



Community Research Services, LLC

November 22, 2005

Mr. Kelly Murdock
Homebuilder Construction
111 Finishing Touch Way
Green Fields, MI 11111

RE: Sagebrush, IN – Preliminary Market Analysis

Dear Mr. Murdock:

Community Research Services (CRS) has evaluated the Sagebrush, Indiana housing market as it pertains to the construction of additional rental units. The proposed site is located to the north of Cactus Street, in the southern portion of Sagebrush. Generally speaking, the site is located along State Highway 365. At this time, CRS can forward a positive recommendation for the addition of up to 32 units of family-oriented rental housing to the market. A more specific recommendation can be found at the end of this letter.

The PMA, defined for the purposes of this report, contains the communities of Sagebrush and Nettle. As previously mentioned, State Highway 365 can be found within the PMA and connects Nettle and Sagebrush. State Highway 258, State Highway 67, and US Highway 3 also traverse the PMA. The following townships were included in the PMA:

Prickle County:	Dogbane Township	Nettle Township	Sagebrush Township
	Yucca Township		

The immediate area around the site includes the Sagebrush Industrial Park and the Cottonwood Church Camp. The industrial park could be a disincentive to potential tenants of the proposed project if it is highly visible from the site.

Growth was observed from 1990 to 2000 within the population and household figures in Sagebrush and the PMA. From 2000 to 2010, Claritas projections forecast a population increase in the PMA of 8.6 percent and a household increase of 10.9 percent. The population and household figures for Sagebrush are projected to remain stable through 2010. In 2000, there were nearly 10,600 persons and 4,200 households recorded in the PMA.

Renter-occupied households were somewhat common in the PMA. In 2000, there were 949 renter-occupied households, representing 22.8 percent of the total households in

the PMA. A somewhat higher percentage (28.9 percent) was observed in Sagebrush proper.

CRS contacted a total of three family-oriented rental properties in the PMA. In addition, one property, Cholla Heights, did not respond to our repeated inquiries regarding their property and has, therefore, been excluded from the survey results. In total, the rental market in the PMA consists of 70 units; of these units, 51 percent have one bedroom and 49 percent have two bedrooms. There are currently no three bedroom units in the market. In the PMA, 32 percent of the households consist of three or more persons, indicating the potential for a greater number of bedrooms within the units. All of the properties surveyed were built in the 1980s.

The overall occupancy level for the market is stable, at 97.1 percent. Two vacancies were reported in the market, both within one bedroom units. There were very short waiting lists in place at Dune Manor I and Dune Manor II for the two-bedroom units. In addition, a waiting list (six months long) is in place for Thistle Apartments. All three developments were constructed through the RHS 515 program. Thistle Apartments also has Rental Assistance attached to its 30 units.

Average rental rates can be calculated for the units; however, due to the prevailing level of subsidy and the lack of persons likely to pay the full market rent at the RHS 515 projects, they are relatively meaningless. CRS has determined that the average rent for a one-bedroom unit in the PMA is \$395 and a two-bedroom unit rents for \$454. In comparison, the average basic rent at the properties is \$307 for a one-bedroom unit and \$354 for a two-bedroom unit, which are likely a more accurate representation of the true market potential. However, it should be noted that the amenity package at the existing projects is quite limited. Coat closets, coin-operated laundry, garbage disposals, and patios/balconies were the only amenities offered by at least two of the three facilities. A higher rental rate can be associated with a property offering a more substantial amenity package.

At this time, CRS can forward a recommendation of up to 32 units of family-oriented rental housing in the PMA. A more specific recommendation can be found below:

Number of units:	Up to 32 units
Unit Mix:	One-bedroom units: 10 percent of unit mix Two-bedroom units: 60 percent of unit mix Three-bedroom units: 30 percent of unit mix
Suggested Unit Targeting:	30 percent to 60 percent of Area Median Income (AMI)

Gross Rental Rates:
(Including utility allowance)

30 percent of AMI: \$297/\$356/\$412
(One/Two/Three-Bedroom rents)
40 percent to 60 percent of AMI:
\$396/\$475/\$549

Minimum Unit Sizes:

One-bedroom units: 750 square feet
Two-bedroom units: 900 square feet
Three-bedroom units: 1,100 square feet

Unit Amenities:

Full kitchen with refrigerator, stove, garbage disposal, and dishwasher;
Mini-blinds;
Ample storage space;
Washer/dryer hook-ups;
Central air-conditioning;
Patios/balconies;
Playground/tot lot.

Style of Construction:

Townhouse style units with individual entries.

Please note that this report was not based on a site visit. As such, although we are providing a positive recommendation for family-oriented rental housing, please keep in mind that this is contingent upon a number of additional factors, including the following:

- ✓ An appropriate location within a stable neighborhood;
- ✓ No major disruptions in the local economy in the near future.

Please feel free to contact our office with any questions you may have.

Sincerely,



Michelle Schneider