.0%	20.0%

It is most likely that seniors who need assistance with ADLs also need assistance with multiple IADLs and are more likely to be candidates for service-intensive assisted living. The prime candidates for independent living are seniors needing assistance with IADLs, but not ADLs. We derive the capture rate for independent living housing by subtracting the percentage of seniors needing assistance with ADLs from those needing assistance with IADLs, which equates to 3.0% of seniors age 65 to 74 and 9.0% of seniors age 75+.

For the purposes of this report and understanding that many seniors do not view senior housing as an alternative retirement destination but a supportive living option only when they can no longer live independently, we have reduced the potential capture rates for the 65 to 74 age group to 1.5% while increasing the capture rate of the 75 and older age group to 13.0%.

- Multiplying the senior household base by these capture rates results in demand potential for 163 independent living units in 2022 and 213 units in 2027.

We estimate that seniors currently residing outside the PMA will generate 25% of the demand for independent senior housing – increasing total demand by 54 units in 2022. This demand consists primarily of parents of adult children living in the PMA, individuals who live just outside the PMA and have an orientation to the area, retirees who wish to relocate, and former residents who want to return upon retirement.

- Together, the demand from PMA seniors and demand from seniors who would relocate to the PMA totals 217 independent living units in 2022 and 283 units in 2027.

Next, existing independent living units are subtracted from the demand potential. We identified one existing 60-unit independent living facility in the PMA. Overall, we subtract 57 competitive units from the demand potential after accounting for a 5% vacancy rate. We then incorporate pending independent living units in the PMA and subtract the total from the 2027 demand potential. We identified 38 independent living units under construction in the PMA at the Sycamore Senior Living project in River Falls.

- After subtracting existing and pending units, we find excess demand for 160 independent living units in the PMA in 2022, increasing to 190 units in 2027.

Due to factors such as the geographic distribution of the senior population in the PMA along with the location of services (medical, religious, retail, etc.), we anticipate that the City of River Falls can capture 65% of the excess demand potential in the PMA.

- Based on this capture rate, we find demand for 104 independent living units in River Falls in 2022, growing to 124 units in 2027.

### **Assisted Living Demand Estimate**

Table 20 presents our demand calculations for assisted living in the PMA in 2022 and 2027. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities is 87 years.

Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over, as we estimate that of the half of demand from seniors under age 87, almost all would be over age 75. In 2022, there are an estimated 2,191 seniors ages 75 and over in the PMA, and we project that this number will increase to 2,865 by 2027.

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the Centers for Disease Control and the National Center for Health Statistics, about 35% of seniors need assistance with everyday activities (from 25.5% of 75-to-79-year-olds, to 33.6% of 80-to-84-year-olds and 51.6% of 85+ year-olds). Applying these percentages to the senior population yields a potential assisted living market of an estimated 768 seniors in the PMA in 2022 and 971 seniors in 2027.



TABLE 20 MARKET RATE ASSISTED LIVING DEMAND PRIMARY MARKET AREA 2022 & 2027						
Age group	2022			2027		
	People	Percent Needing Assistance <sup>1</sup>	Number Needing Assistance <sup>1</sup>	People	Percent Needing Assistance <sup>1</sup>	Number Needing Assistance <sup>1</sup>
75 - 79	973	25.5%	<b>249</b>	1,399	25.5%	<b>357</b>
80 - 84	607	33.6%	<b>204</b>	794	33.6%	<b>267</b>
85+	611	51.6%	<b>316</b>	672	51.6%	<b>347</b>
<b>Total</b>	<b>2,191</b>		<b>768</b>	<b>2,865</b>		<b>971</b>
(times) Percent Income-Qualified <sup>2</sup>			x 65%			x 67%
Total potential market			499			655
(times) Percent living alone			x 54%			x 54%
(equals) Age/income-qualified singles needing assistance			= 270			= 354
(plus) Proportion of demand from couples (12%) <sup>3</sup>			+ 35			+ 46
(equals) Total age/income-qualified market needing assistance			= 306			= 401
(times) Potential penetration rate <sup>4</sup>			x 40%			x 40%
(equals) Potential demand from PMA residents			= 123			= 162
(plus) Proportion from outside the PMA (25%)			+ 41			+ 54
<b>(equals) Total potential assisted living demand</b>			<b>= 165</b>			<b>= 216</b>
(minus) Existing & pending market rate assisted living units <sup>5</sup>			- 36			- 59
<b>(equals) Total excess market rate assisted living demand</b>			<b>= 129</b>			<b>= 157</b>
(times) Percent capturable in River Falls			x 65%			x 65%
<b>(equals) Number of Units Supportable in River Falls</b>			<b>= 84</b>			<b>= 102</b>
<sup>1</sup> The percentage of seniors unable to perform or having difficulty with ADLs, based on the publication Health, United States, 2018 Health and Aging Chartbook, conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics.						
<sup>2</sup> Includes households with incomes of \$40,000 or more (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing).						
<sup>3</sup> The Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
<sup>4</sup> We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
<sup>5</sup> Existing and pending units at 93% occupancy, minus units estimated to be occupied by Elderly Waiver residents.						
Source: Maxfield Research & Consulting, LLC						

Due to the supportive nature of assisted living, most daily essentials are included in monthly fees which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living is to identify the income-qualified market based on a senior's ability to pay the monthly rent.

We consider seniors in households with incomes of \$40,000 or greater to be income-qualified for assisted living senior housing in the PMA. Households with incomes of \$40,000 could afford monthly assisted living fees of \$3,000 by allocating 90% of their income toward the fees.

According to the Overview of Assisted Living, the average arrival income of assisted living residents was \$27,260, while the average annual assisted living fee was \$37,281 (\$3,107/month). This data highlights that seniors are spending down assets to live in assisted living and avoid institutional care. Thus, in addition to households with incomes of \$40,000 or greater, there is a substantial base of senior households with lower incomes who income-qualify based on assets – their homes, in particular.

An estimated 75% of age 75 and older households in the PMA are homeowners and the estimated median sale price for older homes in the PMA is \$325,000 in 2022. Seniors selling their homes for the median price would generate roughly \$305,500 in proceeds after selling costs.

- Using an average monthly fee of \$4,000, these proceeds would last approximately over six years (81 months) in assisted living housing, which is longer than the average length of stay in assisted living (20 months according to the 2009 Overview of Assisted Living).

For the age groups in the following table, we estimate the income-qualified percentage to be all seniors in households with incomes at or above \$40,000 (who could afford beginning monthly rents of \$3,000+ per month) plus 40% of the estimated seniors in owner households with incomes below \$40,000 (who will spend down assets, including home-equity, to live in assisted living housing). This results in a total potential market for 499 units from the PMA as of 2022.

Because the vast majority of assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 75 and older in the PMA living alone, or 54% based on Census data. This results in a total base of 270 age/income-qualified singles. The Overview of Assisted Living found that 12% of residents in assisted living were couples. Including couples results in a total of 306 age/income-qualified seniors needing assistance in the PMA in 2022.

We estimate that 60% of the qualified market needing significant assistance with ADLs could either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted living housing. Applying this market penetration rate of 40% results in demand for 123 assisted living units in 2022.

A portion of demand for assisted living units in the PMA (25%) will come from outside the area. This secondary demand includes seniors currently living just outside the PMA, former residents, and parents of adult children who desire supportive housing near their adult children. Applying this figure results in total potential demand for 165 assisted living units in 2022.

Next, existing assisted living units are subtracted from overall demand. There are two existing facilities in the PMA with a total of 67 assisted living units. However, we adjust the number of competitive units based on location and exclude estimated units occupied by low-income seniors utilizing Elderly Waivers (ten units). After subtracting the existing units (minus a 7% vacancy factor) from the total demand equals excess demand potential for 129 assisted living units in the PMA in 2022.

We then incorporate the 30 assisted living units under construction at the Sycamore Senior Living development in River Falls. Subtracting existing and pending units from overall demand results in excess demand for 157 assisted living units in the PMA in 2027.

- We anticipate that the City of River Falls can capture 65% of the excess demand potential in the PMA. Based on this capture rate, we find demand for 84 assisted living units in River Falls in 2022, growing to 102 units in 2027.

### **Demand for Memory Care Senior Housing**

Table 21 on the following page presents our demand calculations for memory care housing in the PMA in 2022 and 2027. Demand is calculated by starting with the estimated senior (ages 65+) population in 2022 and multiplying by the incidence rate of Alzheimer's/dementia among the age cohorts in this population. This yields a potential market of 661 seniors in the PMA. We anticipate that this number will climb to 822 in 2027.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments are a market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the latter stages of dementia will require intensive medical care that would only be available in skilled care facilities.

- Applying this figure to the estimated population with memory impairments yields a potential market of about 168 seniors in the PMA in 2022 and 209 seniors in 2027.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing start at about \$4,500. Although some of the seniors will have high monthly incomes, most will be willing to spend down assets and/or receive financial assistance from family members to afford memory care housing.

Based on our review of senior household incomes in the PMA, homeownership rates, and home sale data, we estimate that 53% of all seniors in the PMA have incomes and/or assets to sufficiently cover the costs for memory care housing in 2022. This figure takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently.

Multiplying the potential market (168 seniors) by 53% results in a total of 89 income-qualified seniors in the PMA in 2022. We estimate that 25% of the overall demand for memory care housing would come from outside the PMA, for a total demand of 119 units in 2022.

<b>TABLE 21 MEMORY CARE DEMAND PRIMARY MARKET AREA 2022 &amp; 2027</b>		
	<b>2022</b>	<b>2027</b>
65 to 74 Population	3,978	4,663
(times) Dementia Incidence Rate <sup>1</sup>	x 2%	x 2%
(equals) Estimated Senior Pop. with Dementia	= 95	= 112
75 to 84 Population	1,580	2,193
(times) Dementia Incidence Rate <sup>1</sup>	x 19%	x 19%
(equals) Estimated Senior Pop. with Dementia	= 307	= 425
85+ Population	611	672
(times) Dementia Incidence Rate <sup>1</sup>	x 42%	x 42%
(equals) Estimated Senior Pop. with Dementia	= 259	= 285
<b>(equals) Total Population with Dementia</b>	<b>661</b>	<b>822</b>
(times) Percent Needing Specialized Memory Care Assistance	x 25%	x 25%
(equals) Total Need for Dementia Care	= 168	= 209
(times) Percent Income/Asset-Qualified <sup>2</sup>	x 53%	x 59%
(equals) Total Income-Qualified Market Base in PMA	= 89	= 123
(plus) Demand from Outside the PMA (25%)	+ 30	+ 41
<b>Total Demand for Memory Care Units</b>	<b>119</b>	<b>164</b>
(minus) Existing and Pending Memory Care Units <sup>3</sup>	- 73	- 85
<b>(equals) Excess Memory Care Demand Potential in PMA</b>	<b>46</b>	<b>79</b>
(times) Percent capturable in River Falls	x 65%	x 65%
<b>(equals) Number of Units Supportable in River Falls</b>	<b>30</b>	<b>52</b>
<sup>1</sup> Alzheimer's Association: Alzheimer's Disease Facts & Figures (2019)		
<sup>2</sup> Income greater than \$60,000 in 2022 and greater than \$65,000 in 2027, plus some lower-income homeowners.		
<sup>3</sup> Existing and pending units at 93% occupancy, minus units estimated to be occupied by Elderly Waiver residents.		
Source: Maxfield Research & Consulting, LLC		

Next, existing and pending memory care units are subtracted from overall demand. There are four existing buildings in the PMA with a total of 104 memory care units. However, we adjust the number of competitive units based on location and by excluding estimated units occupied by low-income seniors utilizing Elderly Waivers (15%).

- After subtracting the existing units (minus a 7% vacancy factor) from the total demand equals excess demand potential for 46 memory care units in the PMA in 2022.

We then incorporate the 16 memory care units under construction at the Sycamore Senior Living development in River Falls. Subtracting existing and pending units from overall demand results in excess demand for 79 memory care units in the PMA in 2027.

- We anticipate that the City of River Falls can capture 65% of the excess demand potential in the PMA. Based on this capture rate, we find demand for 30 memory care units in River Falls in 2022, increasing to 52 units in 2027.

**Senior Housing Demand Summary**

As described below, our assessment of the factors impacting demand for senior housing, including demographic, economic and competitive variables, supports additional senior housing units, in River Falls in 2022 and 2027. A growing older adult and senior population should maintain long-term demand for senior housing alternatives in the area. Table 22 summarizes our demand calculations for senior housing in the PMA and the City of River Falls

<b>TABLE 22 SENIOR HOUSING DEMAND SUMMARY CITY OF RIVER FALLS 2022 &amp; 2027</b>				
<b>Service Level</b>	<b>Total Excess Demand in PMA</b>		<b>Units Capturable in River Falls*</b>	
	<b>2022</b>	<b>2027</b>	<b>2022</b>	<b>2027</b>
<b>Market Rate Active Adult</b>	<b>299</b>	<b>375</b>	<b>194</b>	<b>243</b>
<b>Owner</b>	191	239	124	155
<b>Renter</b>	108	136	70	88
<b>Affordable Active Adult</b>	<b>440</b>	<b>400</b>	<b>286</b>	<b>260</b>
<b>Deep-Subsidy</b>	161	145	105	94
<b>Shallow-Subsidy</b>	279	255	181	166
<b>Service-Enhanced Senior Housing Units</b>	<b>335</b>	<b>426</b>	<b>218</b>	<b>278</b>
<b>Independent Living</b>	160	190	104	124
<b>Assisted Living</b>	129	157	84	102
<b>Memory Care</b>	46	79	30	52
<b>Total Senior Housing Demand:</b>	<b>1,074</b>	<b>1,201</b>	<b>698</b>	<b>781</b>

\*based on a 65% capture rate

Source: Maxfield Research & Consulting, LLC

In total, we find demand for 698 senior housing units in River Falls in 2022, increasing 12% to 781 units in 2027. By 2027, we estimate demand for 243 market rate active adult units (31% of total senior housing demand), 260 affordable active adult units (33%), and 278 service-enhanced senior housing units (36% of total senior housing demand).

## Summary and Conclusions

Demand for housing can come from several sources including household growth, changes in housing preferences, and replacement need. Demographic shifts, such as changes to household income, household tenure, household types, and household sizes, as well as new household formation are significant factors influencing housing demand. Housing demand is also impacted by job growth since employment growth often fuels household growth.

The following points summarize shifts to key demographic variables influencing housing demand in the Market Area since the Comprehensive Housing Needs Analysis was completed for the City of River Falls in 2018.

- According to the Census, River Falls had a population of 16,182 in 2020 and a household base of 5,719, while the PMA's population was 42,463 with a household base of 15,706.
  - The City of River Falls experienced average annual population growth of 0.8% between 2010 and 2020 (1.1% average annual household growth), faster than the projected rate of growth from the 2018 study (0.5% annual population growth and 0.9% annual household growth projected).
  - On an average annual basis, the PMA experienced 0.6% population growth and 0.9% household growth from 2010 to 2020, compared to the 2018 forecast of 0.6% average annual population growth and 0.8% average annual household growth.
- ESRI projects continued growth in the Market Area between 2020 and 2030, although slightly slower than the average annual rate of growth projected during the 2018 study.
  - River Falls is projected to add an estimated 918 people between 2020 and 2030, reaching a population of 17,100 in 2030 (0.6% average annual growth). The 2030 population forecast for River Falls from the 2018 study was 17,139 which reflected a projected 0.8% average annual growth during the decade.
  - The household base in River Falls is projected to grow at a 0.8% average annual rate between 2020 and 2030, compared to the forecasted growth rate of 1.1% from the 2018 study.
  - The PMA's population is projected to expand at a 0.7% average annual rate against household growth of 1.0% per year between 2020 and 2030, compared to the forecasted growth of 0.9% (population) and 1.1% (households) in 2018.

- In 2022, the median household income is estimated to be \$90,143 in the PMA, notably higher than the projected median household income of \$84,302 from the 2018 study. The estimated median household income increased at a 3.7% average annual rate from 2017 to 2022, compared to the projected growth rate of 2.2% in 2018.
  - By 2027, the median household income is expected to increase 14.5% to \$103,221 in the PMA. The average annual increase of 2.9% will exceed the historical annual inflation rate of 1.9% over the past ten years.
- In 2022, an estimated 52.5% of all households own in River Falls, while 72.6% of all PMA households own.
  - Home ownership rates have increased modestly since the 2018 study, when an estimated 50.7% of all households in River Falls owned and 71.4% of all PMA households owned.
- The total number of owner households in River Falls grew by an estimated 477 households since the 2018 study, an increase of 18.2%, while the number of renter-occupied households expanded 4.0%, adding 107 renter households.
- Job growth in Pierce and St. Croix County, which had been tracking slightly faster than forecast in the 2018 study prior to the COVID-19 pandemic, is expected to slow in comparison to the rate of growth forecast in 2018.
  - Employment is projected to increase at a 0.8% average annual rate in Pierce and St. Croix County (combined) between 2021 and 2030, compared to the 1.5% average annual rate of growth forecast in 2018.
- The rate of wage growth has accelerated substantially in the Market Area since the 2018 study was completed. In Pierce County, average weekly wages increased 4.1% annually between 2017 and 2021 compared to 1.0% average annual growth from 2010 to 2016. Average weekly wages in St. Croix County increased 5.3% annually since 2017 compared to 2.9% average annual growth between 2010 and 2016.
- As summarized in the general occupancy demand calculations presented earlier, we project that 34% of owner households and 82% of renter households will experience turnover between 2022 and 2030.
  - The average annual turnover rate of 4.2% for owner households is slightly faster than projected in the 2018 study (4.0%), while the average annual renter household turnover rate of 10.3% (2022 to 2030) is notably faster than 7.0% projected in 2018.

**Housing Demand Summary**

Table 23 summarizes current housing demand estimates, including total demand and average annual demand for general occupancy for-sale and rental housing from 2022 to 2030, compared to average annual general occupancy demand estimates from the 2018 Comprehensive Housing Needs Analysis for the City of River Falls. The table also summarizes senior housing demand in River Falls in 2022 and 2027, with comparisons made to the 2022 senior housing demand projections from the 2018 study.

In total, we find demand to support 954 general occupancy housing units between 2022 and 2030, with demand being weighted toward for-sale housing (618 units) compared to rental housing (336 units).

On an average annual basis, we project demand for 119 new general occupancy housing units per year between 2022 and 2030, slightly faster than the projected rate of development from the 2018 Housing Needs Analysis (117 units per year). While population and household growth projections for River Falls are slightly lower than forecast in the 2018 study, the rate of household turnover is projected to be faster which is the primary factor driving the accelerated rate of housing demand.

<b>TABLE 23 HOUSING DEMAND SUMMARY &amp; COMPARISON CITY OF RIVER FALLS 2018 &amp; 2022</b>			
	Demand from 2018 Study	Updated Demand Estimates October 2022	
	Avg. Annual Demand	Avg. Annual Demand	2022 to 2030 Total
<b>General Occupancy Housing</b>			
<b>For-Sale Units</b>	<b>64</b>	<b>77</b>	<b>618</b>
Detached Single-family	42	50	402
Multifamily	22	27	216
<b>Rental Units</b>	<b>53</b>	<b>42</b>	<b>336</b>
Market Rate	21	0	0
Shallow-Subsidy	16	25	196
Deep-Subsidy	16	18	140
<b>Total General Occupancy Housing Units</b>	<b>117</b>	<b>119</b>	<b>954</b>
<b>Senior Housing</b>	<b>2022</b>	<b>2022</b>	<b>2027</b>
<b>Total Senior Housing Units*</b>	<b>571</b>	<b>698</b>	<b>781</b>
*all service levels combined			
Source: Maxfield Research & Consulting, LLC			



Except for market rate rental housing, average annual demand for general occupancy housing is projected to be higher than previously forecast in the 2018 study for all product types, with the largest growth occurring in demand for shallow-subsidy rental housing (annual demand for 25 units compared to 16 units in 2018).

- Average annual demand for detached single-family housing increased from 42 units per year in 2018 to 50 units per year, while owned multifamily demand increased from 22 units per year in 2018 to 27 units per year. Note that rising mortgage rates will likely affect the housing market and could slow projected for-sale housing demand in the short term.
- Average annual demand for general occupancy market rate rental housing decreased from 21 units per year in 2018 to negligible demand. While vacancy rates (0.8%) among the newest market rate properties in River Falls are well below equilibrium, suggesting pent-up demand, the decline in projected demand is due to the amount of market rate product currently in the development pipeline in River Falls. There are 251 units approved or expected to move forward which were subtracted from the total demand potential (225 units). Generally, when pending development exceeds estimated demand potential, the market is at risk of reaching market saturation.

Pending projects can still achieve successful lease-up by attracting a substantial proportion of their residents from outside the PMA. Additionally, construction start dates for some of the planned projects could be phased with a decision to proceed with later phases being based on the interest and lease-up experienced during the initial phase(s).

As summarized previously, we find demand for 698 senior housing units in River Falls in 2022, increasing to 781 units in 2027. This level of senior housing demand (particularly market rate active adult) may not be realized in the short-term as many seniors, especially in rural areas, prefer to age in place and delay moving to senior housing until they need services. By comparison, the 2018 Housing Needs Analysis projected demand for 571 senior housing units in 2022.

**This Housing Market Demand Update is intended only to broadly assess the depth of the market for general occupancy housing from 2022 to 2030 and senior housing demand in 2022 and 2027. This analysis does not incorporate a Comprehensive Housing Needs Analysis, which would provide greater insight into the overall demand potential in the PMA and the ability of the City of River Falls to capture demand.**