MULTI-FAMILY APARTMENT DEMAND

Cambridge, Minnesota

Prepared for

City of Cambridge

January 2019

McCOMB GROUP, Ltd.
REAL ESTATE AND RETAIL CONSULTANTS

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INTRODUCTION

McComb Group, Ltd. was engaged by the City of Cambridge to estimate market demand for market rate and affordable apartment units in Cambridge, Minnesota. Work tasks conducted as part of this engagement are summarized below.

- ♦ Potential sites for multi-family development in Cambridge were reviewed.
- ♦ Competitive rental apartments in the vicinity were identified including number of units, units by type, bedrooms, baths, rents, age, vacancy, and location. Exterior amenities were identified. Planned and proposed competitive rental developments were identified.
- ♦ The market area for rental housing in Cambridge was delineated. Demographic and housing characteristics of the market area were analyzed to identify demand for apartment units. Demographic characteristics that were evaluated include, but were not limited to: population, age distribution, educational attainment, race and ethnicity, households by type, median and average household income, household size, and renter and owner occupied units. Market area civilian labor force, employment, and unemployment trends were evaluated. Demographic characteristics were compiled for 2000 and 2010 census, and 2018 and 2023 estimates to evaluate growth trends.
- ♦ Cambridge employment trends were identified including, but not limited to: employment by industry, wages, and other related information. The Cambridge employment market area was delineated to determine where workers employed in Cambridge live. Work location of existing Cambridge employed workers was also identified.
- ♦ Annual demand and absorption for market rate and affordable rental housing was estimated taking into consideration household growth, employment demand, and other factors. Demand estimates included market rate rents and likely absorption rates. In addition, the demand for affordable housing was estimated based on HUD income limits.

This report contains the primary information needed to support the principal conclusions. However, in a report of this nature, it is not possible to include all of the information that was developed and evaluated. Any additional information will be furnished upon request.

Report Purpose

This report was prepared in accordance with our proposal dated October 25, 2018. This report was prepared with the understanding that the results of our work will be used by the City of Cambridge to evaluate market demand for rental housing in the City of Cambridge, Minnesota. Our report was prepared for that purpose and is subject to the following qualifications:

- Our analysis did not ascertain the legal and regulatory requirements applicable to this project including zoning, other state, and local government regulations, permits, and licenses. No effort was made to determine the possible effect on the proposed project of present or future federal, state, or local legislation, or any environmental or ecological matters.

- Our report and analysis was based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and discussions with the client. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, actual results achieved will vary from the analysis.
- Our analysis did not evaluate management's effectiveness nor are we responsible for future marketing efforts and other management actions upon which actual results are dependent.

Our report is intended solely for the purpose described above and should not be used for any other purpose without our prior written permission. Permission for other use of the report will be granted only upon meeting company standards for the proposed use.

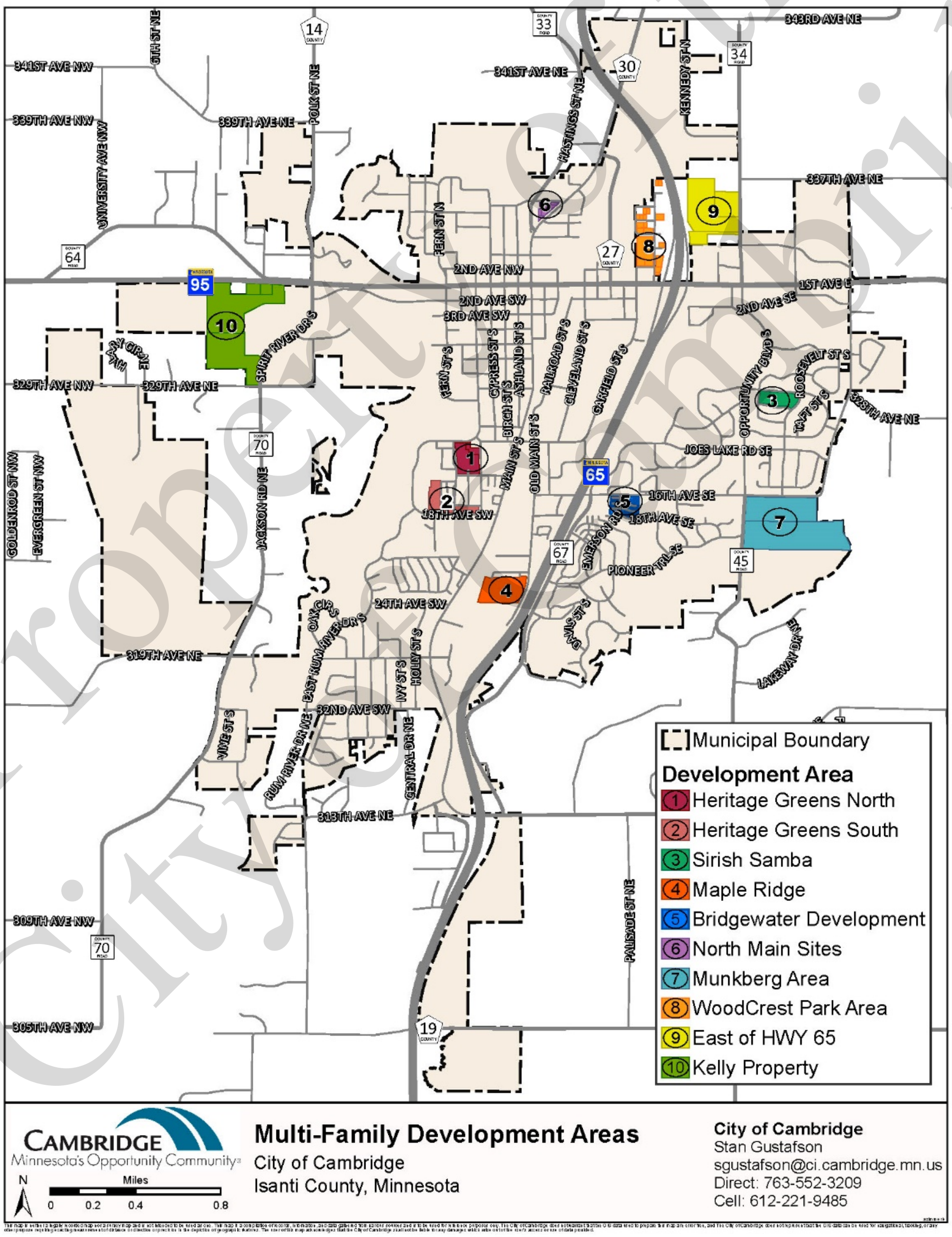
Chapter I

CAMBRIDGE

Cambridge is a regional center in the northern area of the Minneapolis-St. Paul Metropolitan Area with approximately 9,141 residents. The City has identified 10 potential multi-family sites, as shown on Figure 1. These sites are potential locations for market rate, affordable, or senior multi-family developments.

Figure 1

MULTI-FAMILY DEVELOPMENT AREAS



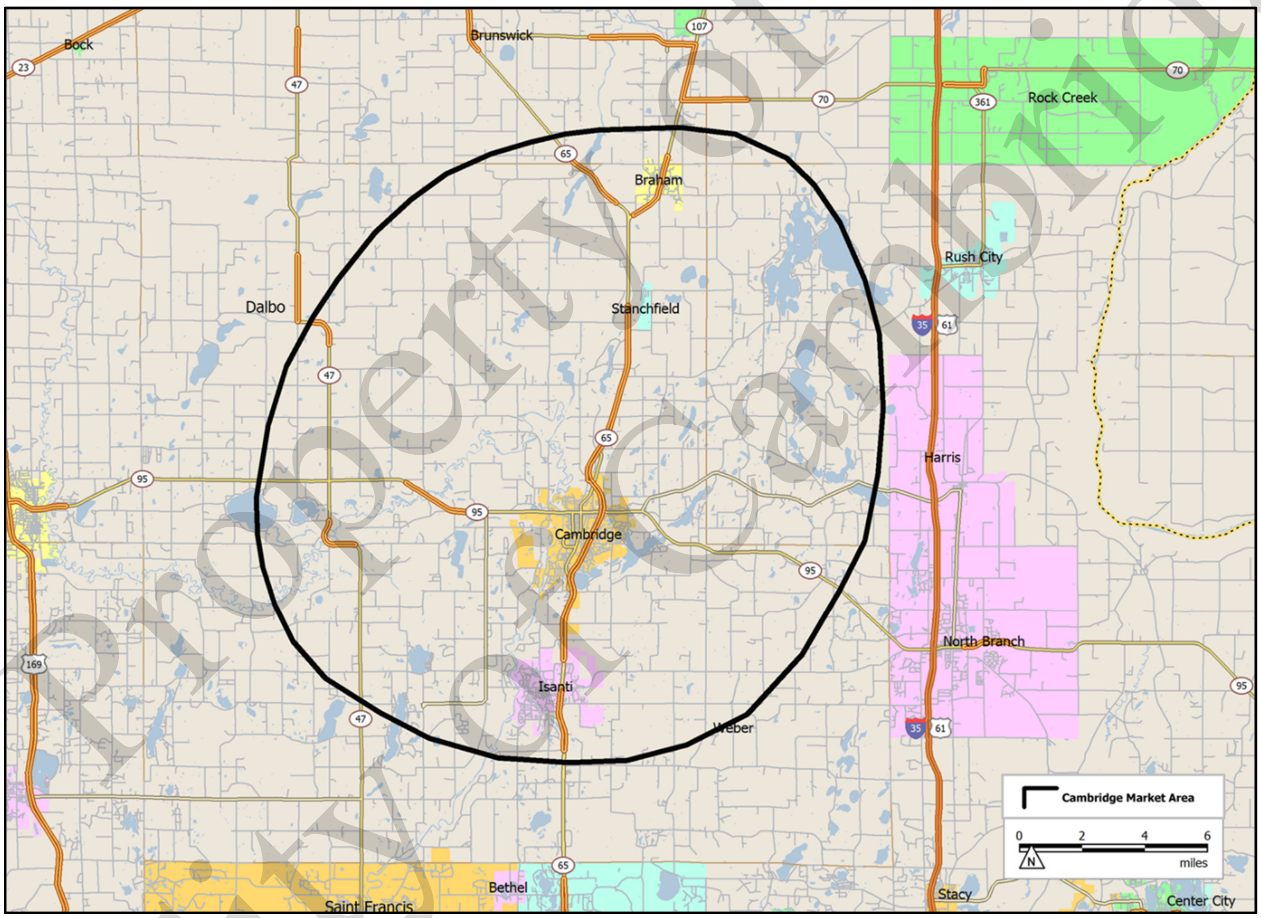
Chapter II

CAMBRIDGE MARKET AREA

Population, households, employment, and other demographic trends in the Cambridge market area provide valuable information about current and future demand for rental housing. The market area, shown on Map 1, is based on the location of competitive apartment buildings, arterial road networks, natural boundaries, and previous experience. Highway 65 serves as an important commuter route for residents that work in the Twin Cities area, as well as those that work in communities to the north. Highway 95 is an important east/west route in central Minnesota.

Map 1

CAMBRIDGE MARKET AREA



Source: Scan/US, Inc. and McComb Group, Ltd.

The market area for Cambridge apartment developments extends from the Highway 65 and TH-95 interchange about eight miles south, about 8.5 miles east, about 11 miles west, and about 12 miles north reflecting travel patterns and location of competitive apartment communities.

Population and Households

Population and household growth trends in the City of Cambridge, Cambridge market area, and State of Minnesota are shown in Table 1. Population and households in Cambridge generally grew at a faster pace than both the market area and Minnesota.

Cambridge's population increased by 2,514 for an annual growth rate of 3.78 percent from 2000 to 2010, increasing from 5,603 to 8,117 people. Population is estimated to have increased by 1,024 to 9,141 in 2018, an annual average increase of 1.50 percent. The growth rate is expected to accelerate through 2023, with population estimated to increase by 1,084 to 10,225 people, representing a 2.27 percent annual growth rate. Households within Cambridge are estimated to increase by 522 from 3,140 in 2010 to 3,662 in 2018, an annual growth rate of 1.94 percent. Estimates indicate households will increase by 215 through 2023, increasing households to 3,877, an annual growth rate of 1.15 percent.

Table 1

CITY OF CAMBRIDGE, CAMBRIDGE MARKET AREA, AND STATE OF MINNESOTA: POPULATION AND HOUSEHOLDS 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

	City of Cambridge		Market Area		Minnesota	
Population						
2000	5,603		25,340		4,919,481	
2010	8,117		31,984		5,303,925	
2018E	9,141		33,883		5,614,097	
2023E	10,225		37,406		5,869,428	
Annual Growth Rate						
2000-2010	3.78	%	2.36	%	0.76	%
2010-2018E	1.50		0.72		0.71	
2018-2023E	2.27		2.00		0.89	
Households						
2000	2,265		9,194		1,895,128	
2010	3,140		11,898		2,087,227	
2018E	3,662		13,020		2,245,268	
2023E	3,877		13,608		2,325,270	
Annual Growth Rate						
2000-2010	3.32	%	2.61	%	0.97	%
2010-2018E	1.94		1.13		0.92	
2018-2023E	1.15		0.89		0.70	

E: Estimated.
Source: Scan/US, Inc. and McComb Group, Ltd.

Population in the Cambridge market area increased by 1,899 for an annual growth rate of 0.72 percent between 2010 and 2018 increasing from 31,984 to 33,883 people. Population is estimated to increase by 3,523 to 37,406 in 2023 or at an annual growth rate of 2.00 percent. Market area households increased by 1,122 from 11,898 in 2010 to 13,020 in 2018, a 1.13 percent annual growth rate. Estimates indicate that households will increase by 588 in 2023, increasing households in the market area to 13,608, an annual growth rate of 0.89 percent.

Minnesota population increased at an annual growth rate of 0.71 percent between 2010 and 2018, increasing population to over 5.6 million in 2018. By 2023, estimates indicate Minnesota population increasing to over 5.8 million, a 0.89 percent annual increase. Households within Minnesota have been growing at slightly higher rates. In 2018, Minnesota households totaled about 2,245,268, a 0.92 percent annual growth rate from 2010. By 2023, households are expected to increase to 2,325,270, a 0.70 percent annual growth rate.

Household Income

Average household income in Cambridge, the market area, and Minnesota is shown in Table 2. Average household income in Cambridge is lower than both the market area and Minnesota and is estimated at $70,720 in 2018, compared to $83,465 in the market area and $98,157 in Minnesota. It is estimated that average household incomes for these three areas will continue to increase through 2023, increasing average household income to $80,658 in Cambridge, $96,652 in the market area, and $116,732 in Minnesota.

Table 2

CITY OF CAMBRIDGE, CAMBRIDGE MARKET AREA, AND STATE OF MINNESOTA AVERAGE AND MEDIAN HOUSEHOLD INCOME 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

	City of Cambridge	Market Area	Minnesota
Average Household Income			
2000	$ 49,167	$ 55,024	$ 59,561
2010	58,602	64,763	71,385
2018E	70,720	83,465	98,157
2023E	80,658	96,652	116,732
Median Household Income			
2000	$ 36,576	$ 47,871	$ 47,144
2010	51,319	57,274	55,472
2018E	53,816	64,174	70,609
2023E	60,965	74,257	80,792

E: Estimated.
Source: Scan/US, Inc. and McComb Group, Ltd.

Households with incomes above $75,000 represented 29.5 percent of the households in Cambridge compared to 34.5 percent in the market area in 2010, as shown in Table 3. In 2018, households with incomes above $75,000 are estimated to increase to 36.3 percent in Cambridge compared to 41.8 percent of the households in the market area. These are lower than the percent of households with incomes above $75,000 in Minnesota, 35.3 percent and 47.2 percent, respectively.

Table 3

CITY OF CAMBRIDGE, CAMBRIDGE MARKET AREA, AND STATE OF MINNESOTA
HOUSEHOLD INCOME DISTRIBUTION: 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

	City of Cambridge		Market Area		Minnesota	
	Number	Percent	Number	Percent	Number	Percent
Households above $75,000						
2000	327	14.4 %	1,917	20.8 %	468,004	24.7 %
2010	925	29.5	4,102	34.5	736,321	35.3
2018E	1,328	36.3	5,438	41.8	1,059,551	47.2
2023E	1,575	40.6	6,683	49.1	1,237,823	53.2
Households above $100,000						
2000	147	6.5 %	746	8.1 %	239,295	12.6 %
2010	430	13.7	2,029	17.1	446,983	21.4
2018E	870	23.8	3,503	26.9	740,836	33.0
2023E	1,163	30.0	4,795	35.2	923,276	39.7
Households above $150,000						
2000	88	3.9 %	213	2.3 %	82,816	4.4 %
2010	148	4.7	478	4.0	169,163	8.1
2018E	238	6.5	995	7.6	360,167	16.0
2023E	449	11.6	1,744	12.8	502,121	21.6

E: Estimated.
Source: Scan/US, Inc. and McComb Group, Ltd.

Educational Attainment

The City of Cambridge has a slightly higher educational attainment than the market area and lower than Minnesota, as shown in Table 4. This is not unusual for a rural market area with significant undeveloped area. In 2018, 14.8 percent of the population age 25+ has a college degree compared to 13.5 percent in the market area and 23.5 percent in Minnesota. Residents with graduate or professional degrees in 2018 are estimated at 6.2 percent of the population age 25+ in Cambridge compared to 6.0 percent in the market area and 12.5 percent in Minnesota.

Table 4

CITY OF CAMBRIDGE, CAMBRIDGE MARKET AREA, AND STATE OF MINNESOTA
EDUCATIONAL ATTAINMENT OF POPULATION AGE 25+: 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

	2000		2010		2018 E		2023 E	
Attainment	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CITY OF CAMBRIDGE								
No High School Diploma	606	16.3 %	453	8.7 %	534	8.7 %	577	8.3 %
High School Diploma	1,331	35.8	1,695	32.4	1,992	32.4	2,303	33.2
College, No Diploma	896	24.1	1,531	29.3	1,542	25.1	1,768	25.5
Associate Degree	177	4.8	463	8.9	785	12.8	891	12.8
College Degree	443	11.9	690	13.2	909	14.8	999	14.4
Graduate/Prof. Degree	262	7.1	399	7.6	380	6.2	400	5.8
MARKET AREA								
No High School Diploma	2,183	8.2 %	1,622	7.7 %	1,832	7.9 %	1,976	7.7 %
High School Diploma	6,112	22.8	8,087	38.6	8,115	35.1	9,310	36.2
College, No Diploma	4,178	15.6	5,679	27.1	5,805	25.1	6,543	25.5
Associate Degree	11,936	44.6	2,001	9.5	2,873	12.4	3,111	12.1
College Degree	1,659	6.2	2,450	11.7	3,117	13.5	3,343	13.0
Graduate/Prof. Degree	714	2.7	1,122	5.4	1,389	6.0	1,424	5.5
MINNESOTA								
No High School Diploma	381,059	12.1 %	287,774	8.2 %	263,784	6.9 %	276,565	6.9 %
High School Diploma	911,950	28.8	960,498	27.3	947,956	24.9	993,930	24.8
College, No Diploma	758,646	24.0	797,065	22.7	796,315	20.9	835,058	20.9
Associate Degree	242,921	7.7	352,198	10.0	430,735	11.3	451,777	11.3
College Degree	604,856	19.1	757,905	21.5	897,168	23.5	940,868	23.5
Graduate/Prof. Degree	262,719	8.3	361,623	10.3	478,417	12.5	501,734	12.5

E: Estimated.
Source: U.S. Census, Scan/US and McComb Group, Ltd.

Housing Tenure

Rental housing represents a higher proportion of housing in Cambridge compared to both the market area and Minnesota, as shown in Table 5. In 2010, rental housing represented 33.2 percent in Cambridge and 18.4 percent in the market area. The proportion of rental housing in 2018 is estimated to have remained stable with 34.5 percent in Cambridge and 19.0 percent in the market area. Rental housing estimates for 2023 do not take into consideration current trends in suburban apartment construction. The amount of rental housing is expected to increase due to demand from new households and recently employed adults that are currently living at home and seek rental housing in the future. In many cases, the cost of new entry level, single family housing is too expensive for these households.

Table 5

CITY OF CAMBRIDGE, CAMBRIDGE MARKET AREA, AND STATE OF MINNESOTA
HOUSING TENURE: 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

	City of Cambridge		Market Area		Minnesota	
Housing Units	Number	Percent	Number	Percent	Number	Percent
2000						
Owned	1,442	63.7 %	7,738	84.2 %	1,412,866	74.6 %
Rented	823	36.3	1,456	15.8	482,262	25.4
Total	2,265	100.0 %	9,194	100.0 %	1,895,128	100.0 %
2010						
Owned	2,096	66.8 %	9,711	81.6 %	1,523,859	73.0 %
Rented	1,044	33.2	2,187	18.4	563,368	27.0
Total	3,140	100.0 %	11,898	100.0 %	2,087,227	100.0 %
2018E						
Owned	2,397	65.5 %	10,542	81.0 %	1,614,734	71.9 %
Rented	1,265	34.5	2,478	19.0	630,534	28.1
Total	3,662	100.0 %	13,020	100.0 %	2,245,268	100.0 %
2023E						
Owned	2,552	65.8 %	11,012	80.9 %	1,669,456	71.8 %
Rented	1,325	34.2	2,596	19.1	655,814	28.2
Total	3,877	100.0 %	13,608	100.0 %	2,325,270	100.0 %

Source: Scan/US, Inc.

Households by Income

In the City of Cambridge, 46.2 percent of the households (1,689) had incomes under $50,000 and an additional 17.6 percent had incomes between $50,000 and $75,000 in 2018, as shown in Table 6. A household with an annual income of $50,000, depending on household size, would qualify for affordable housing. In the market area 38.1 percent of the households (4,964) had incomes below $50,000 and depending on household size, would qualify for affordable housing.

Table 6

CITY OF CAMBRIDGE AND CAMBRIDGE MARKET AREA
HOUSEHOLDS BY INCOME: 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

	2000		2010		2018E		2023E	
Item	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CAMBRIDGE								
Less Than $20,000	562	24.8 %	657	20.9 %	472	12.9 %	432	11.1 %
$20,000 - $29,999	340	15.0	273	8.7	341	9.3	302	7.8
$30,000 - $39,999	298	13.2	278	8.9	467	12.8	398	10.3
$40,000 - $49,999	197	8.7	307	9.8	409	11.2	394	10.2
$50,000 - $74,999	541	23.9	700	22.3	645	17.6	776	20.0
$75,000 - $99,999	180	7.9	495	15.8	458	12.5	412	10.6
Over $100,000	147	6.5	430	13.7	870	23.8	1,163	30.0
MARKET AREA								
Less Than $20,000	1,328	14.7 %	1,544	13.2 %	1,281	9.8 %	1,091	8.0 %
$20,000 - $29,999	992	11.0	917	7.8	1,002	7.7	959	7.0
$30,000 - $39,999	1,147	12.7	1,092	9.3	1,367	10.5	1,035	7.6
$40,000 - $49,999	1,001	11.1	1,196	10.2	1,314	10.1	1,259	9.3
$50,000 - $74,999	2,628	29.2	2,890	24.6	2,619	20.1	2,581	19.0
$75,000 - $99,999	1,171	13.0	2,073	17.7	1,935	14.9	1,888	13.9
Over $100,000	746	8.3	2,029	17.3	3,503	26.9	4,795	35.2

E: Estimated.
Source: Scan/US, Inc. and McComb Group, Ltd.

Renter Household Size

One person households are the dominant renter household size in the City of Cambridge and the market area in 2018, as shown in Table 7. In Cambridge, two person households ranked second with 284 households and three-four person households totaled 281. Market area rental households with two or three-four persons totaled 563 and 651, respectively.

Table 7

CITY OF CAMBRIDGE AND CAMBRIDGE MARKET AREA
RENTER HOUSEHOLD SIZE: 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

Item	2000	2010	2018E	2023E
CAMBRIDGE				
1 Person	443	486	602	608
2 Persons	189	234	284	279
3-4 Persons	168	237	281	327
5+Persons	23	87	98	111
MARKET AREA				
1 Person	694	881	1,030	1,036
2 Persons	399	512	563	594
3-4 Persons	312	592	651	704
5+Persons	76	221	236	263

E: Estimated.
Source: Scan/US, Inc. and McComb Group, Ltd.

Labor Force

The Cambridge labor force, consisting of employed and unemployed residents, represented 64.9 percent of the population age 16+ in 2000, as shown in Table 8. The Cambridge labor force was 2,851 in 2000 and increased to 4,052 in 2010, and is estimated to have increased further to 4,589 in 2018. Labor force participation increased to 66.1 percent in 2010, then declined to an estimated 64.2 percent in 2018 and 64.4 percent in 2023. Employed residents totaled 2,713 in 2000, increased to 3,612 in 2010, is estimated at 4,410 in 2018, and is expected to increase to 5,057 by 2023.

Table 8

CITY OF CAMBRIDGE, CAMBRIDGE MARKET AREA, AND STATE OF MINNESOTA
LABOR FORCE OF POPULATION AGE 16+: 2000 AND 2010 CENSUS; 2018 AND 2023 ESTIMATED

	City of Cambridge		Market Area		Minnesota	
Labor Force/Year	Number	Percent	Number	Percent	Number	Percent
2000						
Employed	2,713	61.8 %	12,940	68.5 %	2,580,902	68.2 %
Unemployed	138	3.1	537	2.8	109,107	2.9
In Armed Force	-	-	1	0.0	2,599	0.1
Not in Labor Force	1,536	35.0	5,414	28.7	1,090,210	28.8
Total Pop. Age 16+	4,387	100.0 %	18,892	100.0 %	3,782,818	100.0 %
2010						
Employed	3,612	58.9 %	15,266	62.5 %	2,689,222	64.5 %
Unemployed	440	7.2	1,768	7.2	244,226	5.9
In Armed Force	23	0.4	38	0.2	2,186	0.1
Not in Labor Force	2,061	33.6	7,365	30.1	1,232,685	29.6
Total Pop. Age 16+	6,136	100.0 %	24,437	100.0 %	4,168,319	100.0 %
2018E						
Employed	4,410	61.7 %	17,888	67.0 %	3,010,554	67.3 %
Unemployed	179	2.5	657	2.5	92,666	2.1
In Armed Force	-	-	1	0.0	2,246	0.1
Not in Labor Force	2,561	35.8	8,157	30.5	1,364,622	30.5
Total Pop. Age 16+	7,150	100.0 %	26,703	100.0 %	4,470,088	100.0 %
2023E						
Employed	5,057	62.1 %	20,174	67.4 %	3,143,297	67.3 %
Unemployed	190	2.3	682	2.3	96,729	2.1
In Armed Force	-	-	2	0.0	2,342	0.1
Not in Labor Force	2,890	35.5	9,063	30.3	1,425,269	30.5
Total Pop. Age 16+	8,137	100.0 %	29,921	100.0 %	4,667,637	100.0 %

Source: Scan/US, Inc. and McComb Group, Ltd.

The market area labor force has increased from 13,477 in 2000 to 17,034 in 2010, and is expected to increase moderately to 18,545 in 2018 and 20,856 in 2023. Employed adults in the market area are estimated to increase from 15,266 in 2010 to 17,888 in 2018, and increase further to 20,174 by 2023.

Employed residents as a percent of Cambridge population declined from 61.8 percent in 2000 to 58.9 percent in 2010 as unemployment increased. Since 2010, the percent of employed residents has steadily increased to 61.7 percent in 2018 and is expected to increase in the future. Trends in the market area are similar. Between 2018 and 2023, Cambridge employed residents are estimated to increase by 647, while market area employed residents are estimated to increase by 2,286. This increase in employment will drive the demand for new housing, much of which will be rental.

Additional Demographic Characteristics

Demographic characteristics for the City of Cambridge, the Cambridge market area, and the State of Minnesota are summarized in demographic snapshots contained in Tables 9, 10, and 11 at the end of this chapter. These snapshots contain census data for 2000 and 2010, as well as estimates for 2018 and 2023. These estimates were provided by Scan/US, Inc., a source of census comparable demographic information.

Building Permits

Employment growth generally results in construction of single family and multi-family housing. Building permits in Cambridge demonstrate that the housing market has not fully responded to employment growth. Between 2010 and 2018, 294 single family and 374 multi-family housing permits were issued in Cambridge compared to 857 and 132, respectively, between 2000 and 2009, as shown in Table 12.

Table 12

CAMBRIDGE RESIDENTIAL BUILDING PERMITS
NEW CONSTRUCTION; 2000 TO 2018

Year	Single Family	Multi-Family	Total
2000	84	0	84
2001	68	0	68
2002	176	0	176
2003	143	0	143
2004	197	10	207
2005	86	39	125
2006	47	45	92
2007	51	8	59
2008	1	0	1
2009	4	30	34
2010	5	0	5
2011	3	12	15
2012	15	0	15
2013	20	24	44
2014	39	55	94
2015	36	48	84
2016	49	0	49
2017	73	157	230
2018	54	78	132
Total	1,151	506	1,657
2000-2009	857	132	989
Percent	86.7%	13.3%	100.0%
2010-2018	294	374	668
Percent	44.0%	56.0%	100.0%

Source: City of Cambridge.

During the 2000 to 2009 period, multi-family permits were 13.3 percent of the units. Between 2010 and 2018, multi-family permits represented 56.0 percent of the units, reflecting the increased demand for apartments.

Demographic Shifts

Millennials are represented by two age cohorts: 20-24 and 25-34. The younger 20-24 age cohort is increasing faster than the older cohort, as shown in Table 13. This suggests that some older millennials are moving out of Cambridge due to a lack of rental housing in the city.

Baby boomers, represented by the over age 65 age cohort, in the market area are estimated to increase by 1,915 people between 2018 and 2023 indicating growing demand for independent living. Some of these individuals live where Cambridge would be a logical locational choice for rental housing for those desiring a maintenance free lifestyle.

Table 13

DEMOGRAPHIC CHANGES
MILLENNIALS AND BABY BOOMERS

Age Cohort	2010	2018	2023	Increase 2018-23
CAMBRIDGE				
Millennials				
20-24	546	612	737	125
25-34	1,275	1,299	1,367	68
Baby Boomers				
65+	1,417	1,836	2,396	560
MARKET AREA				
Millennials				
20-24	1,771	1,948	2,370	422
25-34	4,392	4,380	4,565	185
Baby Boomers				
65+	3,989	5,311	7,226	1,915

Source: Scan/US, Inc. and McComb Group, Ltd.

Findings

Households and employment growth is creating demand for both market rate and affordable housing in Cambridge and its market area. Over the next five years, Cambridge households are expected to increase by about 215. Market area households are expected to increase by about 588.

About 22.5 percent of Cambridge market area households have incomes under $35,000 in 2018, an income that would support monthly rental rates of $850 or less. About 28.8 percent of the households in Cambridge have incomes below $35,000. Almost 42.0 percent of market area households have incomes above $75,000 and can afford market rents for new housing if they desire to live in a new apartment community in close proximity to their work location. About 36.3 percent of Cambridge households have incomes above $75,000.

The over 65 age cohort in Cambridge is estimated to increase by 560 between 2018 and 2023 indicating growing demand for independent living. This age cohort in the market area is estimated to expand by 1,915. Some of these individuals live where Cambridge would be a logical locational choice if housing were available.

Table 9

McComb Group, Ltd.

DEMOGRAPHIC AND INCOME SNAPSHOT

City of Cambridge 1/21/2019

SNAPSHOT	2000 Census	2010 Census	2018 Estimated	2023 Projected
Population	5,603	8,117	9,141	10,225
Households	2,265	3,140	3,662	3,877
Families	1,378	1,968	2,269	2,487
Per Capita Income	$ 20,692	$ 23,065	$ 28,702	$ 30,914
Median Household Income	$ 36,576	$ 51,319	$ 53,816	$ 60,965
Average Household Income	$ 49,167	$ 58,602	$ 70,720	$ 80,658
Average Household Size	2.30	2.47	2.40	2.55
Median Age	38	34	37	39

	Annual Percent Change		
TRENDS	2000 - 2010	2010 - 2018	2018 - 2023
Population	3.78 %	1.50 %	2.27 %
Households	3.32	1.94	1.15
Families	3.63	1.79	1.85
Median Household Income	3.44	0.60	2.53
Average Household Income	1.77	2.38	2.66

	2000 Census		2010 Census		2018 Estimated		2023 Projected	
HOUSEHOLDS BY INCOME	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than $15,000	370	16.3 %	388	12.4 %	319	8.7 %	265	6.8 %
$15,000 - $24,999	370	16.3	352	11.2	316	8.6	304	7.8
$25,000 - $34,999	358	15.8	362	11.5	419	11.4	327	8.4
$35,000 - $49,999	299	13.2	413	13.2	635	17.3	630	16.2
$50,000 - $74,999	541	23.9	700	22.3	645	17.6	776	20.0
$75,000 - $99,999	180	7.9	495	15.8	458	12.5	412	10.6
$100,000 - $149,999	59	2.6	282	9.0	632	17.3	714	18.4
$150,000 +	88	3.9	148	4.7	238	6.5	449	11.6
POPULATION BY AGE	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<19	1,557	27.8 %	2,340	28.8 %	2,387	26.1 %	2,550	24.9 %
20-24	330	5.9	546	6.7	612	6.7	737	7.2
25-34	646	11.5	1,275	15.7	1,299	14.2	1,367	13.4
35-44	792	14.1	952	11.7	1,037	11.3	1,133	11.1
45-54	604	10.8	907	11.2	922	10.1	945	9.2
55-64	394	7.0	680	8.4	1,048	11.5	1,097	10.7
65-74	437	7.8	525	6.5	773	8.5	984	9.6
75-84	491	8.8	500	6.2	657	7.2	863	8.4
85+	351	6.3	392	4.8	406	4.4	549	5.4
GENDER	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Male	2,533	45.2 %	3,848	47.4 %	4,383	47.9 %	4,895	47.9 %
Female	3,070	54.8	4,269	52.6	4,758	52.1	5,330	52.1
RACE AND ETHNICITY	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	5,447	97.2 %	7,672	94.5 %	8,451	92.5 %	9,389	91.8 %
Black	17	0.3	81	1.0	157	1.7	198	1.9
Native American	37	0.7	40	0.5	37	0.4	42	0.4
Asian/Pacific Islander	33	0.6	116	1.4	203	2.2	247	2.4
Other Races	69	1.2	208	2.6	293	3.2	349	3.4
Hispanic (Any Race)	37	0.7	140	1.7	244	2.7	302	3.0

Source: U.S. Census, Scan/US, Inc. and McComb Group, Ltd.

Table 10

McComb Group, Ltd.

DEMOGRAPHIC AND INCOME SNAPSHOT

Cambridge Market Area 1/21/2019

SNAPSHOT	2000 Census	2010 Census	2018 Estimated	2023 Projected
Population	25,340	31,984	33,883	37,406
Households	9,194	11,898	13,020	13,608
Families	6,771	8,524	9,187	9,879
Per Capita Income	$ 20,167	$ 24,222	$ 32,205	$ 35,281
Median Household Income	$ 47,871	$ 57,274	$ 64,174	$ 74,257
Average Household Income	$ 55,024	$ 64,763	$ 83,465	$ 96,652
Average Household Size	2.71	2.65	2.57	2.72
Median Age	36	38	43	45

	Annual Percent Change		
TRENDS	2000 - 2010	2010 - 2018	2018 - 2023
Population	2.36 %	0.72 %	2.00 %
Households	2.61	1.13	0.89
Families	2.33	0.94	1.46
Median Household Income	1.81	1.43	2.96
Average Household Income	1.64	3.22	2.98

	2000 Census		2010 Census		2018 Estimated		2023 Projected	
HOUSEHOLDS BY INCOME	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than $15,000	921	10.0 %	1,079	9.1 %	813	6.2 %	645	4.7 %
$15,000 - $24,999	999	10.9	978	8.2	1,006	7.7	881	6.5
$25,000 - $34,999	1,131	12.3	1,079	9.1	1,105	8.5	919	6.8
$35,000 - $49,999	1,598	17.4	1,771	14.9	2,040	15.7	1,899	14.0
$50,000 - $74,999	2,628	28.6	2,890	24.3	2,619	20.1	2,581	19.0
$75,000 - $99,999	1,171	12.7	2,073	17.4	1,935	14.9	1,888	13.9
$100,000 - $149,999	533	5.8	1,551	13.0	2,509	19.3	3,051	22.4
$150,000 +	213	2.3	478	4.0	995	7.6	1,744	12.8

POPULATION BY AGE	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<19	7,986	31.5 %	9,166	28.7 %	8,959	26.4 %	9,471	25.3 %
20-24	1,176	4.6	1,771	5.5	1,948	5.7	2,370	6.3
25-34	3,193	12.6	4,392	13.7	4,380	12.9	4,565	12.2
35-44	4,547	17.9	4,241	13.3	4,186	12.4	4,528	12.1
45-54	3,307	13.0	5,003	15.6	4,337	12.8	4,334	11.6
55-64	2,202	8.7	3,423	10.7	4,761	14.1	4,911	13.1
65-74	1,480	5.8	2,226	7.0	3,083	9.1	4,008	10.7
75-84	982	3.9	1,210	3.8	1,600	4.7	2,241	6.0
85+	466	1.8	553	1.7	628	1.9	977	2.6

GENDER	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Male	12,627	49.8 %	16,050	50.2 %	16,997	50.2 %	18,714	50.0 %
Female	12,713	50.2	15,950	49.9	16,886	49.8	18,692	50.0

RACE AND ETHNICITY	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	24,817	97.9 %	30,742	96.1 %	32,078	94.7 %	35,267	94.3 %
Black	56	0.2	201	0.6	380	1.1	476	1.3
Native American	129	0.5	133	0.4	118	0.3	127	0.3
Asian/Pacific Islander	87	0.3	282	0.9	446	1.3	535	1.4
Other Races	251	1.0	625	2.0	861	2.5	1,001	2.7
Hispanic (Any Race)	193	0.8	542	1.7	853	2.5	1,043	2.8

Source: U.S. Census, Scan/US, Inc. and McComb Group, Ltd.

Table 11

McComb Group, Ltd.

DEMOGRAPHIC AND INCOME SNAPSHOT

State of Minnesota 1/21/2019

SNAPSHOT	2000 Census	2010 Census	2018 Estimated	2023 Projected
Population	4,919,481	5,303,925	5,614,097	5,869,428
Households	1,895,128	2,087,227	2,245,268	2,325,270
Families	1,255,142	1,349,015	1,430,587	1,476,004
Per Capita Income	$ 23,167	$ 28,313	$ 39,490	$ 46,468
Median Household Income	$ 47,144	$ 55,472	$ 70,609	$ 80,792
Average Household Income	$ 59,561	$ 71,385	$ 98,157	$ 116,732
Average Household Size	2.52	2.48	2.44	2.47
Median Age	35	37	38	39

TRENDS	Annual Percent Change 2000 - 2010	2010 - 2018	2018 - 2023
Population	0.76 %	0.71 %	0.89 %
Households	0.97	0.92	0.70
Families	0.72	0.74	0.63
Median Household Income	1.64	3.06	2.73
Average Household Income	1.83	4.06	3.53

	2000 Census		2010 Census		2018 Estimated		2023 Projected	
HOUSEHOLDS BY INCOME	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than $15,000	230,036	12.1 %	229,179	11.0 %	175,694	7.8 %	152,741	6.6 %
$15,000 - $24,999	215,951	11.4	210,733	10.1	169,389	7.5	153,063	6.6
$25,000 - $34,999	234,137	12.4	209,608	10.0	174,890	7.8	157,612	6.8
$35,000 - $49,999	322,358	17.0	289,410	13.9	269,635	12.0	243,417	10.5
$50,000 - $74,999	424,641	22.4	411,976	19.7	396,109	17.6	380,614	16.4
$75,000 - $99,999	228,709	12.1	289,338	13.9	318,715	14.2	314,547	13.5
$100,000 - $149,999	156,479	8.3	277,820	13.3	380,669	17.0	421,155	18.1
$150,000 +	82,816	4.4	169,163	8.1	360,167	16.0	502,121	21.6
POPULATION BY AGE	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<19	1,434,845	29.2 %	1,431,211	27.0 %	1,437,339	25.6 %	1,489,081	25.4 %
20-24	322,483	6.6	355,651	6.7	362,383	6.5	380,415	6.5
25-34	673,138	13.7	715,586	13.5	758,852	13.5	745,853	12.7
35-44	824,182	16.8	681,094	12.8	707,923	12.6	751,984	12.8
45-54	665,696	13.5	807,898	15.2	697,555	12.4	691,940	11.8
55-64	404,869	8.2	629,364	11.9	755,830	13.5	720,395	12.3
65-74	295,825	6.0	354,427	6.7	514,431	9.2	598,678	10.2
75-84	212,840	4.3	222,030	4.2	257,821	4.6	332,391	5.7
85+	85,601	1.7	106,664	2.0	121,963	2.2	158,691	2.7
GENDER	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Male	2,435,632	49.5 %	2,632,132	49.6 %	2,795,523	49.8 %	2,916,169	49.7 %
Female	2,483,849	50.5	2,671,793	50.4	2,818,574	50.2	2,953,259	50.3
RACE AND ETHNICITY	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	4,400,284	89.4 %	4,524,062	85.3 %	4,593,481	81.8 %	4,710,218	80.3 %
Black	171,731	3.5	274,412	5.2	379,823	6.8	428,335	7.3
Native American	54,967	1.1	60,916	1.1	59,298	1.1	63,548	1.1
Asian/Pacific Islander	143,947	2.9	216,390	4.1	298,331	5.3	363,872	6.2
Other Races	148,552	3.0	228,145	4.3	283,164	5.0	303,455	5.2
Hispanic (Any Race)	143,382	2.9	250,258	4.7	309,634	5.5	330,668	5.6

Source: U.S. Census, Scan/US, Inc. and McComb Group, Ltd.

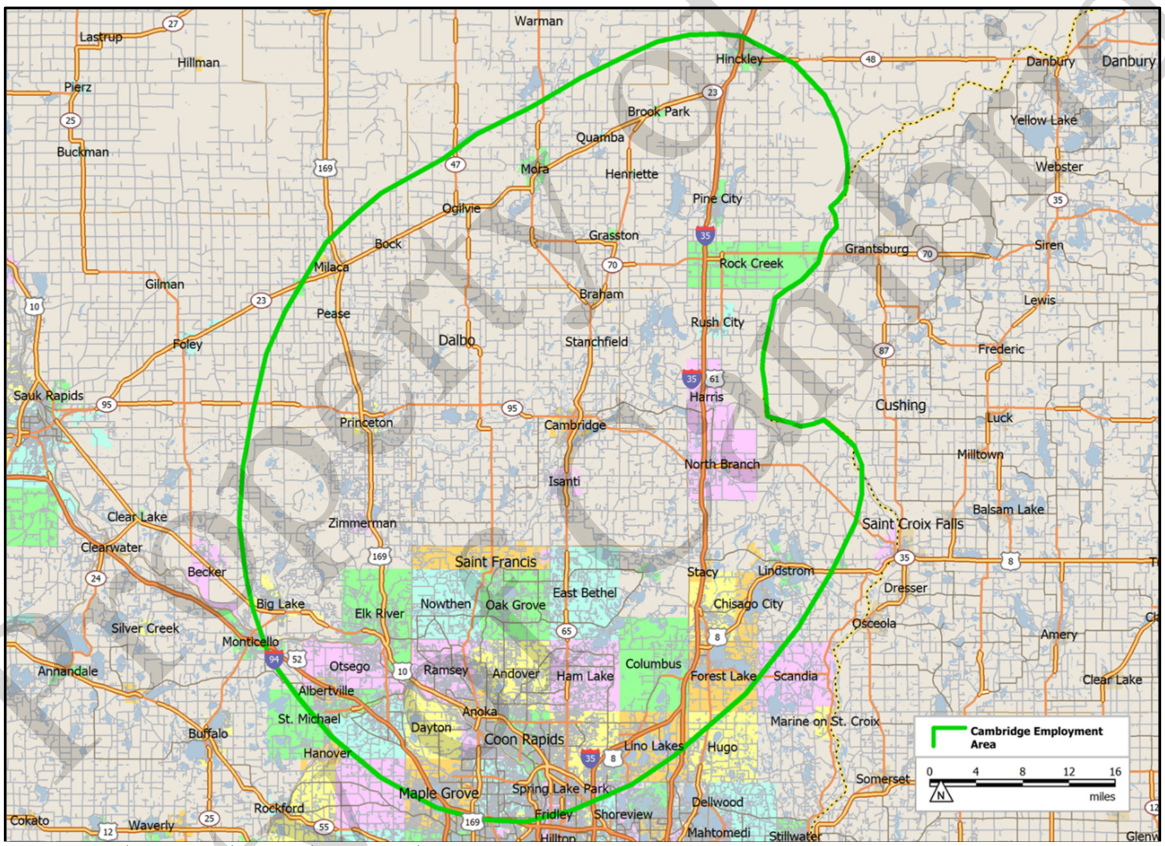
Chapter III

EMPLOYMENT

Employment is an important component in the demand for multi-family apartments. As a regional center, Cambridge draws its work force from a broad area. U.S. Census data on where Cambridge employees live indicate that about 45 percent of the Cambridge work force live in the employment market area shown on Map 2. The employment market area extends north to Hinckley, east to the St. Croix River, south to the metro area northern suburbs, and beyond Princeton on the west. Over half (55 percent) live outside this area.

Map 2

EMPLOYMENT MARKET AREA



Source: Scan/US, Inc. and McComb Group, Ltd.

Employment trends in Cambridge from 2002 to 2015 are contained in Table 14 (on the next page) and reflect a growing economy. The great recession began at the end of 2007 when Cambridge employment was 5,189. Cambridge employment was not significantly impacted by the great recession. Employment in 2008 decreased by only 46 jobs and increased by 305 jobs in 2009 in the year the great recession ended. After a slight dip in 2010, employment rebounded to 5,407 in 2011 and rose steadily to 7,039 in 2015, an annual growth rate of 6.2 percent.

Table 14

JOBS BY INDUSTRY SECTOR; 2002 TO 2015
CAMBRIDGE WORK AREA PROFILE

NAICS Industry Sector	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total All Jobs	5,491	4,741	4,966	5,387	5,297	5,189	5,143	5,448	5,221	5,407	5,553	6,081	6,479	7,039
Agriculture, Forestry, Fishing and Hunting	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Mining, Quarrying, and Oil and Gas Extraction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	4	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	87	75	86	69	74	51	75	59	56	64	51	68	72	69
Manufacturing	898	604	608	562	596	592	635	544	591	649	745	1,083	1,198	1,176
Wholesale Trade	77	101	105	106	103	132	156	349	357	365	266	262	50	44
Retail Trade	642	508	759	744	550	575	531	490	396	422	938	907	1,134	1,163
Transportation and Warehousing	82	82	84	90	82	8	2	107	23	94	112	114	117	10
Information	149	159	184	199	266	294	298	232	299	196	182	185	184	179
Finance and Insurance	175	182	196	216	220	221	237	253	232	247	200	242	271	227
Real Estate and Rental and Leasing	42	46	30	35	45	39	35	28	21	29	35	30	29	29
Professional, Scientific, and Technical Services	123	118	110	115	101	95	88	80	87	95	109	109	118	111
Management of Companies and Enterprises	3	-	-	-	2	-	1	-	-	-	-	2	4	23
Admin. & Support, Waste Mgmt & Rem.	114	109	100	103	160	169	97	43	40	53	55	38	45	298
Educational Services	525	501	535	570	555	696	713	719	711	746	773	799	847	830
Health Care and Social Assistance	1,632	1,313	1,264	1,642	1,650	1,488	1,417	1,755	1,652	1,683	1,242	1,302	1,467	1,919
Arts, Entertainment, and Recreation	33	29	25	10	13	2	12	2	7	4	13	15	25	15
Accommodation and Food Services	362	341	329	323	341	288	282	227	199	206	266	324	328	351
Other Services (excluding Public Administration)	163	192	165	183	154	120	143	142	128	126	121	172	136	129
Public Administration	380	381	386	420	385	419	421	418	422	428	445	429	453	466

Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2002-2014).

The largest industries in Cambridge have increased employment between 2009 and 2015.

- Health care and social assistance, Cambridge's largest industry, increased employment from 1,755 in 2009 to 1,919 in 2015, an increase of 9.3 percent.
- Manufacturing ranks second with 2015 employment of 1,176, a 116.2 percent increase since 2009.
- Retail trade increased employment from 490 in 2009 to 1,163 in 2015, an increase of 137.4 percent.
- Educational services increased employment from 719 in 2009 to 830 in 2015, an increase of 15.4 percent.

Modest growth has been recorded in construction, professional, scientific and technical services, accommodation and food services, and public administration. Since 2009, Cambridge's employment has increased by about 29.2 percent, an annual growth rate of 4.4 percent. Continued growth will provide additional support for multi-family housing.

Worker Earnings

Over the past six years from 2010 through 2015, there has been a shift in compensation of the Cambridge work force, as shown in Table 15. Since 2010, jobs earning $1,250 per month ($15,000 per year) have increased by 36.1 percent; while jobs earning $15,000 to $40,000 per year have increased 22.2 percent. Jobs earning more than $40,000 per year have increased by 47.5 percent. These income categories are reported in current dollars and do not include the impact of inflation.

Table 15

JOBS BY EARNINGS; 2002 TO 2015
CAMBRIDGE WORK FORCE

	Earnings					
	$1,250 per Month or Less		$1,251-$3,333 per Month		More than $3,333 per Month	
Year	Number	Percent	Number	Percent	Number	Percent
2002	1,947	35.5 %	2,409	43.9 %	1,135	20.7 %
2003	1,634	34.5	1,951	41.2	1,156	24.4
2004	1,721	34.7	1,887	38.0	1,358	27.3
2005	1,865	34.6	2,001	37.1	1,521	28.2
2006	1,821	34.4	1,990	37.6	1,486	28.1
2007	1,615	31.1	1,976	38.1	1,598	30.8
2008	1,598	31.1	1,919	37.3	1,626	31.6
2009	1,722	31.6	2,016	37.0	1,710	31.4
2010	1,424	27.3	1,977	37.9	1,820	34.9
2011	1,474	27.3	1,966	36.4	1,967	36.4
2012	1,547	27.9	1,902	34.3	2,104	37.9
2013	1,646	27.1	2,102	34.6	2,333	38.4
2014	1,755	27.1	2,247	34.7	2,477	38.2
2015	1,939	27.5	2,415	34.3	2,685	38.1

Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2002-2014).

The growing Cambridge employment is creating new jobs in all income brackets. Between 2010 and 2015, the number of workers in the $1,250 per month work force increased by 515 and workers earning between $1,250 and $3,333 per month increased by 438 for a total of 953 jobs. All of these workers would qualify for affordable rental apartments. Jobs for workers earning $3,333 or more per month increased by 865. Many of these workers would qualify for affordable rental apartments depending on household size.

Worker Gender

Over the seven-year period 2009 through 2015, the composition of the employment market area work force has changed. In 2009, the first year this data was available, males represented one-third of the work force and increased to 40.5 percent in 2013 and then declined to 38.3 percent in 2015, as shown in Table 16. At the same time, females declined from 66.9 percent to 61.7 percent. This shift toward a higher proportion of males indicates the creation of higher paying jobs.

Table 16

JOBS BY WORKER GENDER; 2009 TO 2015
CAMBRIDGE WORK FORCE

	Male		Female		
Year	Number	Percent	Number	Percent	Total
2009	1,805	33.1 %	3,643	66.9 %	5,448
2010	1,850	35.4	3,371	64.6	5,221
2011	1,938	35.8	3,469	64.2	5,407
2012	2,146	38.6	3,407	61.4	5,553
2013	2,461	40.5	3,620	59.5	6,081
2014	2,609	40.3	3,870	59.7	6,479
2015	2,695	38.3	4,344	61.7	7,039

Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2002-2014).

Employment statistics in this report are provided by the U.S. Census Bureau LEHD Origin Destination Employment Statistics (LODES). LODES is a database that describes geographic patterns of jobs by their employment location and residential location, as well as connections between the two locations. This data is available for geographic areas and selected employee demographic characteristics. Data is available for the second quarter of 2002 through 2015 at the present time. LODES provides annual employment trends for 20 NAICS industry sectors, which are not always available from other sources.

Worker Commuting

Cambridge had employment of 7,039 in 2015 with 1,137 of these workers living in Cambridge. Employed Cambridge residents were 4,161. As a result, about 5,900 workers commute to Cambridge and about 3,025 workers commute to jobs located outside Cambridge. Many of the workers employed in Cambridge drive long distances to work. Some of these commuters may prefer to live in Cambridge and represent potential demand for multi-family housing.

Findings

Expanding employment is creating demand for all types of housing in Cambridge. Growing employment is increasing the number of jobs in Cambridge. In 2015, only 16.2 percent of the workers in Cambridge lived in Cambridge. Based on historic growth of Cambridge employment, future employment will create demand for both affordable and market rate apartments.

Many of the new hires will have the household income to afford new rental housing in Cambridge. An apartment renting at $1,000 per month is affordable for workers with a $40,000 income. An apartment renting at $800 per month would be affordable to a worker earning $32,000 or more. This does not include the income of a spouse or roommate.

Chapter IV

COMPETITIVE APARTMENT BUILDINGS

The City of Cambridge has 12 market rate apartment buildings, nine affordable buildings, and one development under construction at the present time. These buildings have a combined 696 units ranging from four units to 103 units. These apartment communities are shown in Table 17. Only one market rate building has been built since 2000--The Preserve Apartments built in 2015. Roosevelt Garden Estates, with 50 units for 55-plus, is under construction and planned to be completed by December 2019. Five affordable apartment building have been built since 2000.

Table 17

CAMBRIDGE APARTMENTS
MARKET RATE AND AFFORDABLE

Apartment	Year Built	Units
CAMBRIDGE		
Market Rate		
Roosevelt Garden Estates	U/C	50
The Preserve Apartments	2015	103
365 11th Ave SE	1988	40
Northern Oaks Apartments	1979	24
Sunrise Court Apartments	1979	54
Calhoun Apartments	1978	48
1400 Old Main St S	1968	8
629 1st Ave W	N/A	8
533 3rd Ave SW	N/A	4
Inn Towne Court Apartments	N/A	36
Del Rose	N/A	12
The Jefferson	N/A	8
1380 Old Main St S	N/A	8
Subtotal		403
Affordable		
Main Street Flats	2018	28
Heritage Townhomes - 1503 S Fern St	2014	24
Heritage Townhomes - 1624 Garland St S	2013	24
Normandy Townhomes	2010	30
Legacy Townhomes	2007	30
Tower Terrace Townhomes	1998	32
Town Square Apartments	1985	36
Ashland Place/Dellwood South*	1981	44
Bridge Park Apartments	1970	45
Subtotal		293
Total		696

U/C=Under Construction.
* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

Demand for market rate apartments is by households that can afford to pay market rents. Demand for affordable apartments is driven by households that cannot afford market rents. The challenge in developing affordable housing is to attract public sources of capital to fill the gap between mortgage debt and equity. Due to these differences, demand for market rate apartments will be evaluated separately from affordable apartments.

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES

Competitive market rate apartment communities are located in Mora to the north, Isanti to the south, and North Branch to the east, as shown on Map 1. These apartment communities include 658 market rate units, as shown in Table 18. These buildings range in size from 12 units to 132 units.

Table 18

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES

Apartment	Year Built	Units
ISANTI		
Evergreen Apartments	2006	72
Rum River Apartments	2005	72
Isanti Village Apartments	2002	132
Elmhurst Apartments	1987	20
Meadows Edge*	1983	12
Total		308
MORA		
Meadow Ridge Apartments	2003	21
Park Forest Estates	1998	54
Mora Flats	1965	20
Whispering Pines	N/A	18
Meadowbrook Apartments	N/A	16
Total		129
NORTH BRANCH		
Ashwood & Birchwood Apartments	2004	125
Kestrel Meadows Townhomes	2003	30
Splittstoser Apartments*	2000	24
6188 Pecan St	1983	12
Elmwood Terrace	1978	14
5901 Maple St	1976	16
Total		221
TOTAL		658

* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

Many of these apartment communities were built before 2000. Table 19 shows the unit distribution of apartment communities built since 2000, including a market rate apartment under construction in Cambridge.

The competitive evaluation will focus on market rate buildings built after 2000 in Cambridge and the surrounding communities of Isanti, Mora, and North Branch. Braham does not have any market rate apartment communities that fall in this category.

There are eight existing market rate apartment communities built since 2000, as shown in Table 19. These buildings range in size from 21 units to 132 units. The newest building is The Preserve, built in 2015 with 103 units. These eight buildings represent the competitive environment for proposed apartment communities in Cambridge.

Unit Mix

Unit mix was obtained from CoStar Group, Inc. and Apartments.com for most of the buildings. One bedroom units represent 25.7 percent of the total units, as shown in Table 19. Meadow Ridge Apartments has all two bedroom units and Kestrel Meadows Townhomes has all three bedroom units.

Table 19

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES
BUILDINGS WITH 20 OR MORE UNITS BUILT BETWEEN 2000 AND 2018

Apartment	Units	Bedrooms: One	Two	Three
CAMBRIDGE				
The Preserve Apartments	103	53	25	25
Roosevelt Garden Estates	50	N/A	N/A	N/A
Subtotal	153	53	25	25
ISANTI				
Evergreen Apartments	72	12	42	18
Rum River Apartments	72	12	42	18
Isanti Village Apartments	132	39	76	17
Subtotal	276	63	160	53
MORA				
Meadow Ridge Apartments	21		21	
NORTH BRANCH				
Ashwood & Birchwood Apartments	125	21	100	4
Kestrel Meadows Townhomes	30			30
Splittstoser Apartments*	24	12	12	
Subtotal	179	33	112	34
TOTAL	629	149	318	112

* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

Two bedroom units represent over half of the existing units or 54.9 percent of the total units. Three bedroom units represent 19.3 percent.

Unit Size

Unit sizes for competitive apartment communities are contained in Table 20. One bedroom units generally range from 600 to 826 square feet. Two apartment communities have no one bedroom units. Two bedroom units range from 700 to 1,200 square feet; and three bedroom units range from 998 to 1,283 square feet.

Table 20

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES - UNIT SIZE
BUILDINGS WITH 20 OR MORE UNITS BUILT BETWEEN 2000 AND 2018

	Square Feet by Unit Type		
Name	One	Two	Three
CAMBRIDGE			
The Preserve Apartments	670 - 784	904 - 1,019	1,242
ISANTI			
Evergreen Apartments	700 - 826	850 - 1,018	1,200 - 1,283
Rum River Apartments	700	850 - 1,018	1,200 - 1,283
Isanti Village Apartments	700	850 - 1,024	1,200 - 1,283
MORA			
Meadow Ridge Apartments		804 - 894	
NORTH BRANCH			
Ashwood & Birchwood Apartments	600	700 - 1,200	998
Kestrel Meadows Townhomes			1,240
Splittstoser Apartments*	800	N/A	

* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

Rental Rates

Rental rates vary at the competitive apartment communities, as shown in Table 21. Of the recently completed buildings, The Preserve in Cambridge has the lowest rental rates. Evergreen and Run River Apartments have higher monthly rental rates. Monthly rental rates are generally lower at the older apartment communities.

Table 21

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES - RENTAL RATES
BUILDINGS WITH 20 OR MORE UNITS BUILT BETWEEN 2000 AND 2018

	Rent by Unit Type		
Name	One	Two	Three
CAMBRIDGE			
The Preserve Apartments	$820 - $900	$940 - $1,095	$1,310
ISANTI			
Evergreen Apartments	$920 - $1,300	$1,095 - $1,605	$1,300 - $1,735
Rum River Apartments	$970 - $1,360	$1,095 - $1,565	$1,300 - $1,730
Isanti Village Apartments	$725	$800 - $900	$950 - $1,125
MORA			
Meadow Ridge Apartments		$810 - $835	
NORTH BRANCH			
Ashwood & Birchwood Apartments	$785 - $825	$885 - $975	$986
Kestrel Meadows Townhomes			$984
Splittstoser Apartments*	$629	$1,160	

* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

Monthly rent per square foot, contained in Table 22, demonstrates that Evergreen and Rum River apartments generally have the highest rents per square foot. Rental rates at The Preserve are relatively modest and may reflect public assistance that was provided by the City of Cambridge. Rental rates per square foot are much lower for the older buildings.

Table 22

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES - RENT PER SQUARE FOOT
BUILDINGS WITH 20 OR MORE UNITS BUILT BETWEEN 2000 AND 2018

	Rent per Square Foot		
Name	One	Two	Three
CAMBRIDGE			
The Preserve Apartments	$1.15 - $1.22	$1.04 - $1.07	$1.05
ISANTI			
Evergreen Apartments	$1.31 - $1.57	$1.29 - $1.58	$1.08 - $1.35
Rum River Apartments	$1.39 - $1.94	$1.29 - $1.54	$1.08 - $1.35
Isanti Village Apartments	$1.04	$0.88 - $0.94	$0.79 - $0.88
MORA			
Meadow Ridge Apartments		$0.93 - $1.01	
NORTH BRANCH			
Ashwood & Birchwood Apartments	$1.31 - $1.38	$0.81 - $1.26	$0.99
Kestrel Meadows Townhomes			$0.79
Splittstoser Apartments*	$0.79	N/A	

* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

Amenities

Exterior amenities for market rate developments are contained in Table 23. Three of the competitive buildings do not have balconies. All of the buildings have surface parking available, and five communities offer detached garages. The Preserve apartments have two car attached garages and detached garages available.

Table 23

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES - EXTERIOR AMENITIES
BUILDINGS WITH 20 OR MORE UNITS BUILT BETWEEN 2000 AND 2018

			Garage		
Apartment Name	Units	Balconies	Attached	Detached	Surface
CAMBRIDGE					
The Preserve Apartments	103	X	X	X	X
ISANTI					
Evergreen Apartments	72	X		X	X
Rum River Apartments	72	X		X	X
Isanti Village Apartments	132	X			X
MORA					
Meadow Ridge Apartments	21				X
NORTH BRANCH					
Ashwood & Birchwood Apartments	125	X		X	X
Kestrel Meadows Townhomes	30			X	X
Splittstoser Apartments*	24				X

* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

Vacancy

Vacancy at existing competitive market rate apartment communities is low, as shown in Table 24. Only two apartment communities currently have vacant units. There are seven vacant two bedroom units for an overall vacancy rate of 1.2 percent. These vacancies are at Evergreen and Rum River Apartments in Isanti; while The Preserve apartments in Cambridge has no vacant units.

Table 24

COMPETITIVE MARKET RATE APARTMENT COMMUNITIES
AVAILABLE UNITS BY TYPE
BUILDINGS WITH 20 OR MORE UNITS BUILT BETWEEN 2000 AND 2018

		Bedrooms		
Apartment	Units	One	Two	Three
CAMBRIDGE				
The Preserve Apartments	103			
ISANTI				
Evergreen Apartments	72		2	
Rum River Apartments	72		5	
Isanti Village Apartments	132			
MORA				
Meadow Ridge Apartments	21			
NORTH BRANCH				
Ashwood & Birchwood Apartments	125			
Kestrel Meadows Townhomes	30			
Splittstoser Apartments*	24			
Total	579	0	7	0
Percent		0.0%	2.4%	0.0%

* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

AFFORDABLE RENTAL APARTMENTS

The City of Cambridge has 293 units in nine buildings, including Main Street Flats with 28 units, which opened January 1, 2019. Eleven of the 28 units have been leased up. Five of these buildings, with 136 units, were built since 2000, as shown in Table 25. Cambridge has more affordable housing than any of the competitive cities.

Braham has 104 units of affordable rental units, all of which appear to have been built prior to 2000. Mora has 239 affordable apartment units in eight buildings, three of which have been built since 2000. North Branch has 125 units in four buildings, one of which was constructed since 2000. Cherokee Place, with 48 units, has been proposed for North Branch.

Table 25

COMPETITIVE AFFORDABLE APARTMENT COMMUNITIES

Apartment	Year Built	Units
CAMBRIDGE		
Main Street Flats	2018	28
Heritage Townhomes - 1503 S Fern St	2014	24
Heritage Townhomes - 1624 Garland St S	2013	24
Normandy Townhomes	2010	30
Legacy Townhomes	2007	30
Tower Terrace Townhomes	1998	32
Town Square Apartments	1985	36
Ashland Place/Dellwood South*	1981	44
Bridge Park Apartments	1970	45
Total		293
BRAHAM		
Braham Meadows	N/A	30
Park Manor	N/A	32
Braham Square TH	N/A	18
Braham Heights	N/A	24
Total		104
ISANTI		
Oakwood Estates Apartments	1979	24
MORA		
Mysa House Apartments*	2018	24
Northcrest Townhomes	2009	24
Vasa House Apartments*	2009	23
Evergreen Apartments	1992	24
Dala House Apartments*	1985	24
North Mora Estates (TH)	1979	35
Pine Crest Manor Apartments*	1973	43
Woodcrest Manor*	N/A	42
Total		239
NORTH BRANCH		
Cherokee Place	Proposed	48
Oakview Terrace	2003	24
Oakhurst Apartments	1985	12
Shield's Plaza Apartments*	1978	49
Uptown Maple Commons*	N/A	40
Subtotal		173
GRAND TOTAL		833

U/C: Under Construction.
* Senior community.
Source: Apartments.com, CoStar Group, Inc. and McComb Group, Ltd.

FINDINGS

Cambridge has 12 market rate apartment buildings with 372 units, excluding 50 units at Roosevelt Garden Estates, a 55-plus community with a planned opening on December 2019.

Competitive apartment communities, for this analysis, have been built between 2000 and 2018 and have more than 20 units. Only one existing building in Cambridge, The Preserve with 103 units completed in 2015, meets this criteria. It will be joined by Roosevelt Garden Estates when it is completed in 2019.

Competitive cities include Isanti with three buildings and 276 units, Mora with one 21 unit building, and North Branch with three buildings with 179 units.

Market rents for recently constructed apartments in these communities range from $725 to $1,360 for one bedroom units, $800 to $1,605 for two bedroom units, and $984 to $,1735 for three bedroom units. The low monthly rents in each category are for older buildings. New buildings in Cambridge and Isanti have the highest rents.

The current market rate vacancy rate is 1.2 percent, and six apartment communities have no vacant units. The vacant units have two bedrooms and are located in Isanti.

Cambridge has nine affordable apartment buildings with 293 units including the recently opened Main Street Flats with 28 units, six of which are occupied at the present time. Five buildings, with 136 units, were constructed between 2007 and 2018.

Braham has four affordable buildings with 104 units, all of which appear to have been constructed prior to 2000.

Isanti has one affordable building with 24 units dating from 1979. Mora has eight affordable apartment buildings with 239 units. Three of these buildings, with 71 units, have been built since 2009.

North Branch has four affordable apartment buildings with 71 units. One of these buildings with 24 units was built in 2003. Cherokee Place, with 48 units, has been proposed.

Chapter V
MARKET DEMAND

Cambridge is a growing regional center in the northern portion of the Minneapolis-St. Paul Metropolitan Area. Factors that influence the demand for rental housing include:

- ♦ Demand by new hires by market area businesses, government, and schools.
- ♦ Increased household growth.
- ♦ Pent up demand by employees that experience long daily commutes due to housing shortage in Cambridge.
- ♦ Empty nesters that would desire a maintenance free lifestyle in a multi-age apartment community.
- ♦ Market area households that could relocate to Cambridge if adequate rental housing were available.

These factors along with the area's demographic characteristics indicate market demand from the following market segments.

Estimated market demand for 2019 to 2023 by these market segments is summarized below.

- ♦ **New Hire Employees**

  During the period 2010 to 2015, Cambridge employment increased from 5,221 in 2010 to 7,039 in 2015, an annual growth rate of about 6.2 percent. During this period, employment increased by 1,818 employees, an average of 364 workers. If employment continues to grow at 6.0 percent annually, it would reach about 11,220 in 2023, an increase of 522 workers per year. While this may seem high, between 2014 and 2015 employment increased by 560 workers. In 2015, only 16 percent of the Cambridge workers lived in the city indicating that 84 percent of the employees live outside the city. If Cambridge could capture 15 percent of future employment growth, employed residents would increase by about 670 employees. These employees may include two income households. Assuming that 65 percent of the households have two incomes, new hires would result in about 405 households or an annual average of about 81 households.

- ♦ **Household Growth**

  Households in Cambridge are estimated to increase by 215 between 2018 and 2023, while market area households, excluding Cambridge, are estimated to increase by about 375 during the same period, a total of 590 households. Cambridge has about 30 percent of the market area households, but is growing faster. Cambridge should be able to capture 40 percent of household growth for a total of 236 households or 47 households annually.

- ♦ **Pent Up Demand**

  About 5,900 Cambridge employees commute to jobs in Cambridge, some driving long distances. Some of these employees may be interested in devoting less time and money to commuting. Recognizing that employees may be rooted in their current location, pent up demand is estimated at 5.0 percent, which would be about 162 households over a five-year period or an annual average of 32 units.

- **Empty Nester Independent Living**

  Over the next five years, the age 65 and above age cohort in Cambridge is estimated to increase by 560 individuals. Since women out live men, on average, household size is estimated at 1.25 resulting in 448 households or an annual average increase of 90 households. If one-fifth of this group were to seek rental housing in a multi-age building, demand would be about 18 units annually. In the market area, the age 65+ population, excluding Cambridge, is estimated to increase by 1,315 or 271 households annually. Using the above assumptions, this would result in about 217 households or an average of 43 units annually. If one-fifth of these households chose to live in Cambridge, the result is market demand for about nine units. This results in an estimated market demand of 27 units annually from Cambridge and the market area.

The above market segments identify total housing demand of about 1,100 units over the next five years, as shown in Table 26.

Table 26

ESTIMATED MULTI-FAMILY APARTMENT DEMAND; 2019 THROUGH 2023

		Multi-Family		
Segment	Total Demand	Total	Market Rate	Affordable
New Hires	405	202	101	101
New Households	236	118	59	59
Pent Up Demand	162	81	40	40
Empty Nester	300	150	75	75
Total	1,103	551	275	275
Annual Average				
New Hires	81	40	20	20
New Households	47	24	12	12
Pent Up Demand	32	16	8	8
Empty Nester	60	30	15	15
Total	220	110	55	55

Source: McComb Group, Ltd.

Multi-family housing is a portion of total housing demand. In the past, multi-family housing was about 13 percent of building permits. Since 2010, multi-family permits have averaged 56 percent. The estimates contained in this report are based on multi-family units averaging 50 percent of total housing demand in the next five years. Multi-family housing is estimated at about 550 units. Market rate demand is estimated at about 275 units. Competitive market rate apartments have a very low vacancy--seven out of 579 units or 1.2 percent. The Preserve Apartments in Cambridge has no vacant units. If an adjustment was made to accommodate a 5.0 percent vacancy results in a five-year estimate of about 290 units or about 58 units annually. Affordable apartment types all have very low vacancy indicating demand for about 275 units or about 55 units per year.