

Market Discussion, Bayview Village, August 24, 2011, Sherman Lewis

The kind of market research that conventional investors usually want cannot be done for this project because it is too different from what the marketplace usually offers. Traditional market research looks at the past and at major markets, and less at latent markets. Investors need to decide about Bayview Village (BV) based on their general knowledge and a willingness to invest in a worthwhile project that has more risk than usual.

BV will sell to a latent market. Selling one house to a latent market has minimal risk; selling a neighborhood with 1,024 houses has considerable risk. If the building period is 5 years, BV would have no problem making money, while 10 years is iffy.

This discussion does not try to guess an absorption rate but looks at factors that could push it up or down.

The risk is not on the interior of the units, which can be assumed to be what the market is selling and what people want.

The interest in townhouses and flats is growing, but the market is still dominated by singles.

The additional step, the bigger risk, is separating the car from the house, but there are many good reasons people would want to buy: affordability, sustainability, health, community, amenities—all much greater in BV than the typical 3 story town house.

Primary market for BV

Five to ten years from now, BV will offer

- affordable condos and townhouses on walkways within 0 to 5 minutes walking,
- on-site store and café
- frequent, fast, free Village Bus to CSUEB Hayward, downtown Hayward, and Hayward BART,
- car share/rental; unbundled parking, minimal cost off-site and expensive on-site parking, taxi vouchers,
- HOA minibus and on-site freight electrocart;
- healthy, environmental life style, with parks, trails, and fitness center
- water-conserving fixtures and native landscaping,
- net zero electrical power, low carbon emissions; safe,
- quiet, peaceful walking environment, community amenities, and
- potentially car free living.

Most likely buyers, and ways to reach them, the big four:

- CSUH faculty, staff and some students, reached by Pioneer campus newspaper, mail boxes, email
- BART and local corridor workers, reached by leaflet, station posters on Richmond Fremont (M) line

- Live-work; work at home, reached by mailers to selected lists in East Bay ZIPs
- Retirees, seniors, reached by cable tv, senior center, mail, AARP, Mobile Home Parks, mailers to selected lists in East Bay ZIPs

Secondary interest:

- Hayward area residents, Caltrans tenants
- Affordable home seekers (affordable house, no car costs, no utility costs)
- Families seeking safe neighborhood with outdoor playing
- Environmentalists, life stylers; people who place a high value on living sustainably or on living in a progressive community
- Health seekers, walkers, dieters, doctor's orders to manage stress or lose weight
- Disabled in wheel chairs or visually impaired. Independent living centers

The City of Hayward is planning redevelopment of the section of Mission Blvd. just below BV, and AECOM Economics in May 2010 prepared a 51 page market analysis which also mostly applies to BV. The report covers employment and commerce as well as housing, and states that the corridor needs revitalization and can expect gradual employment and retail growth.

Concerning housing, most relevant sections state:

“A review of the Hayward housing market indicates demand for 9,000 new units over the next 20 years. This averages out to 450 units per year; and given the highly cyclical nature of real estate cycles, the actual construction in any one year could deviate considerably from this long term annual average. As land becomes scarcer, the proportion of multi-family development will increase. The multi-family share of overall demand is estimated at 59 percent.” p. 3

“Based upon a tabulation of building permits issued, Hayward added on average 351 units per year during the 1998 to 2008 period with the multi-family share being 25 percent.” p. 9

“A review of the Hayward housing demand, based upon a modest 0.8 percent annual population growth rate, indicates 9,000 units over the next 20 years. This averages out to 450 units per year; and given the highly cyclical nature of real estate cycles, the actual construction in any one year could deviate considerably from this long term annual average. As land becomes scarcer, the proportion of multi-family development will increase. The multi-family share of overall demand is estimated at 59 percent (see Table II-12).” pp. 12-13 [See Market Study.xlsx for Table II-12]

The City of Hayward has planned and zoned the quarry area for the BV project. The City updated its Housing element in June 2010 shows the special SMU zoning for the quarry area and its potential for 964 units: <http://www.hayward-ca.gov/about/generalplan/Chapter05-Housing.pdf>, Table 5-42.

Table 5-42: Residential Development Potential in 238 Study Area

Residential Land Use	Zoning	Acres	# of Parcels	Density Permitted (du/ac)	Mid-Range Density (du/ac)	Potential Units (Average Density)
Low Density	RS	12.77	10	8.7	6.5	79
Limited Medium Density	RM	13.21	4	12.0	10.4	124
Medium Density	RM	26.36	6	17.4	13.1	341
Sustainable Mixed Use	SMU	24.12	1	55.0	40.0	964
Commercial/High Density	RM	2.96	4	17.4	13.1	37
	CG	0.23	1	34.8	26.1	6
	CO	3.97	17	34.8	26.1	95
	RH	1.03	5	34.8	26.1	24
High Density	RH	12.56	13	34.8	26.1	321
Mission Boulevard	MBR	6.58	4	55.0	44.9	293
Total		103.79	65			2,284

Notes:

1. County Assessor data is not available for existing land use by parcel. County Assessor database identifies this area as "State-Owned Properties" for existing land use. However, given previous field survey/aerial photo reviews, at least 80 percent of the total acreage is vacant.
2. Mid-range densities are used for estimating capacity.

City of Hayward, 2009-2014 Housing Element, p. 5-78, screen shot

Families: The townhouses on the north side would have larger units. A park would have a children's play area and fencing to make caring for toddlers easier. A park would have some play areas for older kids. The BV Community Center will have a room and outside suitable to convert to day care if parents want to make it happen. Car-free projects in Europe teem with children outside because of high safety and good play areas. Transportation for schools would be by the minibus owned by the Quarry Residents Association, and Rapid Bus comes close to the CSUH Early Childhood Center (ECC). The ECC and the Highland elementary school are less than a mile away but not walkable; the junior high and high school are further away. All are easily reached by minibus. The campus now provides child care at the new Early Childhood Center, a high quality facility with room for 80 to 110 children. The ECC has programs for infants, toddlers, preschoolers, and nutrition. The ECC meets Head Start standards and is accredited by the National Association for the Education of Young Children and is a very high quality program. ECC maintains a ratio of one staff to four children or infants, and that limits the facility to about 80 children.

MTC research: *Choosing Where We Live: Attracting Residents to Transit-Oriented Neighborhoods in the San Francisco Bay Area*, – A Briefing Book for City Planners and Managers (PDF, 15 MB)

http://www.mtc.ca.gov/planning/smart_growth/tod/5-10/Briefing_Book-Choosing_Where_We_Live.pdf
Summary (PDF, 6 MB)

http://www.mtc.ca.gov/planning/smart_growth/tod/5-10/Chsng_Where_We_Live_SUMMARY.pdf

MTC examined what attracts San Francisco Bay Area home-seekers to transit oriented development (TOD) neighborhoods and how to improve these neighborhoods to better attract home seekers, based on a market analysis of surveys of over 900 households. The Bay Area has the opportunity to provide compact, connected and walkable mixes of land uses: housing, work, civic, retail and services coupled with rich transportation options. Our goal is to help elected

officials, public agency professionals, community stakeholders and developers understand how to develop high-quality TODs ...The Briefing Book summarizes study design, survey results, market segment descriptions and strategies for targeted market segments, along with examples of approaches for addressing neighborhood issues.

To request a paper copy of the Briefing Book contact the MTC/ABAG Library at library@mtc.ca.gov

Condominium comparables.

TM: Taylor Morrison, The Grove at Cannery Park, Hayward

<http://www.taylormorrison.com/624,14-new-homes-US-94541-CA-The-Grove-at-Cannery-Park-Community.aspx>

Several developers are redeveloping the old Hunts Cannery area; a new school is already complete. The original developers were caught up in the mortgage/financial bubble, with land costs too high to support a saleable product in today's market. Now land values have been greatly written down and townhouses are moving. I visited the TM project Oct 24 and was very impressed with the sales office and brochures, the model and its show furnishings, with the floor plans, and the competitive prices. TM is three story townhouses and close to BART, and thus similar to BV. The BV costs at this time seem to me too high to compete, but BV has expensive extras TM does not: green energy/net zero, community center; 24-7 management, community center, store, restaurant, transit service. BV prices and return to investors are still in a doable range, so I need to analyze where the cost problems are. My hope is the project core comparable to TM is competitive and the extras are the extra cost, but also extra value.

Marketing ideas

Usual stuff: similar to TM:

Finance: intro brochure Multi-page folder: thematic, big color. warranty summary. Floorplan folders, Site Map; Community Info; Price Lists; Features/options Sales office, model homes.

Design options: cabinets, countertops, flooring, lighting, plumbing fixtures, garbage disposal, appliances (magnetic induction stove top; bigger fridge), floor plan options within shell (kitchen island, walk-in closet, separate toilet room, closet-bath combo), solar upgrades, waste water heat recovery,

Extra Stuff:

Can buyer education help sell car-free units? People are so used to depending on their cars that they lack conscious knowledge of costs and alternatives. Buyer education can help people list all the trips they make and how they would work in BV. Major needs have to be within acceptable travel times, but people haven't thought much about how those trips could be done in BV. The four major markets can meet their basic needs in BV. Sometimes there are special needs, and car share, car rental, remote parking, taxi vouchers, and so on may work. Hypotheticals and theory won't work; anecdotes can help to some extent; but the major persuader will be ability to meet the individual trip needs of buyers. (See "Advertising ideas.")

Some research could use surveys, interviews, and focus groups of the primary market. Subjects would list their home-based trips, frequency, general purpose, specific purpose, and duration, similar to surveys MTC does already. There would be a check list by category to remind people. Household trip and travel data bases have trip lists that can prompt people thinking about the trips they make. They'd start with trips made once a week or more, e.g., to work, to shop, to eat out, etc. They'd end up with once a year trips, special or long distance travel away from home

for a night or more. Then they'd think about what trips would be comparable in BV, which easier, which more difficult. They'd summarize the workability of BV on a 5 point scale. They'd discuss the pricing points relative to unit type they think might be fair and lower prices that might be especially attractive. The group would discuss the potential for education in marketing the project.

Notes.

New York is now selling 350 sf apartments; residents usually spend little time there and seeks site amenities. "Gen Y," born 1980-2000, looks for a grill and fire pit, picnic tables, fitness center, party, club and movie rooms, bigger shower stalls; living room space for Wii and eating, a big wall for a TV, a nook for dog bed in laundry. resistance pool or spa.

Health.

Walking. Ellen Hughes, Professor of Medicine Emeritus, "Health and Vitality: What Science Tells Us About How to Thrive," UCSF Osher Center for Integrative Medicine, Jan 24, 2011 on UCTV. ehughes@medicine.ucsf.edu. <http://www.uctv.tv/search-details.aspx?showID=20217>

Suburbia. Richard Jackson PowerPoints under Interesting articles.

Commuting. The Texas Transportation Institute at Texas A&M University has released its annual Urban Mobility Report, which includes data on how much time, money, and mental health urban-area car commuters lose to congestion every year.

<http://www.grist.org/article/2011-01-20-new-report-quantifies-just-how-much-a-car-commute-crushes-your-s>

Housing projections.

SF Bay Area Housing Needs Allocation, 2007-2014

	Very Low, <50%	Low, <80%	Moderate, <120%	Above Moderate	Total
Hayward	768	483	569	1,573	3,393

ABAG, June 2008, p. 43

These and similar projections show that housing growth in Hayward can easily absorb Bayview Village.