



TARGET MARKET ANALYSIS

RENT.....OR.....OWN?

**Millennials, Empty Nester Boomers, Singles,
You, Your Children, Your Grandchildren?
Other Talented Workers?**



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CAN YOU HIT A MOVING TARGET MARKET?

By Sharon Woods, CRE, Founding Principal, LandUse|USA

Introduction

Every day families across the nation pack up their boxes and make a significant life change by moving to a new address. Some are renting or buying their very own place for the first time. Others are downsizing, particularly the empty nesters and newly singles. Others are drawn by jobs, family, schools, transit, and other services to a new location or are simply hoping for a better quality of life.

Sadly, Michigan gained special recognition as the only state in the nation that experienced a net loss of population during the Great Recession. We lost population to every other state and many talented workers to competing cities like Chicago, Columbus, Madison, Minneapolis, Denver/Boulder, Portland, and Seattle.

Although Michigan had a net population loss from 2000 - 2010, we also attract some new residents every year. We retain some who might have otherwise left, and we intercept some on the move. In fact, the American Community Survey of the U.S. Census Bureau shows that our state is growing again, and has gained over 33,000 net new residents since 2011. The rate of growth is slow but climbing. See Table 1.

Table 1

The State of Michigan Population and Growth 2000 - 2014						
	Decennial Census Population	Average Annual Change	C.A.R.	American Community Survey	Average Annual Change	C.A.R.
2014	--			9,909,877	14,255	0.14%
2013	--			9,895,622	12,262	0.12%
2012	--			9,883,360	7,173	0.07%
2011	--			9,876,187	-1,387	-0.01%
2010	9,883,640	-5,480	-0.06%	9,877,574	2,398	0.02%
2005	--	--	--	9,865,583		
2000	9,938,444	--	--	--	--	--

C.A.R. indicates compound annual rate.
ACS data represents 1-year estimates.

Source: U.S. Census and American Community Survey with 1-year estimates.

Even with a net gain, population loss in specific communities is something that must be managed through a wide range of economic tools. Effective Strategic Placemaking, new community amenities, improved public transit, good paying jobs, quality schools, and access to health care can all help attract new residents and retain existing ones. In addition, *one of the smartest strategies is to ensure that migrating households can find the types of housing that they truly want.*

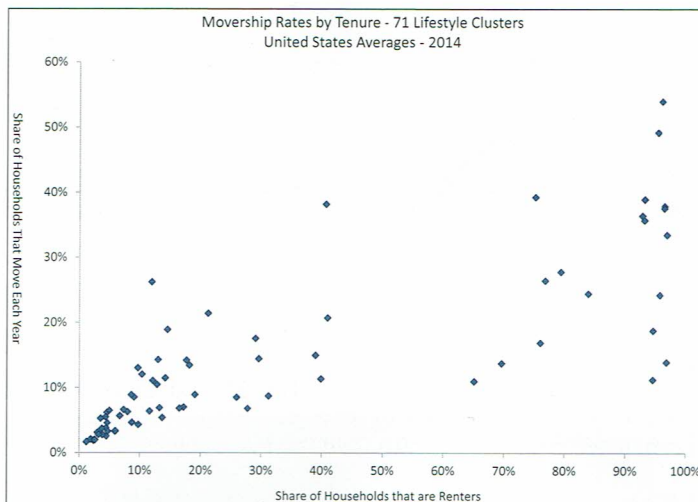
About the Author

Sharon M. Woods is a certified Counselor of Real Estate (CRE) with 25 years of experience applying Target Market Analysis methods in the professional field of market research and analysis. Sharon founded LandUse|USA in 2008 and her firm now specializes in conducting TMA studies to measure local market potential in the residential, retail, and mixed-use industries. She is an advocate for downtowns and helps communities throughout the country envision unique projects, particularly ones that meet the need for both Missing Middle Housing and walkable shopping choices. She can be contacted at: www.LandUseUSA.com; sharonwoods@landuseusa.com; (517) 290-5531 direct.

This article addresses a way to identify the types of housing that people in various lifestyle clusters want. It is called Target Market Analysis, or TMA for short. An accompanying article defines many of the terms in this article and expands on explanations of the methodology used in creating a TMA.

Across the nation, just over two-thirds of households own their home, and only one-third are renting. Based on data from the American Consumer Survey (2013), we also know that over 14% of all households move each year. More detailed consumer data (from a private company, Experian Decision Analytics; 2014) reveals that renters are far more likely to move than home owners. In fact, fewer than 5% of homeowners move each year, whereas 30% of renters move each year. Figure 1 shows the share of rental households that move each year across the U.S.

Figure 1

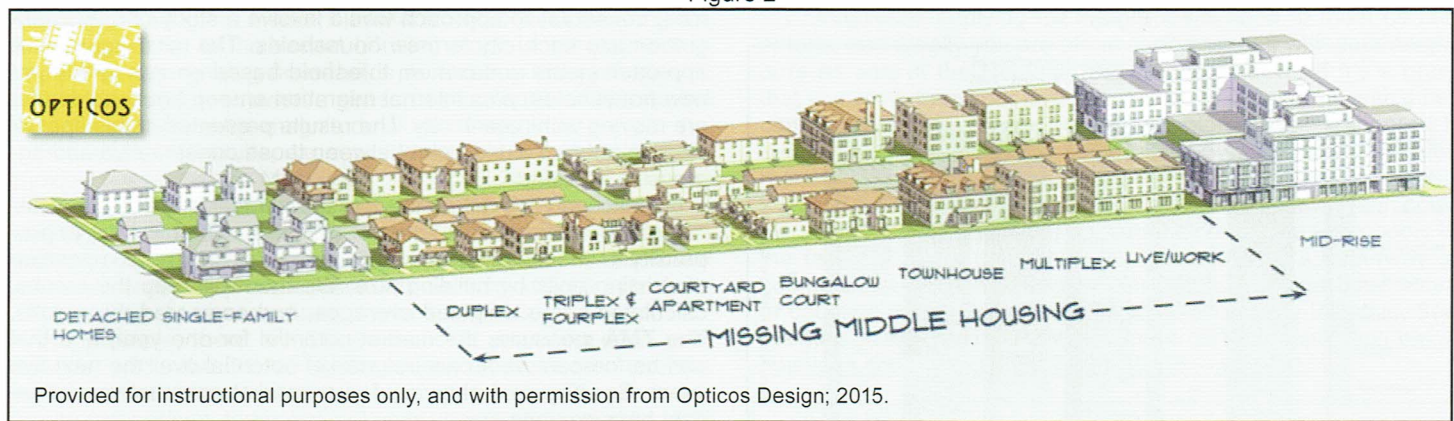


Source: Underlying data by Experian Decision Analytics and Information Solutions; 2014. Analysis and exhibit prepared by LandUse|USA; 2015.

TMA Helps With Economic Competitiveness

TMA provides data on *potential* markets for various dwelling types by lifestyle cluster. Actual markets will vary based on when the target household makes a housing choice decision among the range of housing types available in that location, at that time. For example, if a household wants to rent a townhouse or loft in a particular location at a particular time, and there are none of those dwelling types available in that location, the household may either choose a different available dwelling type in that location, or go to a different location that has the desired dwelling types. If a community, or a metro area does not have a robust market for a wide range of dwelling types in locations appropriate for that dwelling type, then the community or metro area runs the risk of losing that household to a completely different community or metro area. In part this is what has been happening with young talented workers who want to live in an urban area and are choosing Chicago (or Denver, or Austin, etc.) over a Michigan urban location because of a lack of broad housing choices in Michigan. There are other reasons as well, including a desire for better transit, and additional urban amenities that are available in these other metro areas. If Michigan wants to be economically competitive for talented workers in the future, it must provide a wider range of housing types in good locations within dense urban places. TMA can help identify which demographic markets potentially want which dwelling types and locations. Editor

Figure 2



"Missing Middle is a range of multi-unit or clustered housing types compatible in scale with single-family homes that help meet the growing demand for walkable urban living." – Dan Parolek, Opticos Design. <http://www.MissingMiddleHousing.com>

In short, while most households are home owners, most households on the move are renters. If these migrating households also have a high propensity to seek attached housing units in urban places, then they could be ideal target markets for Missing Middle Housing formats, such as multiplexes, townhouses, midrises, and flats, or lofts above street-front retail. See Figure 2 (and June 2015 issue of *PZN* on Missing Middle Housing).

Target Market Analysis

Is your community prepared to meet the preferences of migrating households, and specifically housing by building size and format? A Target Market Analysis can help answer that important question. A Target Market Analysis studies not only households that are on the move, but also their propensity to choose attached housing products and Missing Middle Housing formats; and propensity to choose to live in an urban place, including villages and cities of all sizes.

Let's consider the households in the "Striving Single Scene" lifestyle cluster as defined by Experian's Mosaic classification system. Based on Experian's data, 95.4% of these households are renters; 96% are likely to choose to live in a building with at least 3 dwelling units; and a whopping 49.2% of them move every year. Experian generally describes this group as "young, singles living in Midwest and Southern city centers." See Table 2.

Table 2

Mosaic Lifestyle Cluster	Short description of household profiles
Striving Single Scene	Young singles living in Midwest and Southern city centers.
Colleges and Cafes	Young singles and recent college graduates in college communities.
Wired for Success	Young, mid-scale singles and couples living socially-active city lives
Urban Edge	Younger, up-and-coming singles living big city lifestyles.
Bohemian Groove	Older unattached individuals enjoying settled urban lives.
Full Pockets Empty Nests	Empty-nesting, upper middle-class with discretionary income.

Source: Experian Decision Analytics and Information Solutions; 2014.

In comparison, 17.2% of households in the "Full Pockets Empty Nests" group are renters, and only 7.0% move each year. Experian describes this group as "empty-nesting, upper middle-class households with discretionary income living sophisticated lifestyles." Don't be fooled by the labels and these short descriptions

- 20 pages of detailed information is available summarizing the consumer behavior patterns of each cluster. Table 3 illustrates additional examples for selected target markets nationally.

Table 3

Target Market Lifestyle Cluster Name	Lifestyle Cluster Code	Share Renter Occupied	Annual Movership Rate	Share in Buildings 3+ Units
U.S. Averages	A01 - S71	33.1%	14.2%	27.7%
Urban Edge	G25	76.8%	26.4%	89.8%
Wired for Success	K37	75.2%	39.2%	81.0%
Colleges and Cafes	O53	79.4%	27.8%	55.6%
Striving Single Scene	O54	95.4%	49.2%	96.0%
Full Pocket Empty Nests	E19	17.2%	7.0%	45.8%
Bohemian Groove	K40	83.9%	24.4%	74.0%

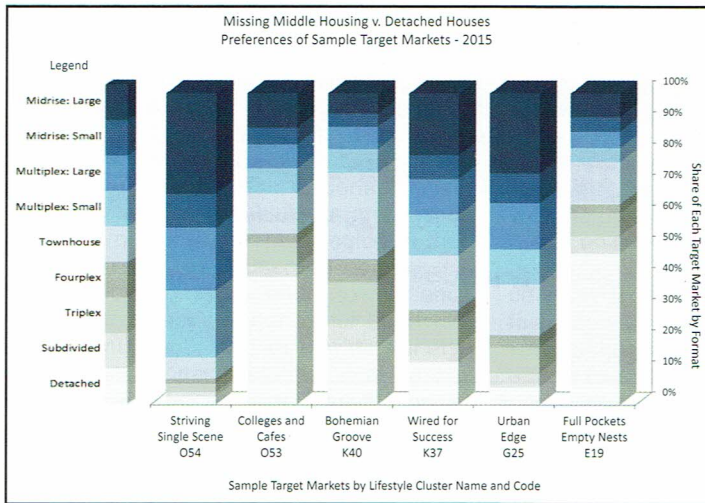
Source: Underlying data provided by Experian Decision Analytics; 2014. Analysis and exhibit prepared by LandUse; 2015.

Experian's Mosaic lifestyle clusters are based on a range of consumer behavior data, including:

1. Consumer behavior in the retail shopping and related credit markets. Catalog subscriptions, credit, and debt; credit card transactions; credit limits; purchases on installment plans; and debt payments and transfers.
2. Consumer behavior in the mortgage and related credit markets. Home values from new mortgages; plus trends in home equity loans, refinancing, and/or foreclosures.
3. Tracking of life events, including changes of address, purchases of a new homes and cars, new additions to the family, change in marital status, etc.
4. Socio-economic data, including the U.S. Census and ACS estimates for income, family size, age, ethnicity, education, and household tenure or occupancy.

Tenure and other housing preferences are among many other variables reflected in the allocation of households by Mosaic lifestyle cluster. Therefore, the households in each lifestyle cluster include a mix of both owners and renters, and they might prefer a mix of detached and attached housing products. For example, among the "Full Pocket Empty Nests" group, only 17.2% are renters, and 45.8% are likely to choose buildings with at least 3 units. Deduction suggests that some (but not all) are looking to own a home in an attached product – such as a townhouse or condo. See Figure 3.

Figure 3



Source: Underlying data provided by Decision Analytics and Information Solutions; 2014. Analysis and exhibit prepared by LandUse|USA; 2015.

Missing Middle Housing

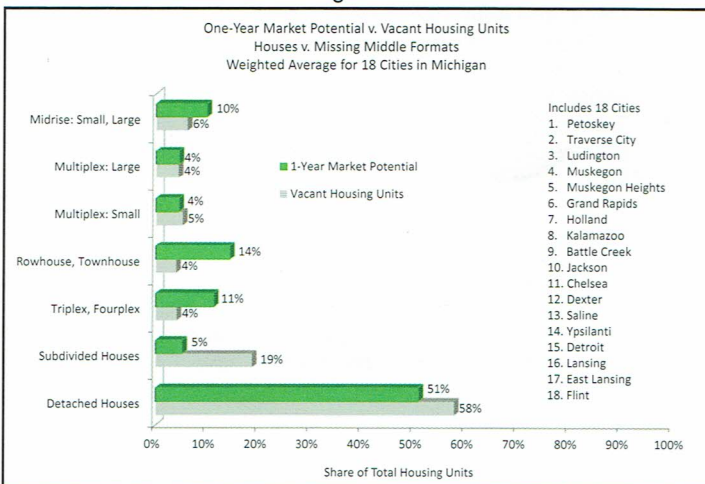
For the purpose of this article, LandUse|USA has conducted a special case study of 18 cities across Michigan that completed a TMA within the past three years. They geographically range from Petoskey south to Holland, and east to Flint and Detroit. The cities are listed below:

- | | |
|---------------------|------------------|
| 1. Petoskey | 10. Jackson |
| 2. Traverse City | 11. Chelsea |
| 3. Ludington | 12. Dexter |
| 4. Muskegon | 13. Saline |
| 5. Muskegon Heights | 14. Ypsilanti |
| 6. Grand Rapids | 15. Detroit |
| 7. Holland | 16. Lansing |
| 8. Kalamazoo | 17. East Lansing |
| 9. Battle Creek | 18. Flint |

Since TMA's are especially good at identifying target markets for attached housing products in urban places, we would typically isolate about 20 target markets that have a high propensity for those locations and product types. But for this case study we actually looked at all 71 lifestyle clusters in the data set. This means that the results are free of any bias and include all households that might choose detached houses in rural settings, as well as attached products in urban places.

In conducting this study, we also took a middle-of-the-road approach to estimating the market potential. For perspective, the

Figure 4



Source: Underlying data provided by Decision Analytics and Information Solutions; 2014. Analysis and exhibit prepared by LandUse|USA; 2015.

most conservative approach would involve a study of only in-migration into each city, or new households. The most aggressive approach yields a maximum threshold based on in-migration of new households, *plus* internal migration among households that are moving within each city. The results presented in this special study represent a mid-point between those conservative and aggressive bookends.

For each city we determined: a) the number of existing households by Mosaic lifestyle cluster; b) their movership rate; c) propensity to choose different building sizes; d) and the composition of existing units by building size. We then rolled-up the results, calculated some weighted averages, and compared the results. The TMA measures the market potential for one year, and that can be forecast as an annual market potential over the next five years. See Figure 4 showing 1 year market potential versus vacant housing units.

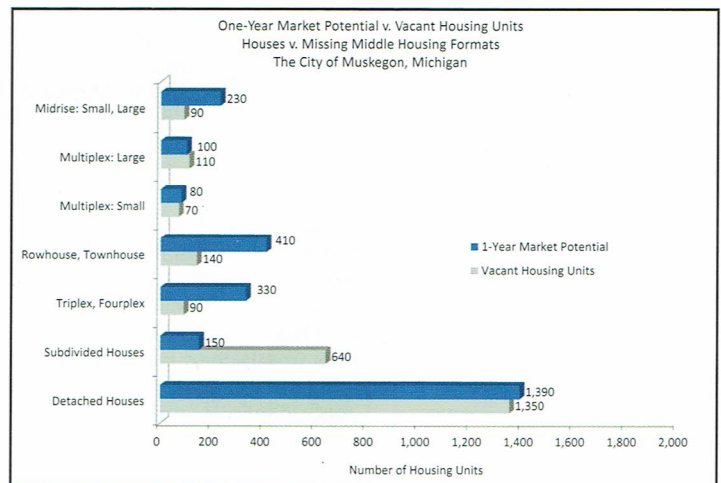
Over five years across all 18 cities combined, and among all 71 lifestyle clusters, about 51% of the migrating households will be seeking detached houses, and an additional 5% will be seeking either subdivided houses or duplexes, for a total of 57%. However, houses and duplexes actually represent 78% of the current housing stock.

In comparison, 43% of the migrating households will seek housing with 3 or more units per building, including a range of triplexes, fourplexes, townhouses, larger multiplexes, and small or large midrises. Any of these could also include a mix of flats or lofts above street-front retail, and they could be integrated into mixed-use or adaptive reuse projects. *The results suggest a significant mismatch, because only 23% of the existing housing stock actually aligns with these building sizes or types.*

We also compared results to the aggregate supply of vacant housing units and found the results to be similar. The biggest difference is that subdivided houses and duplexes are more likely to be vacant than detached, single-family houses. The comparisons are conservative because in many of Michigan's cities (including Petoskey in this study), a large share of the vacancies are not actually available and instead are seasonally occupied or for recreational or occasional use.

The results also need to be studied in more detail to appreciate the magnitude of market potential within individual cities. Let's take a closer look at the City of Muskegon, for example. Based on the American Community Survey, Muskegon currently has about 1,350 vacant houses. Among all 71 lifestyle clusters, and aggregated over the next 5 years, about 1,390 migrating households will be seeking that format. See Figure 5.

Figure 5



Source: Underlying data provided by Decision Analytics and Information Solutions; 2014. Analysis and exhibit prepared by LandUse|USA; 2015.

Some of the market potential will be from new households migrating into Muskegon, but most will be existing households

swapping among the market's available choices. Comparing the market potential to the vacant housing stock is not intended to imply that all migrating households will occupy the vacancies. It is intended only to provide a sense of magnitude of the market potential relative to the magnitude of vacancies.

Based on the results, we can deduce that some households moving into and within Muskegon (among all 71 lifestyle clusters) will generate some market potential for new detached houses – even though such households have low movership rates. *But detached houses are not the star of the show. Far more profound is the mismatch between households seeking attached products compared to those vacant and available choices.*

For example, there are 740 households migrating each year into and within the City of Muskegon, and that are also seeking triplexes, fourplexes, or townhouses with 5 to 9 units per building. In comparison, there are 230 units vacant and available. Until new choices are added, migrating households will need to shuffle among the existing units, or choose an existing vacancy. Some might trade for a format that they don't really prefer (such as renting a house), and others may simply bypass Muskegon altogether – or even leave Michigan.

Shuffling among existing housing stock might satisfy some of the target markets for a year or two – but it is not a long-term solution for meeting their needs, gaining population, and growing economically. If no new housing choices are added, then the migrating target markets will continue bypassing Michigan's cities, and will continue choosing other places to live. A proactive approach to adding more attached housing formats is needed to help turn the tide.

Figure 6 (on pages 6-7) presents the results for nine more of the 18 cities in the analysis. These are mostly larger cities, but even small ones like Dexter have unmet demand for Missing Middle housing types.

Conducting more comprehensive TMAs for individual cities and counties is a far more complex undertaking. It is most useful to provide both conservative (minimum) and aggressive (maximum) scenarios; allocate the market potential by rent and home value (and reflecting local real estate and market conditions); and estimate the amount of square feet that prices are likely to command. Each city will also have a different profile among the target markets, so the results will vary by Missing Middle Housing format.

Meanwhile, this simplified case study provides a glimpse into the data. It is likely based on these results, and others, that most cities have an unmet potential demand for Missing Middle Housing. More detailed results for the remaining case study communities, or for your community can be obtained by contacting the author.

But even if your community has a TMA, it is pertinent at this point to ask yourself:

- “Does your master plan anticipate Missing Middle Housing types that migrating target markets are looking for?”
- “Does your zoning ordinance even permit Missing Middle Housing types? Is it in the locations where demand is the strongest (such as downtown and at key nodes along major transit corridors)?”
- “If not, is your community prepared to let potential new residents pass your community by, or for talented workers (like your children or grandkids) move somewhere else because it does not have the housing choices they are looking for?”

How To Fund a TMA

Are you interested in having a TMA conducted for your community, and perhaps wondering where the funding might come from? Then you might be pleased to know that the Michigan State Housing Development Authority (MSHDA) is offering a matching grant for regional and county-level TMAs. The matching grant falls under MSHDA's Community Development Division and its Place-Based Planning Program. Contact Jess Sobel or Jim Tischler at MSHDA for more information: SobelJ@michigan.gov or TischlerJ@michigan.gov.

Communities applying for the grant will need to meet certain criteria, and ideally you are already collaborating with your neighbors as part of the Regional Prosperity Initiative. If it's a grant that you want, then your best bet may be to collaborate with other counties in your Michigan Prosperity Region. A regional approach to the TMA studies helps keep the costs down and also generates more comprehensive results for comparative purposes.

There's more good news: A TMA may already have been completed in your county; and if so, your city or village is probably in the report. Table 4 below lists the status of TMA's underway or completed in Michigan. “Region” refers to the regional boundaries of counties in the Governor's Regional Prosperity Initiative. See the map on the cover of *PZN*, November 2013, or visit: <http://www.michigan.gov/dtmb/0,5552,7-150-66155---,00.html>.

Table 4
Local and Regional Target Market Analysis
Completed or Underway

The State of Michigan – 2013 through 2016			
Region 1	The City of Sault Ste. Marie	Completed	2014
Region 1	The Upper Peninsula Region	Underway	2016
Region 2	The Northwest Region	Completed	2014
Region 3	The City of Onaway	Completed	2014
Region 3	The Northeast Region	Underway	2015
Region 4	Newaygo County	Completed	2014
Region 4	The City of Holland	Completed	2014
Region 4	The City of Grand Rapids	Completed	2014
Region 4	Mason County	Completed	2015
Region 5	The East Central Region	Planning	2016
Region 6	The City of Flint	Completed	2015
Region 7	Lansing / East Lansing	Completed	2013
Region 8	The City of Kalamazoo	Completed	2014
Region 8	Calhoun County	Completed	2015
Region 8	The Southwest Region	Underway	2016
Region 9	The City of Jackson	Completed	2014
Region 9	Washtenaw County	Completed	2015
Region 10	Downtown & SW Detroit	Completed	2015

Source: Michigan State Housing Development Authority, Community Development Division.

Samples of Completed TMA Studies

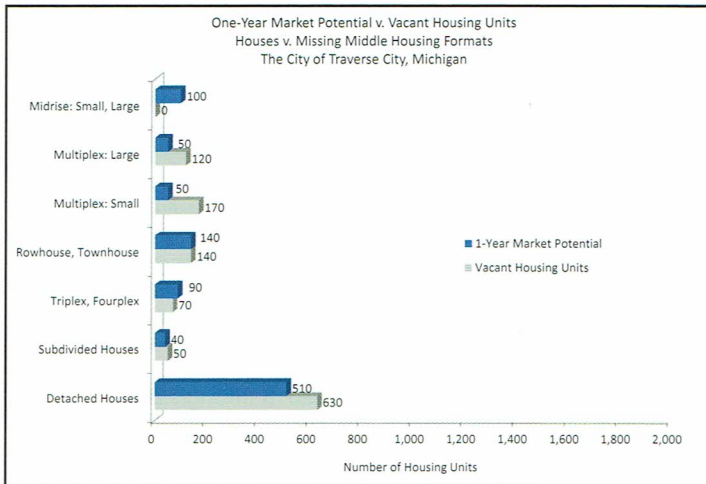
For samples of completed Target Market Analysis Studies visit the following web addresses:

- Muskegon County
muskegon-mi.gov/departments/community-and-neighborhood-services/
- The City of Jackson
jaxanchor.org/wp-content/uploads/2015/02/Jackson-TMA-Market-Strategy.pdf
- Northwest Michigan
networksnorthwest.org/planning/planning-policy/housing/reports-and-documents.html

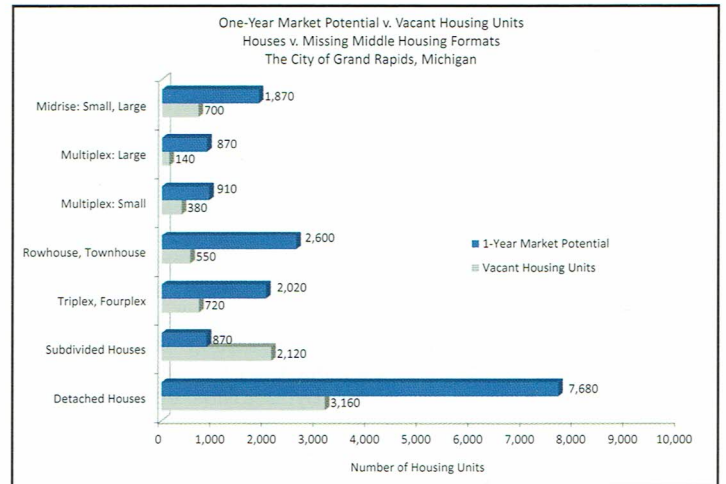
Building New Housing Based on a TMA

Following are action-specific recommendations for distributing TMA study results and ensuring that the TMA is used to create new investment and tangible housing projects. For communities that received a matching grant for the TMA through MSHDA's Place-Based Planning Program, they should plan on demonstrating measurable progress with *at least one new project over the next three years*. The following recommendations are written to help communities that have a TMA identify strategies for achieving that goal.

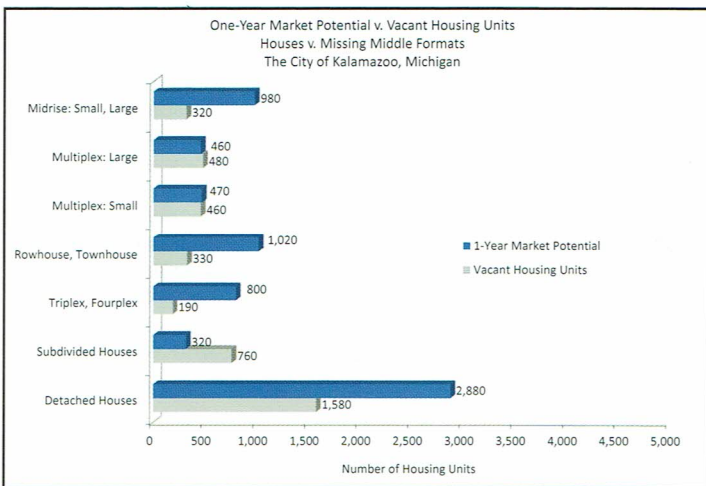
Figure 6



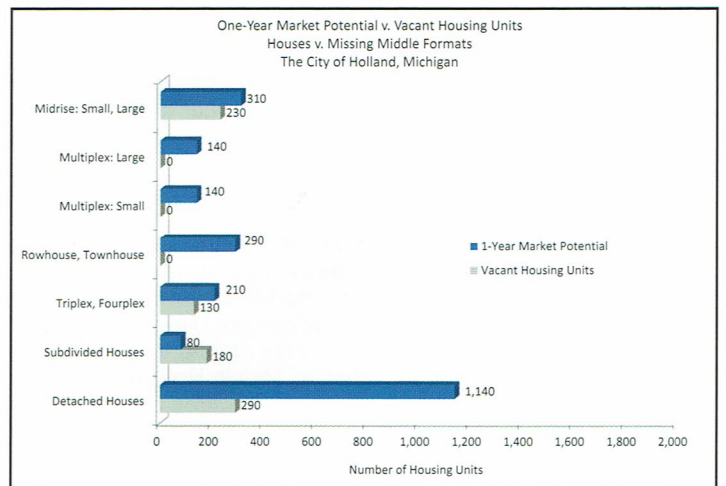
Traverse City



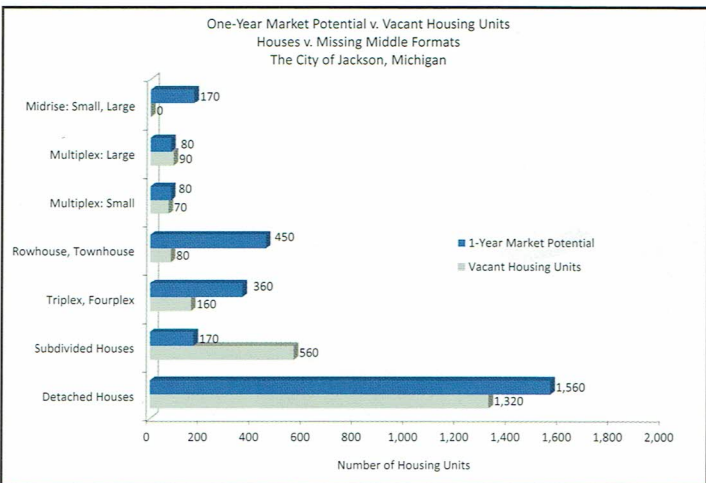
Grand Rapids



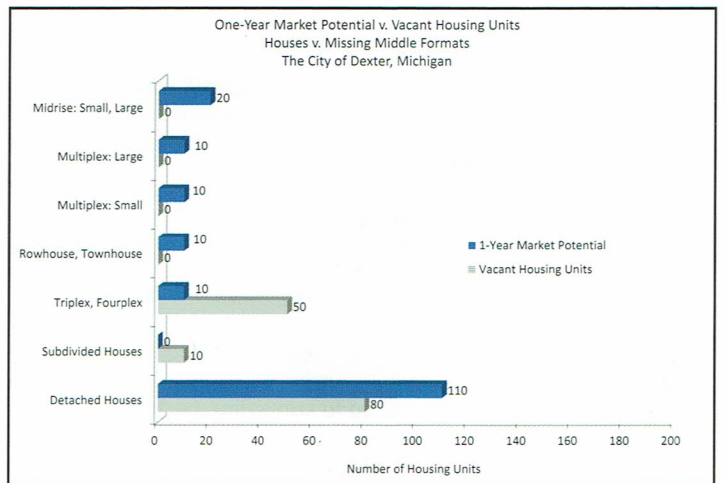
Kalamazoo



Holland

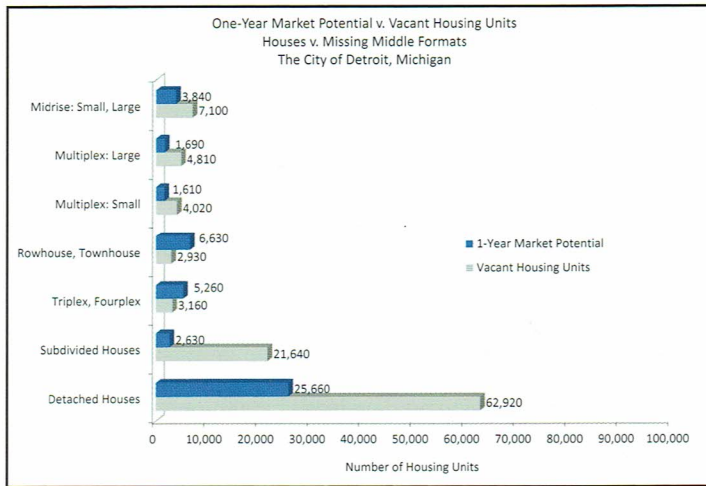


Jackson

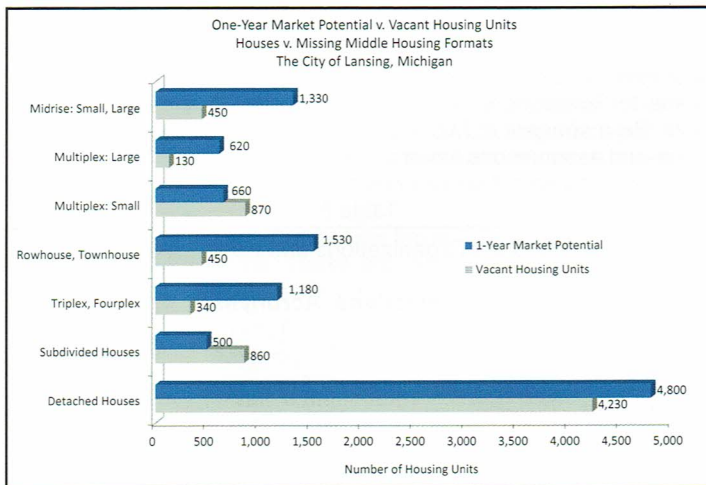


Dexter

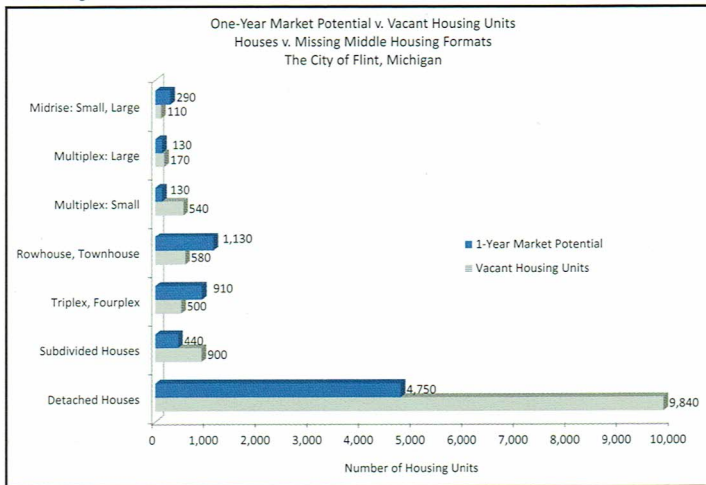
Figure 6 (continued)



Detroit



Lansing



Flint

Most Important

The following three actions must occur or the TMA will just be another document that goes on the shelf.

1. Your TMA needs to end up in the hands of real estate developers and financial institutions who are prepared to act upon the recommendations.
2. At the same time, as a part of five-year master plan updates, local planning commissions need to be making plan amendments to ensure that Missing Middle Housing formats are planned in appropriate locations in their communities.

3. Similarly, zoning ordinances need to be amended to specifically allow Missing Middle Housing types in appropriate locations.

More on each of these below, along with additional recommendations for getting the TMA results into the hands of those who can help bring its potential to fruition.

Local Government Roles

Housing Task Force – The Project Steering Committee that guided development of the TMA should continue to meet and collectively work toward implementing the potential for new housing identified in the TMA. Perhaps expand the scope of the Steering Committee by creating a Housing Task Force with a broader cross-section of stakeholders. It is important to have a clear mission or vision statement that includes ensuring Missing Middle Housing is created in the community. Also, be sure task force members fully support the mission of the task force.

Governing Body and Planning Commission – Invite the TMA consultant to present the study results before the city or village council or township board, DDA board, and planning commission along with the municipal staff serving each of those bodies. Be sure they understand the value and benefits of Missing Middle Housing and how a TMA helps them to identify the growing market for such housing and the consequences of failing to seize available opportunities. Begin discussions on the range of hard and soft incentives that may be necessary to get Missing Middle Housing built in your community. Afterwards, have a local ambassador meet with the planning department to discuss ways that the TMA recommendations can be integrated into local and regional planning documents, the zoning ordinance and other related initiatives.

MSHDA and MEDC Outreach – Meet with the Michigan State Housing and Development Authority's (MSHDA) Community Development Specialist serving your region; plus the CATeam representative from the Michigan Economic Development Corporation. Review the TMA results and discuss agency programs and funding sources, and the process for seeking assistance with site-specific projects that align with the TMA recommendations. Among developers with competitive projects, encourage them to talk with grant specialists in MSHDA's Community Development Division.

Other State Resources – Leverage other state programs, such as the Michigan Main Street Communities program; MEDC's Re-development Ready Communities (RCC) program; and Place-Plans programs underway by the Michigan Municipal League (MML) and MSU's School of Planning Design & Construction. If timing and context is appropriate, use the marketing materials to link the TMA with these other initiatives.

Hard and Soft Incentives – Based on input during the developer forums and open houses (described below), evaluate and solidify the financial (hard) and soft incentives the community and its partners are willing to provide to developers of Missing Middle Housing, and ensure that they are clearly conveyed on local websites. Hard incentives may include tax credits, loans and other financial tools (revolving funds, bond programs, tax increment financing, etc.). Soft incentives may include flexible terms, infrastructure, brownfield remediation, collaborative marketing, land bank assistance, etc.

Public Open Houses – At an appropriate time, facilitate public open houses for the general public and/or special interest groups. Be sure to include the local chamber of commerce and civic organizations like rotary clubs. Elements could include presentations, charrettes, workshops, focus groups, and interactive surveys. Related tools could include phone interviews, intercept surveys, mail surveys, etc.

Improve Stakeholder Engagement – Ensure that at least one local staff person is trained and certified by the National Charrette Institute (NCI) to facilitate future stakeholder engagement processes. Alternatively, retain the services of an urban planning firm with NCI-certified professionals to assist with the process.

This is critical when running a charrette for a site targeted for Missing Middle Housing.

Professional Design Services – Retain the professional services of an urban designer, town planner, or landscape architect to prepare preliminary site plans and artist renderings for possible site-specific projects; including at any charrette for such sites. Strive to accurately convey the TMA recommendations relative to those projects and locations. Then, integrate the results into designs that come from stakeholder charrettes, as well as in subsequent marketing brochures.

Master Plans and Zoning Ordinances – Integrate the TMA recommendations and results of charrettes into master plan updates and reflect the recommendations in applicable zoning ordinances. Consider form-based planning tools (such as form-based codes), and ensure that the master plan and zoning can accommodate mixed-use projects; downtown housing; and Missing Middle Housing formats in higher densities than typically found among detached houses. Target locations at key nodes along major transit corridors. Consider allowing accessory dwelling units.

Developer & Financial Institution Involvement

Developer Outreach – At the same time as, or before the public open houses described above, host one or more Developer Summits for local investors, real estate brokers, and lending institutions. Initiate and facilitate one-on-one meetings with developers to review the TMA results, implications, and next-steps. Give them the TMA consultant's contact information.

Financial Institutions – Ask financial institutions to consider low-interest loans (or negotiable terms) for any developers and investors that create projects in alignment with the TMA recommendations. Ask the lenders to announce public open houses and other events on their electronic news boards.

Additional Communications & Outreach

Marketing Plan – Retain the services of a local professional marketing firm to prepare a cost-effective marketing plan. Focus on reinvestment opportunities and catalyst projects in the downtown and urban neighborhoods, with an emphasis on mixed-use projects, attached residential units, and Missing Middle Housing formats. (Note: Property listings by real estate brokers can help, but are not a substitute for effective and aggressive marketing strategies.)

Marketing Brochures – Work with the marketing firm to summarize the TMA results into glossy brochures, flyers, or other promotional materials. Create a website page that promotes the site-specific investment opportunities.

Email Outreach – Gather and review existing email lists of local stakeholders, committee members, local staff, elected officials, developers, real estate brokers, and property owners. Email the TMA report to the stakeholders as a .pdf electronic file, and invite them to contact the TMA consultant with any questions.

Media Outreach – To ensure thorough and accurate coverage of the TMA results and stakeholder engagement process, write news releases and event invitations internally, and ask the media to print the articles as written (i.e., with minimal creative edits).

Internet and World Wide Web – Post a .pdf electronic copy of the TMA on local websites, including planning and economic development departments, downtown development authorities (or similar downtown associations), chambers of commerce, and neighborhood associations.

Social Media Outreach – Announce and promote the TMA results on social media websites, and particularly Facebook and Twitter. Designate a staff person to steer conversation in a positive manner, and to keep the content current and relevant.

Volunteer Recruitment – Recruit new volunteers to help as needed. In addition to the tasks listed above, related objectives could include making sites shovel ready, pursuing grants and funding, and commissioning developer bids through an RFP process. Follow the Michigan Main Street Center's 4-point approach for recruiting and organizing volunteers, and addressing place-making in the downtown.

Conference Outreach – Participate in or be a sponsor at conferences in Michigan and other cities in the Upper Midwest, like Chicago, Milwaukee, Indianapolis, Toledo, Columbus, Cleveland, etc. Host a booth that markets the community as an attractive place for investment, and offer brochures on site-specific projects. Be a sponsor at Michigan conferences hosted by organizations and associations listed in Table 5.

Table 5

National and State Organizations and Associations – 2015

Organizations and Associations Acronym

Michigan State Housing Development Authority	MSHDA
Michigan Economic Development Corporation	MEDC
Community Economic Development Association of Michigan	CEDAM
Congress of New Urbanism (Detroit 2016)	CNU
Michigan Economic Developers Association	MEDA
American Planning Association – Michigan Chapter	MAP
Urban Land Institute – Michigan Chapter	ULI
Michigan Community Development Association	MCDA
Michigan Local Government Managers Association	MLGMA
Michigan Downtown Association	MDA
International Council of Shopping Centers	ICSC

A TMA will not implement itself. Hopefully these recommendations will help you better understand how a TMA can be used as a tool to improve the competitiveness of your community in attracting and retaining talented workers, while improving housing choices for the whole community. □

For Additional Information

Topic	Primary Source	Website URL
Michigan Resources	MI State Housing Dev. Authority	michigan.gov/mshda/
Placemaking	MIplace Partnership Initiative	MIplace.org
PlacePlans	Michigan Municipal League	placemaking.mml.org/place-plans/
The Urban Transect	Ctr. for Applied Transect Studies	transect.org/transect.html
WalkUp Study Results	MSU Land Policy Institute	landpolicy.msu.edu
Missing Middle Housing	Opticos Design, Inc.	missingmiddlehousing.com/
Missing Middle Housing Design Competition	AIA Michigan	michigan-missing-middle-housing-design-competition-draws-global-talent/

POSTSCRIPT: Missing Middle Housing Solves Two Big Problems

Developers and banks are accustomed to building/financing large apartment buildings and condominium complexes to meet demand for attached housing. However, TMAs in Michigan show the potential for attached housing is greatest in small developments in urban centers and at key nodes along transit corridors. There are few large vacant parcels in many of these places, but there are often many single lots or clusters of small lots that abut single-family areas along these corridors. These infill locations are well suited for Missing Middle Housing. Thus, not only is attached housing demand met, but otherwise vacant lots can be redeveloped in a way compatible with adjacent single-family housing. That means more public support, less opposition to needed housing, and new tax base. It starts with a community planning and zoning to allow Missing Middle Housing, and then promoting it with developers and bankers. Now is a great time to start.

Editor

TMA TERMINOLOGY

By Sharon Woods, CRE, Founding Principal, LandUse | USA

Following is an explanation of terms that serves as a general guide to the methodological approach for Target Market Analysis. It begins with an explanation of the conventional supply-demand approaches to conducting housing studies, and moves to an explanation of how gaps and opportunities are typically measured. This is followed by explanations of flaws in the supply-demand rationale; methodological benefits to the TMA approach, and additional terminology explaining the importance of migration, movership rates, and propensities of households to choose attached housing formats in urban places. Definitions of Missing Middle Housing and the Urban to Rural Transect are also provided.

Market Supply and Demand – Conventional approaches to housing studies involve direct comparisons of supply and demand within the existing local market. Demand is traditionally based on the attributes of households currently living within the market. These studies usually make some adjustments for movership rates that can vary considerably by income bracket, head of householder's age, and tenure (owner v. renter).

It has also been traditional to assume that the form and style of current supply is a good indicator of what new buyers and renters will want. In other words, it is assumed that developers have accurately gauged market preferences and that what is built (and sold or rented) is an accurate reflection of what households want. This approach is advocated by lending institutions, which often require local market comparables as evidence of a proposed project's appropriateness for the market.

Market Gap – A direct comparison of demand with supply is made to gauge market gaps, where $\text{Gap} = (\text{Demand}) - (\text{Supply})$. Market gap is usually measured by: a) the number of units by tenure; b) size range (square feet); and c) price range (value or rent). The results are usually qualified by tenure (renter v. owner) and differentiated by "single-family" and "multi-family" units. They might be qualified for building styles or form, but almost always based on the attributes of current supply, and seldom based on household preferences for products that might be missing from the market.

Limitations of the Conventional Approach – Housing market studies have traditionally used conventional measures of supply and demand in local markets, and based on the choices that existing residents have already made among existing housing products. This approach is flawed because it fails to consider that residents and in-migrants would sometimes make

other choices if they were available. It can also contribute to redundancy in the housing market, and blandness in neighborhoods and communities.

Target Market Analysis – The alternative TMA approach relies on measuring demand based on the migration of populations that have a clear preference for choosing attached housing in small and large urban places, and in downtown settings. The approach also involves a study of the lifestyle characteristics of households that are on the move, and of the types of housing that they are choosing in other markets throughout the Upper Midwest.

Target Market Analysis is an analytic methodology or approach to consumer research that involves a detailed study of lifestyle preferences to identify appropriate products, and in this case that product is residential dwelling units. Many other industries apply similar target market methodologies for other consumer products, including store merchandise, television advertising, distribution of store catalogues, and new car models.

Within the housing industry, the target market analysis approach is designed to identify the housing formats that migrating households are seeking, so they can be intercepted and retained with new and refurbished units. It is also designed to attract households that are migrating throughout the region, and that are showing a propensity to migrate into Michigan's urban communities. Adding unique styles and forms of housing can significantly improve a market's ability to compete and intercept households who are on the move.

Migration – Under the TMA approach, in-migration and internal migration are at the foundation of measuring the market potential for new and rehabbed units. Each household that moves in any given year is a candidate for renting or buying

3) out-migration. Net migration is the difference between in-migration, and out-migration.

Movership Rates – The share (or percent) of population that is likely to make a change in address during any given year is referred to as a movership rate. In general, movership rates tend to be higher among young renters with relatively low incomes.

- Movership rates are almost always higher among renters, and lower for home owners.
- Movership rates are almost always higher among lower-income households.
- Movership rates are almost always higher among younger populations.
- After adjusting for incomes, movership rates tend to be higher for larger families.

Annual Market Potential – The TMA measures the market potential for one year, and that can be forecast as an annual market potential over the next five years. However, if the potential is not met with new or rehabbed units, then it does not roll-over or accumulate with subsequent years. Instead, the target markets will occupy the status quo housing stock; choose alternative locations within surrounding communities; bypass the market for another; or leave the community and migrate elsewhere.

On the other hand, regardless of whether the market potential is served within any given year, it is also replenished with new households (and target markets) that are moving in each subsequent year. Table A below is intended to demonstrate three different timelines (assuming that the first project breaks ground: 1) in 2016; or 2) is delayed until 2017; or 3) is delayed until 2018).

Table A
Non-Cumulative Annual Market Potential
Hypothetical Examples with 100 Units per Year

Hypothetical Examples	2016 Year 1	2017 Year 2	2018 Year 3	2019 Year 4	2020 Year 5	Total Potential
Timeline 1	100	100	100	100	100	500
Timeline 2	--	100	100	100	100	400
Timeline 3	--	--	100	100	100	300

a new or refurbished unit. If their preferences in housing units are not met, then they will simply shuffle among the existing choices – or leave the market altogether. Migration patterns are tracked at county and local levels of geography, and include a combination of: 1) internal migration within; 2) in-migration from beyond; and

Conservative v. Aggressive Scenarios – LandUse|USA always includes two distinct components of migration, including: a) in-migration from beyond the market; and b) internal migration within the local market. In-migration is used to forecast a conservative scenario for annual market potential; and internal migration is added

to forecast a more aggressive scenario. Neither scenario is adjusted for out-migration or net migration.

Mosaic Lifestyle Clusters – Based on definitions provided by Experian Decision Analytics (the vendor of demographic data used by LandUse|USA), there are 71 possible lifestyle clusters (Mosaics) located across the United States. Experian's definitions of the lifestyle clusters are based primarily on: a) geographic region in the United States; b) household density; c) household income; d) tenure (owner and renter-occupancy); d) consumer behavior (credit and debt); and e) a wide variety of socio-economic variables – of which ethnicity is just one factor. Many of these variables also have direct correlations. For example, renter-occupancy rates tend to be higher among lower-income households.

Sorted by Income – Experian Decision Analytics has assigned codes to the 71 Mosaic lifestyle clusters based on income, generally with the highest income cluster getting a code of A01, and the lowest income cluster being assigned a code of S71. However, there are some variances within the list, and these variances tend to be more pronounced within smaller places than national averages.

Target Markets – When lifestyle clusters are identified as candidates for attached housing in urban places, then they became target markets for new and rehabbed residential units. The target markets are selected from among the 71 lifestyle clusters based on their known propensity to choose attached housing formats in small and large urban places, communities, and/or downtown settings. They also tend to be young singles and renters with high movership rates, but can also include empty-nesters, early retirees, active seniors, and singles of all ages.

Building Formats – Conventional housing studies often use the terms “single-family” and “multi-family” units, and this nomenclature is reinforced by the tracking of building permit data, and by the lending industry. The Target Market Analysis approach focuses on differentiating “detached” houses from other products with attached units. These products may vary considerably in form, and may include duplexes, triplexes, fourplexes, townhouses (including some live/work units), courtyard apartments, other multiplexes, and mid-rise buildings.

Missing Middle Housing – Results of the

TMA are used to identify Missing Middle Housing products for developers and to encourage the development of unique products to fill those missing categories. The emphasis is usually on the building format rather than the unit format. The term Missing Middle Housing is credited to Daniel Parolek of Opticos Design, Inc.

By matching unique housing formats with the preferences of the target markets, Michigan's markets can benefit through population retention and growth. We have carefully aligned the housing formats with the propensity for each of the target markets to choose attached, renter-occupied, and multi-unit buildings. We also focused on target markets that show a high propensity for choosing to live in urban places, and to live in higher-density areas (v. low-density suburban places). Additional information on the Missing Middle typologies is available at www.MissingMiddle-Housing.com.

Unit Formats – Terms referring to unit formats and building formats are often used interchangeably or together. However, there are some distinctions. For example, apartments, lofts, flats, patio homes, and condominiums could be integrated among a variety of building formats. Apartments might be located within duplex buildings, and also in high-rise towers. Condominiums and patio homes can be attached in townhouses, or share walls among fourplexes. Similarly, lofts and flats and can be integrated into duplexes, triplexes, and live/work units.

Building Sizes – When attached units are recommended as a mix of duplexes, triplexes, fourplexes, or townhomes, it is almost always recommended that buildings have no more than 6 units in a row, distinct façade articulation, and private entrances. Similarly, stacked flats or lofts should usually have no more than 6 units along the side of any given building regardless of the building format, but they may have shared entrances.

Carriage Style Formats – Flats or lofts above garages, and cottages added behind existing houses are generally referred to as Carriage homes. In zoning nomenclature, these are often referred to as Accessory Dwelling Units (ADU). Two examples are provided in the photos below.

Courtyards and Public Space – Wherever possible, new multiplexes should include shared courtyards or other common areas with open green space and seating. This format is also referred to as

Courtyard Apartments among the Missing Middle Housing typologies. If there is a market potential for new, detached units (i.e., new-builds), then they should include Bungalow Courts or cottage-style houses that face onto a shared courtyard. In mixed-use projects and downtown districts, street-level courtyards should be designed as part of the public realm. In some special cases, pocket parks and town squares could serve as public courtyards.



Source: Carriage style typologies provided by Opticos Design.

Attached Unit Layout – In the individual units, some of the floor area can be traded for unique amenities, quality construction, and modern interior treatments. However, every bedroom must have a full private bath, and 2-bedroom units must have a ½ bath near the entrance. Ideally, kitchens will be centrally located and facing outward onto an open floor plan, with bedrooms on opposite ends (i.e., not sharing common walls.) All units should have balconies or patios that can accommodate at least two chairs. This anticipates that the markets are likely to include young renters, including singles, couples, and/or have unrelated roommates.

Ideally, kitchens will be centrally located and facing outward onto an open floor plan, with bedrooms on opposite ends (i.e., not sharing common walls.) All units should have balconies or patios that can accommodate at least two chairs. Attached products may include a combination of hard lofts (with exposed ductwork, etc.) and soft lofts that are relatively more finished. □

Typology	Similar or Commonly Interchanged Terms
Mansion Style Detached	Carriage-Style; Accessory Dwelling Unit (ADU)
Duplex, Triplex	Fourplex; may be side-by-side or stacked
Townhouse (Side-by-Side)	Row House; Brownstone
Townhouse (Stacked)	Row House; Brownstone
Multiplex: Small	Multiplex: Large
Midrise: Small	Lowrise; Low-rise; Mid-rise
Midrise: Large	Highrise; High-rise
Over Commercial	Live-Work; Main Street Mix (building size may vary)