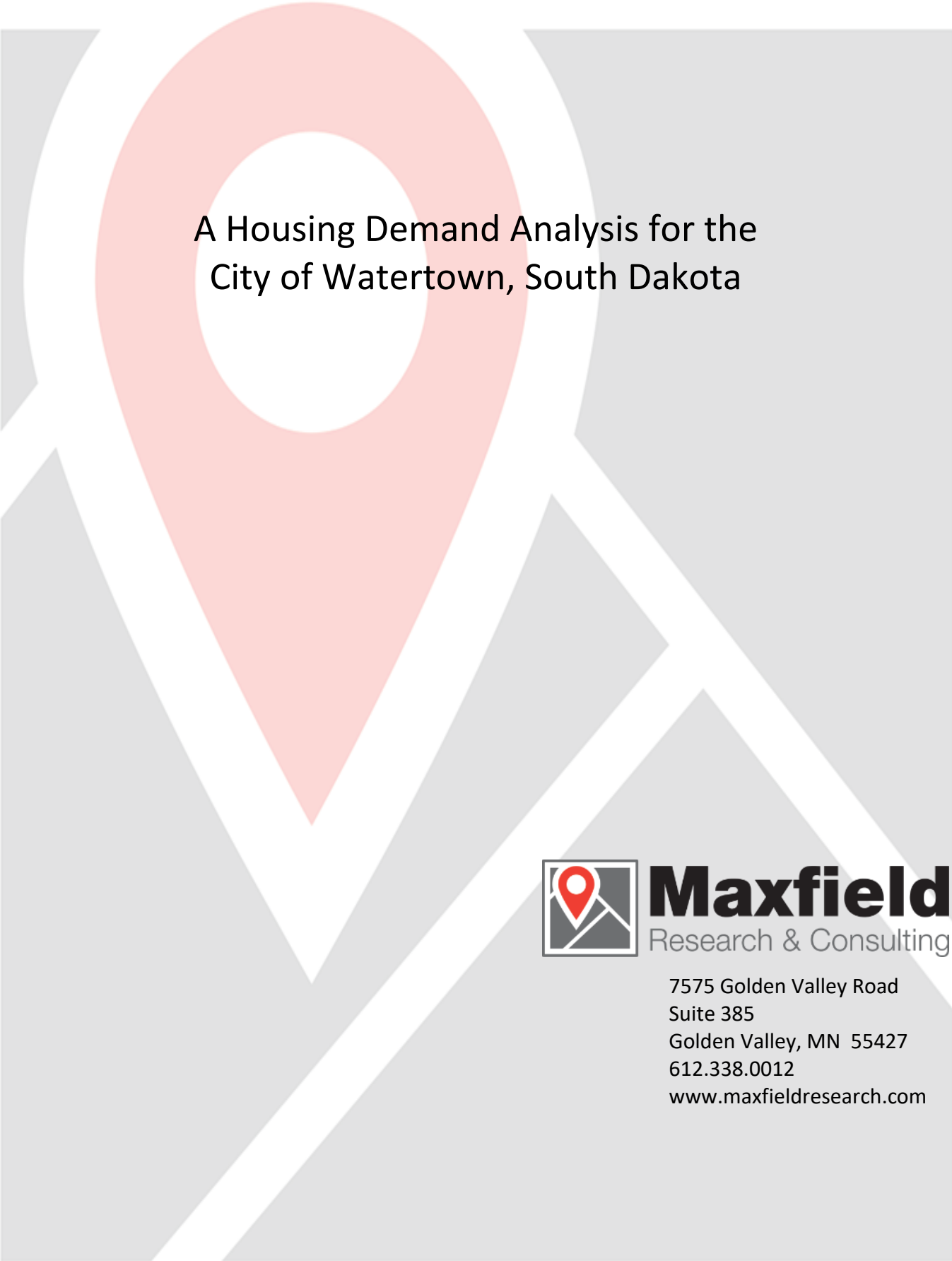




A Housing Demand Analysis for the City of Watertown, South Dakota



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June 13, 2023

Ms. Michelle Kakacek, CECD
Director of Business Development
Watertown Development Company
1 East Kemp Avenue
PO Box 332
Watertown, SD 57201

Dear Ms. Kakacek:

Attached is the *Housing Demand Analysis for the City of Watertown, South Dakota* conducted by Maxfield Research and Consulting, LLC. The study projects housing demand from 2023 through 2030, and provides recommendations on the amount and type of housing that could be built in Watertown to satisfy demand from current and future residents over the decade.

The study identifies a potential demand for about 1,630 new housing units through 2030. This demand will be generated by both new households and existing households based on changing demographic trends and housing preferences. Driven by the growing Baby Boomer cohort, demand is led by age-restricted senior housing (55%) compared to all-ages housing (45%).

Overall, the housing market has been tight across Watertown coming out of the pandemic-led housing boom that further constricted the housing market. The for-sale market witnessed record double-digit appreciation since 2020 and has peaked at over \$225,000. At the same time the rental market has been very active as over 340 multifamily units were permitted in 2021, another record-breaking year. At the same time the new apartment developments are leasing well and have posted a vacancy rate of only 1.5%; well below market equilibrium of 5%. The lot supply is sufficient in the near term as there are about 300 vacant lots within newer subdivisions and another 200+ lots in the planning phases, resulting in over 500 single-family lots either platted or having received approvals.

If you have any questions or need additional information, please contact us. We have enjoyed conducting this study for you.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Matt Mullins
Vice President

Max Perrault
GIS Technician/Associate

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
DEMOGRAPHIC ANALYSIS	7
Introduction	7
Market Area Definition	7
Historic Population	8
Population and Household Growth Trends and Projections from 1990 to 2030	10
Age Distribution Trends	15
Household Income by Age of Householder	17
Net worth	22
Tenure by Household Income	24
Tenure by Age of Householder	25
Household Type	27
Tenure by Household Size	28
Diversity	31
Mobility in the Past Year	33
Demographic Comparison to Peer Cities	35
Summary of Demographic Trends	36
EMPLOYMENT	37
Employment Trends	37
Employment Growth and Projections	37
Resident Labor Force	37
Employment and Wages	41
Commuting Patterns	43
Inflow/Outflow	45
Major Employers	47
HOUSING CHARACTERISTICS	48
Introduction	48
Residential Construction Trends 2000 to Present	48
American Community Survey	50
Age of Housing Stock	50
Housing Units by Structure and Occupancy or (Housing Stock by Structure Type)	52
Owner Occupied Housing Units by Mortgage Status	54
Owner-Occupied Housing Units by Value	55
Renter-Occupied Units by Contract Rent	57
Summary of Housing Characteristics	58

LIST OF TABLES

<u>Table Number and Title</u>	<u>Page</u>
D1. Historic Population Growth Trends, Codington County, 1990 to 2020.....	9
D2. Historic Population Growth Trends, Codington County, 1990 to 2020.....	12
D2A. Population and Household Growth, Watertown Market Area, 2000 to 2030	14
D3. Population Age Distribution, Watertown Market Area, 2000 to 2028.....	16
D4. Household Income by Age of Householder, City of Watertown, 2023 and 2028.....	18
D5. Household Income by Age of Householder, Primary Market Area, 2023 and 2028	20
D6. Estimate Net Worth By Age of Householder, Watertown Market Area, 2022	22
D7. Tenure by Household Income, Watertown Market Area, 2021	24
D8. Tenure by Age of Householder, Watertown Market Area, 2010 and 2021	26
D9. Household Type, Watertown Market Area, 2010 and 2021	28
D10. Households By Size, Watertown Market Area, 2021.....	30
D11. Population Distribution by Race, Watertown Market Area, 2010 and 2021	32
D12. Mobility in the Past Year by Age, Watertown Market Area, 2021	34
D13. Peer City Summary, Watertown & Liked-Sized Cities.....	35
E1. Employment Projections, South Dakota 2020 - 2030.....	37
E2. Annual Average Resident Employment, City of Watertown, 2000 to 2022	39
E3. Covered Employment Trends, Codington County and City of Watertown, 2000, 2005, 2010, 2015, 2021	41
E4. Quarterly Census of Employment and Wages, Codington County & Micropolitan Statistical Area, 2021 Q3 and 2022 Q3	43
E5. Commuting Patterns, City of Watertown, 2019	44
E6. Commuting Inflow/Outflow Characteristics, City of Watertown, 2019	45
E7. Major Employers, City of Watertown, 2022	47
HC1. Residential Building Permits Issued, City of Watertown, 2000 to 2022.....	49
HC2. Age of Housing Stock, Watertown Market Area, 2021	51
HC3. Housing Units by Structure & Tenure, Watertown Market Area, 2021	53
HC4. Owner-Occupied Housing Units by Mortgage Status, Watertown Market Area, 2021.....	55
HC5. Owner-Occupied Units by Value, Watertown Market Area, 2021	56
HC6. Renter-Occupied Units by Contract Rent, Watertown Market Area, 2021.....	57

R1. Bedrooms by Gross Rent, Renter-Occupied Housing Units, Watertown Market Area, 2021.....	60
R2. Select Newer General Occupancy Rental Housing, City of Watertown, May 2023	62
R3. Rent Summary, City of Watertown, May 2023.....	63
S1. Senior Property Summary, City of Watertown, May 2023.....	91
FS1. Residential Resales, City of Watertown, 2005 – 2022.....	69
FS2. Resales by Price Point, Watertown, SD, 2021	69
FS3. Homes Currently Listed For-Sale, Watertown, May 2023.....	71
FS4. Active Listings by Housing Type, Watertown, May 2023	74
FS5. Active Listings by Decade, Watertown, May 2023	75
FS6. Watertown Lot Supply, May 2023.....	77
HA1. MHFA/HUD Income and Rent Limits, Codington County, 2022	80
P1. Planned/Pending Residential Projects, Watertown Market Area, May 2023.....	82
HD1. For-Sale Housing Demand, Watertown, 2023 to 2030.....	89
HD2. Rental Housing Demand, Watertown, 2023 to 2030	90
HD3. Deep-Subsidy/Shallow Subsidy Active Adult Housing Demand, Watertown, 2023 and 2030	91
HD4. Market Rate Active Adult Housing Demand, Watertown, 2023 and 2030	93
HD5. Market Rate Independent Living Rental Housing Demand, Watertown, 2023 and 2030	94
HD6. Market Rate Assisted Living Demand, Watertown, 2023 and 2030.....	96
HD7. Market Rate Memory Care Demand, Watertown, 2023 and 2030	98
CR1. Summary of Housing Demand, Watertown, 2023 to 2030	99
CR2. Recommended Housing Development, City of Watertown, 2023 to 2030.....	100

Purpose and Scope of Study

Maxfield Research and Consulting LLC (i.e. “Maxfield Research”) was engaged by Watertown Development Company to conduct a *Housing Demand Analysis* for the City of Watertown. The Housing Market Study provides updated demand numbers from the 2019 Comprehensive Housing Study and provides high-level recommendations on the types of housing that should be developed in order to meet the needs of current and future households who choose to reside in the City.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City; a review of the characteristics of the existing housing stock, building permit trends, and residential land supply; an analysis of the market condition for the newest rental housing projects and for-sale housing products; an analysis of housing affordability; and an assessment of the need for housing by product type in the City. Recommendations on the number and types of housing products that should be considered in the City are also supplied.

Demographic and Employment Analysis

- The City of Watertown is forecasted to continue to be the main driver of population in the county through 2030. By 2030, Codington County is forecasted to have 30,400 people while the City of Watertown is expected to reach 24,200.
- The City of Watertown has an estimated median household income of \$59,721 in 2023. Incomes are projected to increase over the next five years to \$63,259 in 2028 (+6%).
- The population ages 65 and older in the City of Watertown is expected to experience more growth compared to other age cohorts from 2023 to 2028.
- The Market Area median income of owner households was \$75,098 and the median income of renter households was \$38,662 in 2021.
- The largest household type in the City of Watertown were single person households, 33% of households in 2021. At the same time, married household without children were the largest household type in the Remainder of the Market Area, representing 40% of households.
- Nearly half of renter-occupied households in the City of Watertown were one-person households in 2021.
- In 2022, unemployment in the City of Watertown was 2.1%, below the full employment rate of 5%.
- The largest employment sectors in Codington County in 2021 were the Trade, Transportation and Utilities was the largest industry (27%) followed by the Manufacturing industry (22.0%).

EXECUTIVE SUMMARY

- The average weekly wage in Codington County was \$923 (\$47,996 annually) during the third quarter of 2022.
- Watertown is an importer of workers, 6,082 people commute into the city for work and 8,362 both live and work in the city. Only 3,800 people leave the city for work.

Housing Characteristics

- In the nine years between 2000 and 2008, 755 single family permits were issued in Watertown, with an average of 84 single family permits per year. In the next ten years, from 2009 to 2018, Watertown permitted 466 single family homes, with an average of 47 permits per year. The decline in the number of permits reflects the effects of housing crisis and Great Recession, which resulted in a nationwide slowdown of housing construction.
- Although single family permits have been slower to recover from the economic slowdown, multifamily permits have risen. A total of 442 multifamily units were permitted between 2009 and 2018, compared to 94 multifamily permits issued between 2000 and 2008.
- In total, the Market Area is estimated to have 11,963 housing units with a median age of 1979, of which 66.8% are owner-occupied and 33.1% are renter-occupied.
- The dominant housing type in Watertown is the single-family detached home, representing an estimated 87.3% of all owner-occupied housing units and 25% of renter-occupied housing units in 2021.
- The median values of homes in the City of Watertown is \$174,900 compared to \$221,049 in the Remainder of the Market Area.
- The median contract rent in Watertown was \$691 in 2021, nearly identical to the median value of contract rent in South Dakota, \$695.

Rental Housing Market Analysis

- The Watertown Market Area reported a median rent of \$822 compared to the median rent in the state of South Dakota reported at \$809.
- Two- bedroom units are the most common rental unit type in the City of Watertown, with 52% of the rental housing units reported as two-bedroom units. In the Remainder of the Market Area, three-bedroom units are the most common rental type, accounting for 59% of rental units.
- Maxfield Research inventoried new rental properties with 12 or more units constructed since the 2019 study. There were 530 market rate units and eight of these units were vacant, resulting in a 1.5% vacancy rate. The industry standard is a vacancy rate of 5% for a

EXECUTIVE SUMMARY

stabilized rental market, this rate promotes competitive rates, ensures adequate choice, and allows for unit turnover.

- The following is the monthly rent ranges and average rent for new market rate units delivered since 2019:
 - Efficiency units: \$725 to \$937 \$758 average
 - One-bedroom units: \$839 to \$1,008 \$975 average
 - Two-bedroom units: \$1,075 to \$1,905 \$1384 average
 - Three-bedroom units: \$1,795 to \$1,795 \$1,795 average

Senior Housing Market Analysis

- There were 598 senior housing units in the Market Area. One property, *Generations on 1st*, with 72 market rate active adult units, has opened since the 2019 housing study.
- Subsidized active adult units were the largest share of senior housing options in the Market Area, accounting for 34% of units among five properties.
- At the same time, affordable active adult units only represented 4% of all senior housing options.

For-Sale Housing Market Analysis

- Since 2005, there have been approximately 408 sales annually in the City of Watertown.
- The median sales price of homes generally rose from 2005 through 2022, more than doubling during this time from \$100,250 in 2005 to \$225,050 in 2022.
- As of May 2023, there were 56 homes listed for sale in the Watertown area. About 55% of the active home listings were for single-family homes (31 homes).
- The median list price in Watertown was about \$445,000 for a single-family home and \$350,000 for a multifamily home.
- One-story homes accounted for the largest proportion of single-family homes on the market (79.6%), while condos represented 62.5% of multi-family homes listed for sale.
- As of May 2023, there were 296 available lots in newer subdivisions in Watertown.
- Vacant lots in newer subdivisions averaged .39 acres, with an assessed land value of \$48,864. Homes built in these subdivisions had an averaged assessed value of \$284,200.

Planned/Pending Projects

- There are eight pending developments in the City of Watertown. Six of the projects include single family homes, two include multi-family development, and there is one senior living project.
- The *Harmony Hill* development will include 32 assisted living and 32 memory care units in the first phase of the development. Through 2030, four phases are expected to be developed, with 700 units targeted at a variety of needs, including students, veterans, affordable and luxury housing.
- *Prairie Haven's* first phase of 72 single family lots was approved in the Fall of 2021. However, the development will eventually have seven phases with 500 lots.
- KAK's fourth addition, Kampeska Dunes fourth addition and River Ridge Estates eight addition have all received plat approval.

Housing Demand Analysis

- Based on our calculations, demand exists in the City of Watertown for the following general occupancy product types between 2023 and 2030:
 - Market rate rental 303 units
 - Affordable rental 138 units
 - Subsidized rental 110 units
 - For-sale single-family 0 lots (after subtracting vacant lots)
 - For-sale multifamily 36 units (after subtracting vacant lots)
- In addition, we find demand for multiple senior housing product types. By 2030, demand in Watertown for senior housing is forecast for the following:
 - Active adult ownership 165 units
 - Active adult market rate rental 179 units
 - Active adult affordable 166 units
 - Active adult subsidized 0 units
 - Congregate 143 units
 - Assisted Living 70 units
 - Memory care 24 units

Recommendations and Conclusions

- Based on the finding of our analysis and demand calculations, the chart on the following page provides a summary of the recommended development concepts by product type for

EXECUTIVE SUMMARY

the City of Watertown through 2030. Detailed findings are described in the *Conclusions and Recommendations* section of the report.

RECOMMENDED HOUSING DEVELOPMENT CITY OF WATERTOWN 2023 to 2030				
	Purchase Price/ Monthly Rent Range ¹	No. of Units	Pct. of Total	Development Timing
Owner-Occupied Homes				
Single Family²				
Entry-level	>\$275,000	60 - 80	24%	On-going
Move-up	\$275,00 - \$400,000	120 - 140	45%	On-going
Executive	\$450,000+	80 - 100	31%	On-going
Total		260 - 320	100%	
Townhomes/Detached Townhomes/Twinhomes²				
Entry-level	>\$200,000	25 - 30	31%	On-going
Move-up	\$200,00 - \$325,000	30 - 40	39%	On-going
Executive	\$350,000+	25 - 30	31%	On-going
Total		80 - 100	100%	
Total Owner-Occupied		340 - 420		
General Occupancy Rental Housing				
Market Rate Rental Housing				
Apartment-style	\$750/studio - \$1,800/3BR	240 - 250	80%	2024+
Townhomes	\$1,350/2BR - \$1,900/3BR	55 - 65	20%	2024+
Total		295 - 315	100%	
Affordable Rental Housing				
Apartment-style	Moderate Income ³	85 - 95	67%	2024+
Townhomes	Moderate Income ³	40 - 50	33%	2024+
Total		125 - 145	100%	
Total Renter-Occupied		420 - 460		
Senior Housing (i.e. Age Restricted)				
Active Adult Senior Coop	\$150,000+ (plus monthly fee)	80 - 100	18%	2024+
Active Adult Affordable Rental	Moderate Income ³	90 - 100	19%	2024+
Active Adult Market Rate Rental ⁴	\$975/1BR - \$1,750/2BR+	125 - 150	28%	2024+
Independent Living (Congregate)	\$1,500/Studio - \$2,500/2BR	80 - 100	18%	2025+
Assisted Living	\$2,900/EFF - \$4,500/2BR	50 - 60	11%	2026+
Memory Care	\$3,500/EFF - \$5,500/2BR	20 - 24	4%	2026+
Total		445 - 534	100%	
Total - All Units		1,205 - 1,414		
¹ Pricing in 2023 dollars. Pricing can be adjusted to account for inflation.				
² Recommendations include the absorption of some existing previously platted lots.				
³ Affordability subject to income guidelines per HUD. See Table HA-1 for Codington County Income limits.				
⁴ A mixed-income community can also be explored				
Note - Recommended development does not coincide with total demand. Watertown may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)				
Source: Maxfield Research & Consulting, LLC				

Introduction

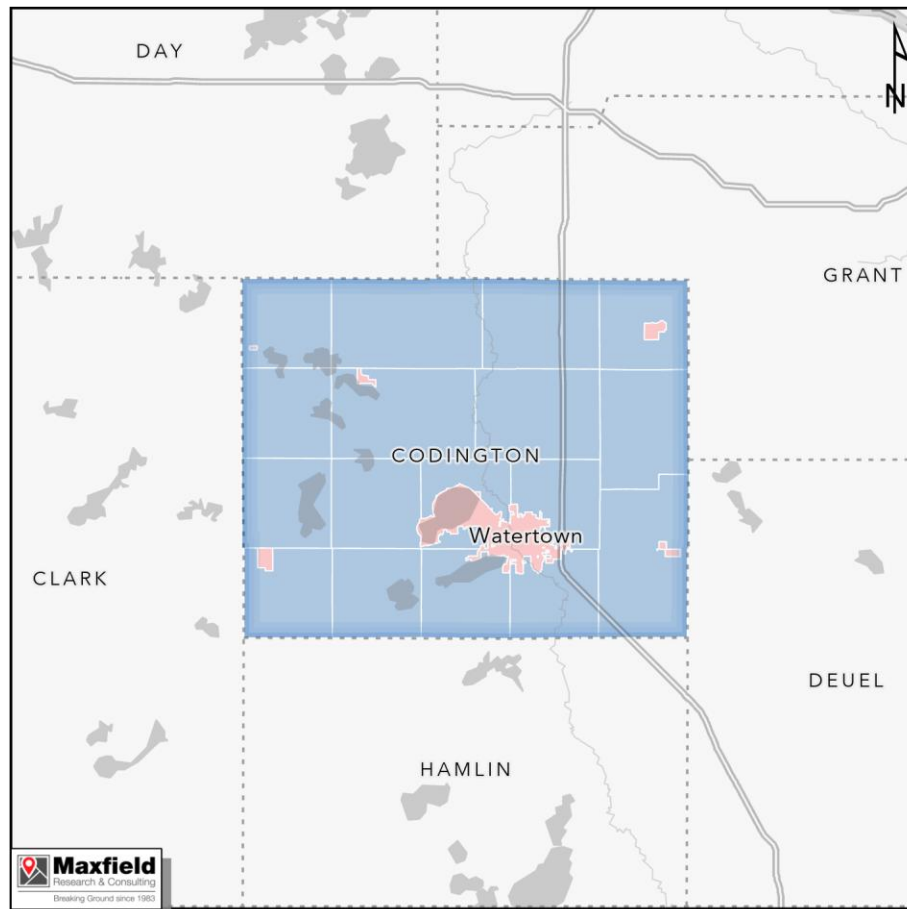
This section of the report examines factors related to the current and future demand for both owner- and renter-occupied housing in Watertown, South Dakota. It includes an analysis of population and household growth trends and projections, projected age distribution, household income, net worth, household types, household tenure, and peer city comparison. A review of these characteristics will provide insight into the demand for various types of housing in the Market Area.

Market Area Definition

The primary draw area (Market Area) for housing in Watertown was defined based on geographic and man-made barriers, commuting patterns, school district boundaries, and our previous experience in Watertown. The Market Area geography includes the includes all the communities within Codington County. A map of the PMA is provided on the following page.

City of Watertown - Market Area Definition		
City	Town	Township
Codington County		
Watertown	Kransburg Town	Dexter
	Henry Town	Eden
		Elmira
		Florence
		Fuller
		Germantown
		Graceland
		Henry Township
		Kampeska
		Kranzburg Township
		Lake
		Leola
		Pelican
		Phipps
		Rauville
		Richland
		Sheridan
		South Shore
		Wallace
		Waverly

Primary Market Area



Historic Population

The figure below shows historic City of Watertown population from the U.S. Census Bureau from 1900 to 2020.

- The population of the City of Watertown grew steadily through 1960 when it reached 14,077 before declining by 5% in the 1970's to 13,388. The decline in population in Watertown in the 1970's is consistent with the population declines in all of South Dakota's major cities.
- One of the major factors in the decline in the rate of increase in the urban population in South Dakota was the failure of the six largest cities to maintain the rate of growth of the previous decade.
- By 1980 the population in the City of Watertown had rebounded to 15,649, growing by 17% from 1970. Double digit population growth continued in Watertown through the 2000's.

DEMOGRAPHIC ANALYSIS

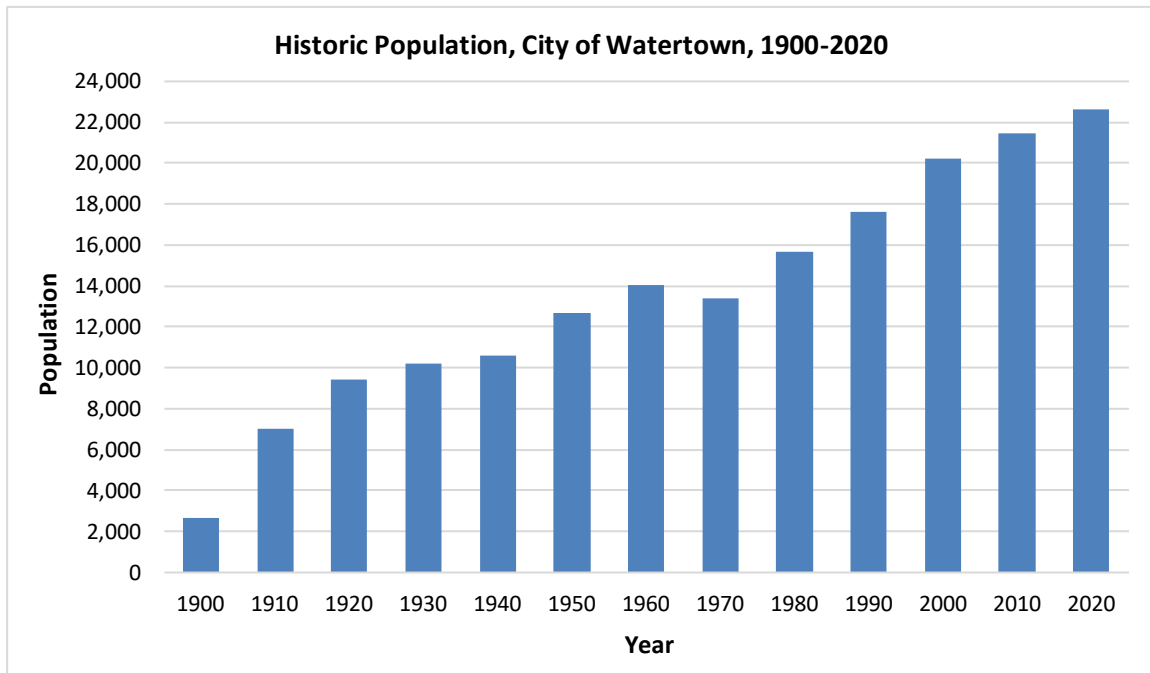
TABLE D-1
HISTORIC POPULATION GROWTH TRENDS
CODINGTON COUNTY
1990 - 2020

	Historic Population				Change					
	Census				1990 - 2000		2000 - 2010		2010 - 2020	
	1990	2000	2010	2020	No.	Pct.	No.	Pct.	No.	Pct.
Cities										
Watertown	17,623	20,237	21,482	22,655	2,614	14.8%	1,245	6.2%	1,173	5.5%
Towns										
Kranzburg	132	185	172	163	53	40.2%	-13	-7.0%	-9	-5.2%
Henry	215	268	267	256	53	24.7%	-1	-0.4%	-11	-4.1%
Townships										
Dexter	188	188	193	193	0	0.0%	5	2.7%	0	0.0%
Eden	116	102	98	123	-14	-12.1%	-4	-3.9%	25	25.5%
Elmira	302	343	442	450	41	13.6%	99	28.9%	8	1.8%
Florence	192	299	374	337	107	55.7%	75	25.1%	-37	-9.9%
Fuller	284	273	281	281	-11	-3.9%	8	2.9%	0	0.0%
Germantown	164	180	165	174	16	9.8%	-15	-8.3%	9	5.5%
Graceland	108	93	105	89	-15	-13.9%	12	12.9%	-16	-15.2%
Henry Township	112	97	94	104	-15	-13.4%	-3	-3.1%	10	10.6%
Kampeska	226	275	321	296	49	21.7%	46	16.7%	-25	-7.8%
Kranzburg Township	340	354	351	330	14	4.1%	-3	-0.8%	-21	-6.0%
Lake	665	676	646	641	11	1.7%	-30	-4.4%	-5	-0.8%
Leola	63	107	74	48	44	0.7	-33	-0.3	-26	-0.4
Pelican	547	662	718	726	115	21.0%	56	8.5%	8	1.1%
Phipps	77	79	75	72	2	2.6%	-4	-5.1%	-3	-4.0%
Rauville	272	307	282	271	35	12.9%	-25	-8.1%	-11	-3.9%
Richland	156	162	154	155	6	3.8%	-8	-4.9%	1	0.6%
Sheridan	410	446	433	481	36	8.8%	-13	-2.9%	48	11.1%
South Shore	260	270	225	189	10	3.8%	-45	-16.7%	-36	-16.0%
Wallace	83	86	85	91	3	3.6%	-1	-1.2%	6	7.1%
Waverly	163	208	189	200	45	27.6%	-19	-9.1%	11	5.8%
Codington County	22,698	25,897	27,227	28,325	3,199	14.1%	1,330	4.9%	1,098	4.0%
Micropolitan Statistical Area	27,672	31,437	33,130	34,489	3,765	13.6%	1,693	5.1%	1,359	4.1%
South Dakota	696,004	754,844	814,180	886,667	58,840	8.5%	59,336	7.3%	72,487	8.9%

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

DEMOGRAPHIC ANALYSIS

- Between 2000 and 2010, population growth began to slow in Watertown. The City's population grew by 6.2% from 2000 to 2010 and 5.5% from 2010 to 2020.



Population and Household Growth from 1990 to 2010

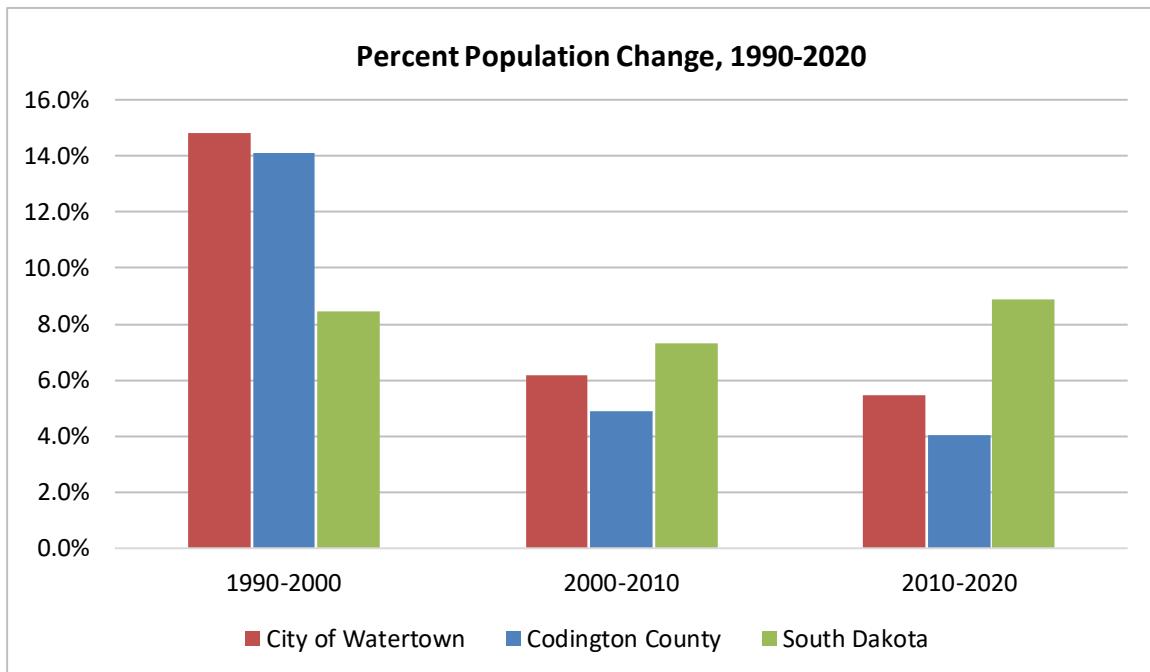
Tables D-1 and D-1a present the population growth of the City of Watertown, Codington County and the Micropolitan Statistical Area in 1990, 2000, 2010 and 2020. The data is from the U.S. Census.

Population

- Between 1990 and 2000, the Codington County population grew by 14%, to 25,897. The increase in the population of the PMA was majority driven by growth in the City of Watertown. Codington County added 3,199 people during this time, of which, 2,614 people were added in the City of Watertown.
- During the 1990's, population growth in Codington County and the City of Watertown was outpacing population growth in South Dakota, which grew by 8.5%.
- Although population growth continued between 2000 and 2010 in Codington County, it was lower than the previous decade, growing by 4.9% and 6.2% in the City of Watertown. Population growth during this decade fell behind South Dakota, which grew by 7.3%.

DEMOGRAPHIC ANALYSIS

- From 2010 to 2020, population growth continued to slow in Codington County (+4.0%) and the City of Watertown (+5.5%), while the South Dakota population grew by 8.9%.



- Household growth in Codington County and the City of Watertown has outpaced population growth. Households in the City of Watertown grew 10.6% between 2000 and 2010, while County households grew by 9.4% during the same time, similar to the increase in South Dakota households of 9.9% from 2000 to 2010.
- As with population growth, households have continued to grow through 2020, but at a slower pace than during the previous decade. Households increased by 5.2% in Codington County, but 6.3% in the City of Watertown from 2010 to 2020. Meanwhile, households in the State of South Dakota rose by 8.8% during the decade.

DEMOGRAPHIC ANALYSIS

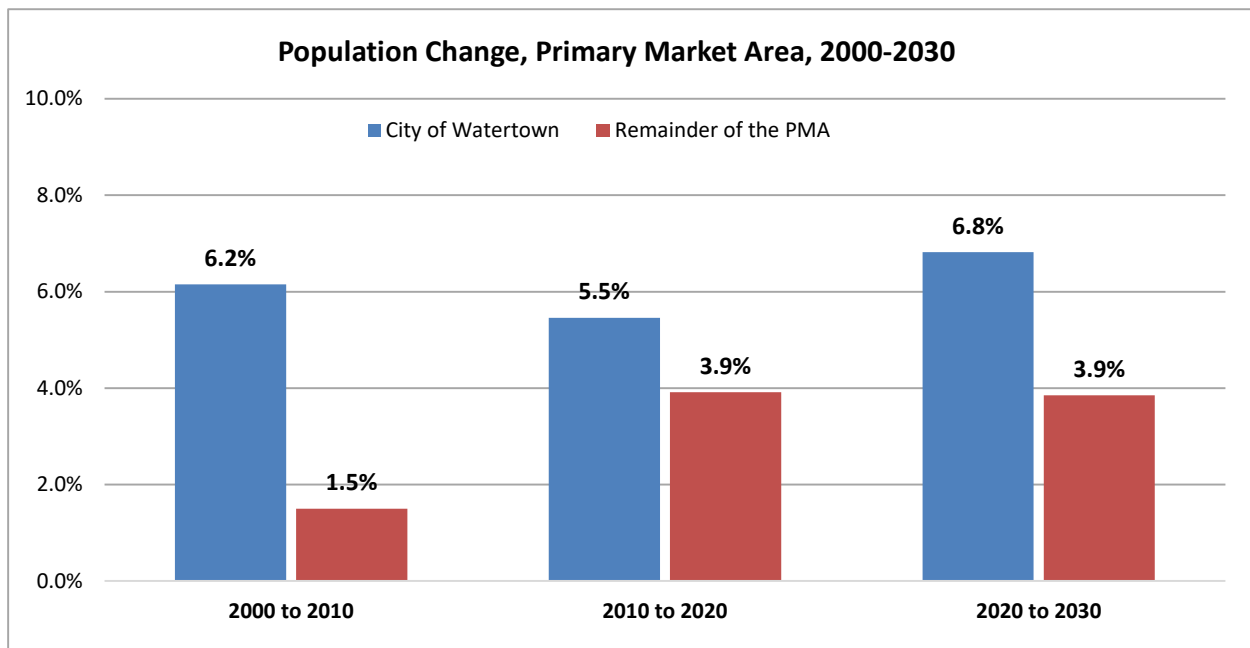
TABLE D-2
HISTORIC HOUSEHOLDS GROWTH TRENDS
CODINGTON COUNTY
1990 - 2020

	Historic Households				Change					
	Census				1990 - 2000		2000 - 2010		2010 - 2020	
	1990	2000	2010	2020	No.	Pct.	No.	Pct.	No.	Pct.
Cities										
Watertown	7,641	8,385	9,278	9,899	744	9.7%	893	10.6%	621	6.7%
Towns										
Kranzburg	57	63	64	68	6	10.5%	1	1.6%	4	6.3%
Henry	96	101	106	104	5	5.2%	5	5.0%	-2	-1.9%
Townships										
Dexter	79	70	70	69	-9	-11.4%	0	0.0%	-1	-1.4%
Eden	56	37	38	40	-19	-33.9%	1	2.7%	2	5.3%
Elmira	103	106	156	143	3	2.9%	50	47.2%	-13	-8.3%
Florence	79	108	146	130	29	36.7%	38	35.2%	-16	-11.0%
Fuller	95	91	102	104	-4	-4.2%	11	12.1%	2	2.0%
Germantown	66	59	62	65	-7	-10.6%	3	5.1%	3	4.8%
Graceland	40	35	39	38	-5	-12.5%	4	11.4%	-1	-2.6%
Henry Township	36	35	39	38	-1	-2.8%	4	11.4%	-1	-2.6%
Kampeska	79	93	117	113	14	17.7%	24	25.8%	-4	-3.4%
Kranzburg Township	122	118	121	120	-4	-3.3%	3	2.5%	-1	-0.8%
Lake	209	241	251	252	32	15.3%	10	4.1%	1	0.4%
Leola	27	25	25	23	-2	-7.4%	0	0.0%	-2	-8%
Pelican	206	226	265	276	20	9.7%	39	17.3%	11	4.2%
Phipps	28	30	28	24	2	7.1%	-2	-6.7%	-4	-14.3%
Rauville	102	110	108	100	8	7.8%	-2	-1.8%	-8	-7.4%
Richland	59	60	64	67	1	1.7%	4	6.7%	3	4.7%
Sheridan	126	143	155	166	17	13.5%	12	8.4%	11	7.1%
South Shore	115	116	99	80	1	0.9%	-17	-14.7%	-19	-19.2%
Wallace	52	37	34	27	-15	-28.8%	-3	-8.1%	-7	-20.6%
Waverly	66	68	65	80	2	3.0%	-3	-4.4%	15	23.1%
Codington County	9,539	10,357	11,432	12,026	818	8.6%	1,075	9.4%	594	5.2%
Micropolitan Statistical Area	12,039	12,405	13,540	14,181	366	3.0%	1,135	8.4%	641	4.7%
South Dakota	259,034	290,245	322,282	350,560	31,211	12.0%	32,037	9.9%	28,278	8.8%
Sources: U.S. Census; Maxfield Research & Consulting LLC										

Population and Household Estimates and Projections

Table D-2A presents population and household growth trends and projections for Watertown, Codington County, Hamlin and the Micropolitan Statistical Area through 2030. Estimates for 2023 and projections through 2030 are based on information from ESRI (a national demographics service provider), and adjusted by Maxfield Research and Consulting, LLC based on local trends.

- In 2023, the population of the City of Watertown is estimated to be 23,200, a 2.4% increase from 2020. The City is expected to reach 10,195 households in 2023, a 3% increase from 2020.
- The City of Watertown is forecasted to continue to be the main driver of population in the county through 2030. By 2030, Codington County is forecasted to have 30,400 people while the City of Watertown is expected to reach 24,200.
- Households in the City of Watertown will also continue to grow. In 2030, there is expected to be an estimated 10,615 households in the City, growing 7% from 2020.
- The Micropolitan Statistical Area is also forecasted to experience an increase of 7% (2,259 people) in population between 2020 and 2030, with the growth in Watertown driving the growth of the MSA.



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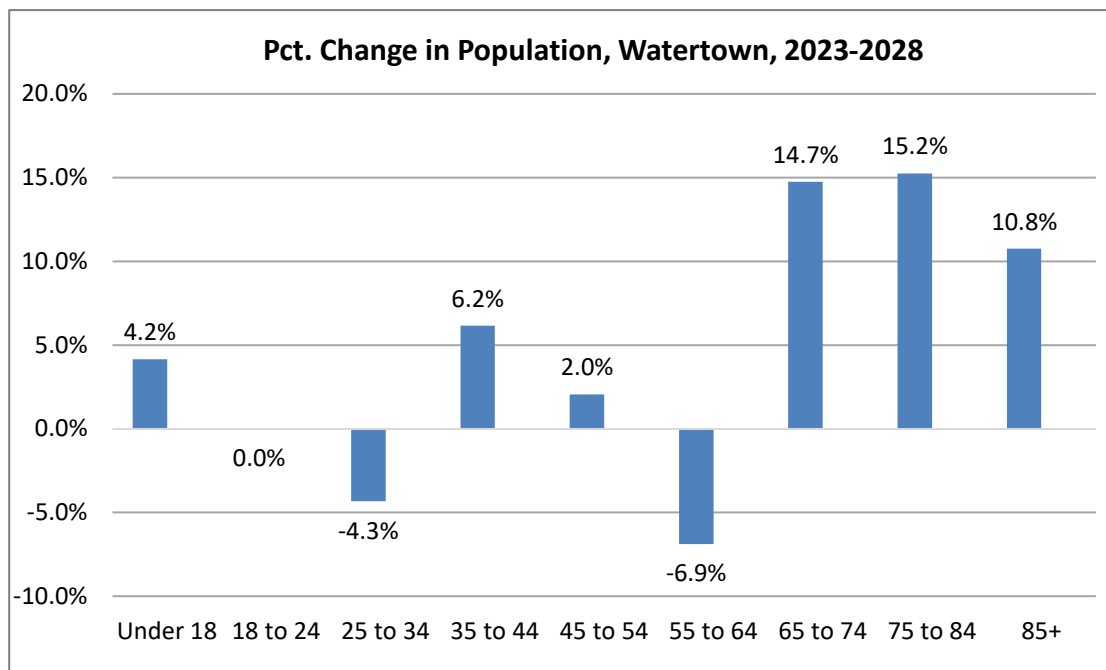
TABLE D-2A
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
WATERTOWN MARKET AREA
1990 to 2030

								Change					
	U.S. Census			Estimate	Forecast			2000 to 2010		2010 to 2020		2020 to 2030	
	2000	2010	2020	2023	2025	2028	2030	No.	Pct.	No.	Pct.	No.	Pct.
POPULATION													
City of Watertown	20,237	21,482	22,655	23,200	23,475	23,900	24,200	1,245	6%	1,173	5%	1,545	7%
Remainder of the PMA	5,660	5,745	5,970	6,000	6,050	6,125	6,200	85	2%	225	4%	230	4%
Primary Market Area/Codington Cty	25,897	27,227	28,625	29,200	29,525	30,025	30,400	1,330	5%	1,398	5%	1,775	6%
Micropolitan Statistical Area	31,437	33,130	34,489	35,424	35,784	36,338	36,748	1,693	5%	1,359	4%	2,259	7%
South Dakota	754,844	814,180	886,617	908,727	918,359	933,099	942,938	59,336	8%	72,437	9%	56,321	6%
HOUSEHOLDS													
City of Watertown	8,385	9,279	9,899	10,195	10,300	10,485	10,615	894	11%	620	7%	716	7%
Remainder of the PMA	1,972	2,153	2,127	2,130	2,150	2,180	2,210	181	9%	-26	-1%	83	4%
Primary Market Area	10,357	11,432	12,026	12,325	12,450	12,665	12,825	1,075	10%	594	5%	799	7%
Micropolitan Statistical Area	12,405	13,540	14,181	14,488	14,619	14,843	15,009	1,135	9%	641	5%	828	6%
South Dakota	290,245	322,282	350,560	359,881	363,983	370,249	374,446	32,037	11%	28,278	9%	23,886	7%
Persons per Household													
City of Watertown	2.41	2.32	2.29	2.28	2.28	2.28	2.28						
Remainder of the Market Area	2.87	2.67	2.81	2.82	2.81	2.81	2.81						
Market Area	2.50	2.38	2.38	2.37	2.37	2.37	2.37						
Micropolitan Statistical Area	2.53	2.45	2.43	2.45	2.45	2.45	2.45						
South Dakota	2.60	2.53	2.53	2.53	2.52	2.52	2.52						
Sources: U.S. Census Bureau; ESRI; South Dakota State University; Maxfield Research and Consulting LLC													

Age Distribution Trends

Age distribution affects demand for different types of housing since needs and desires change at different stages of the life cycle. Table D-3 shows the distribution of persons within nine age cohorts for Watertown and the Market Area in 2000 and 2010, with an estimate for 2023 and projections for 2028. Historic data was collected from the U.S. Census Bureau, estimates and projections were calculated based on data from ESRI (a national demographics service provider). The adjustments are intended to reflect the impact of the current housing and employment markets and a review of building permit trends. The following are key points from the table.

- From 2000 to 2010, the 55 to 64 age cohort experienced the largest proportional increase, growing by 38% in the City of Watertown. During the same time the 45 to 54 age cohort increased 23% in Watertown.
- During the same time, the 35 to 44 age cohort decreased by -21.5%, in the City of Watertown.



- Going forward, between 2023 and 2028, age cohorts for those over age 65 in Watertown are all forecast to grow more than the younger age cohorts. The 65 to 74 age cohort is expected to grow by 14.7% and the 75 to 84 age cohort is forecast to grow by 15.2%, representing the two cohorts with the largest change in population.
- In Watertown, the 35 to 44 population will experience modest, 6.2%, growth from 2023 to 2028.

DEMOGRAPHIC ANALYSIS

- Similar to trends within Watertown, age cohorts over 65 in the Remainder of the PMA are predicted to experience the largest population change from 2023 to 2028. The population age 65 to 74 is expected to grow by 36.2%, those age 75 to 84 are forecast to grow 35.2% in the Remainder of the Market Area.

TABLE D-3 POPULATION AGE DISTRIBUTION WATERTOWN MARKET AREA 2000 to 2028								
Age	Census		Estimate	Projection	Change			
	2000	2010	2023	2028	2000-2010		2023-2028	
	No.	No.	No.	No.	No.	Pct.	No.	Pct.
<i>Watertown</i>								
Under 18	5,085	5,233	5,220	5,437	148	2.9	217	4.2
18 to 24	2,139	2,228	1,972	1,972	89	4.2	0	0.0
25 to 34	2,563	2,901	3,422	3,274	338	13.2	-148	-4.3
35 to 44	3,081	2,418	2,668	2,832	-663	-21.5	164	6.2
45 to 54	2,523	3,100	2,459	2,510	577	22.9	50	2.0
55 to 64	1,807	2,500	3,067	2,856	693	38.4	-211	-6.9
65 to 74	1,379	1,565	2,343	2,689	186	13.5	346	14.7
75 to 84	1,198	1,151	1,369	1,577	-47	-3.9	209	15.2
85 and over	462	638	680	753	176	38.1	73	10.8
Subtotal	20,237	21,734	23,200	23,900	1,497	7.4	700	3.0
<i>Remainder of Market Area</i>								
Under 18	1,275	1,516	1,505	1,499	241	18.9	-6	-0.4
18 to 24	421	362	408	385	-59	-14.0	-23	-5.5
25 to 34	638	577	564	584	-61	-9.6	20	3.6
35 to 44	21	722	719	711	701	3338.1	-8	-1.2
45 to 54	781	935	800	778	154	19.7	-21	-2.7
55 to 64	1,952	684	933	747	-1,268	-65.0	-186	-20.0
65 to 74	350	408	638	869	58	16.6	231	36.2
75 to 84	104	211	310	419	107	102.9	109	35.2
85 and over	160	78	123	133	-82	-51.3	10	7.8
Subtotal	5,702	5,493	6,000	6,125	-209	-3.7	125	2.1
<i>Market Area Total</i>								
Under 18	6,360	6,749	6,725	6,936	389	6.1	211	3.1
18 to 24	2,560	2,590	2,380	2,357	30	1.2	-23	-1.0
25 to 34	3,201	3,478	3,986	3,858	277	8.7	-128	-3.2
35 to 44	3,060	3,140	3,387	3,543	80	2.6	156	4.6
45 to 54	3,304	4,035	3,259	3,288	731	22.1	29	0.9
55 to 64	3,759	3,184	4,000	3,603	-575	-15.3	-397	-9.9
65 to 74	1,729	1,973	2,981	3,558	244	14.1	577	19.3
75 to 84	1,302	1,362	1,679	1,997	60	4.6	318	18.9
85 and over	622	716	803	886	94	15.1	83	10.3
Total	25,897	27,227	29,200	30,025	1,330	5.1	825	2.8
Sources: U.S. Census Bureau; ESRI; Maxfield Research and Consulting LLC								

Household Income by Age of Householder

The estimated distribution of household incomes in the City of Watertown and the Market Area for 2023 and 2028 are shown in Tables D-4 and D-5. The data is estimated by ESRI with adjustments by Maxfield Research. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs as 30% of a household's adjusted gross income. For example, a household in the PMA earning the median income of \$61,921 per year would be able to afford a monthly housing cost of about \$1,548. Maxfield Research and Consulting LLC uses a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

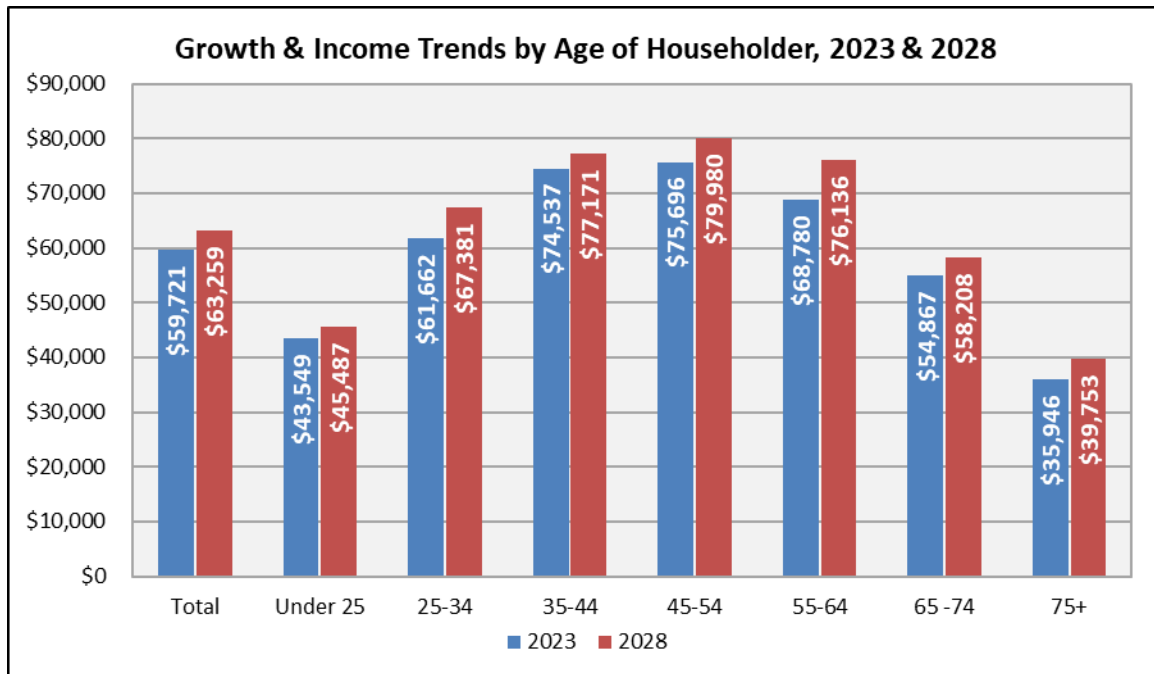
A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income on a single-family home. Thus, a \$61,921 income would translate to an affordable single-family home of \$185,763 to \$216,724. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but also does not include savings or equity in an existing home which would allow them to purchase a higher priced home.

- The City of Watertown has an estimated median household income of \$59,721 in 2023. Incomes are projected to increase nearly 6% over the next five years to \$63,259 in 2028.
- Median income peaks in the 45 to 54 age group at \$75,696 in 2023. In 2028, 45 to 54 year-olds are forecast to retain the highest income, which is expected to increase to \$79,980.
- With a household income of \$61,662, a younger household in Watertown (the median household income for the 25 to 34 cohort) could afford a monthly housing cost of about \$1,542 based on an allocation of 30% of income toward housing. A senior household (75+) in the PMA with an income of \$35,946 (the median household income of seniors (75+)) could afford a monthly housing cost of \$1,198, based on an allocation of 40% of income toward housing.

DEMOGRAPHIC ANALYSIS

TABLE D-4 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER WATERTOWN 2023 and 2028								
		Age of Householder						
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2023								
Less than \$15,000	871	95	129	78	73	151	122	223
\$15,000 to \$24,999	688	62	99	54	58	101	103	212
\$25,000 to \$34,999	953	88	152	90	71	136	155	262
\$35,000 to \$49,999	1,526	166	258	159	155	218	281	290
\$50,000 to \$74,999	2,362	153	465	391	388	430	337	200
\$75,000 to \$99,999	1,594	76	272	294	309	361	193	88
\$100,000 to \$149,999	1,353	46	260	270	253	294	155	75
\$150,000 to \$199,999	394	4	64	75	83	94	51	22
\$200,000+	454	3	73	92	82	94	74	36
Total	10,195	692	1,771	1,502	1,474	1,878	1,471	1,407
Median Income	\$59,721	\$43,549	\$61,662	\$74,537	\$75,696	\$68,780	\$54,867	\$35,946
2028								
Less than \$15,000	650	84	71	63	55	89	96	193
\$15,000 to \$24,999	624	56	77	53	50	74	106	208
\$25,000 to \$34,999	938	91	133	100	59	112	169	274
\$35,000 to \$49,999	1,602	169	248	174	150	186	328	346
\$50,000 to \$74,999	2,433	162	451	396	382	370	410	263
\$75,000 to \$99,999	1,547	77	256	290	292	301	226	107
\$100,000 to \$149,999	1,647	58	310	333	306	319	209	112
\$150,000 to \$199,999	542	8	89	98	116	114	76	40
\$200,000+	501	2	89	87	91	90	93	50
Total	10,485	707	1,724	1,592	1,501	1,656	1,712	1,594
Median Income	\$63,259	\$45,487	\$67,381	\$77,171	\$79,980	\$76,136	\$58,208	\$39,753
Change - 2023 to 2028								
Less than \$15,000	-221	-10	-58	-16	-19	-62	-26	-30
\$15,000 to \$24,999	-64	-6	-21	-1	-8	-27	3	-4
\$25,000 to \$34,999	-15	3	-19	10	-13	-24	14	12
\$35,000 to \$49,999	76	3	-9	15	-4	-31	47	56
\$50,000 to \$74,999	71	9	-14	5	-6	-60	73	63
\$75,000 to \$99,999	-47	1	-16	-5	-18	-61	32	20
\$100,000 to \$149,999	295	12	51	63	53	25	54	37
\$150,000 to \$199,999	148	4	24	23	33	21	25	18
\$200,000+	47	-1	15	-5	8	-4	18	15
Total	290	15	-47	89	27	-222	241	187
Median Income	\$3,538	\$1,938	\$5,719	\$2,635	\$4,284	\$7,356	\$3,342	\$3,808
Sources: ESRI; Maxfield Research & Consulting, LLC								

- As shown in the figure below, median incomes in the City of Watertown are projected to continue to grow between 2023 and 2028 for all age cohorts.

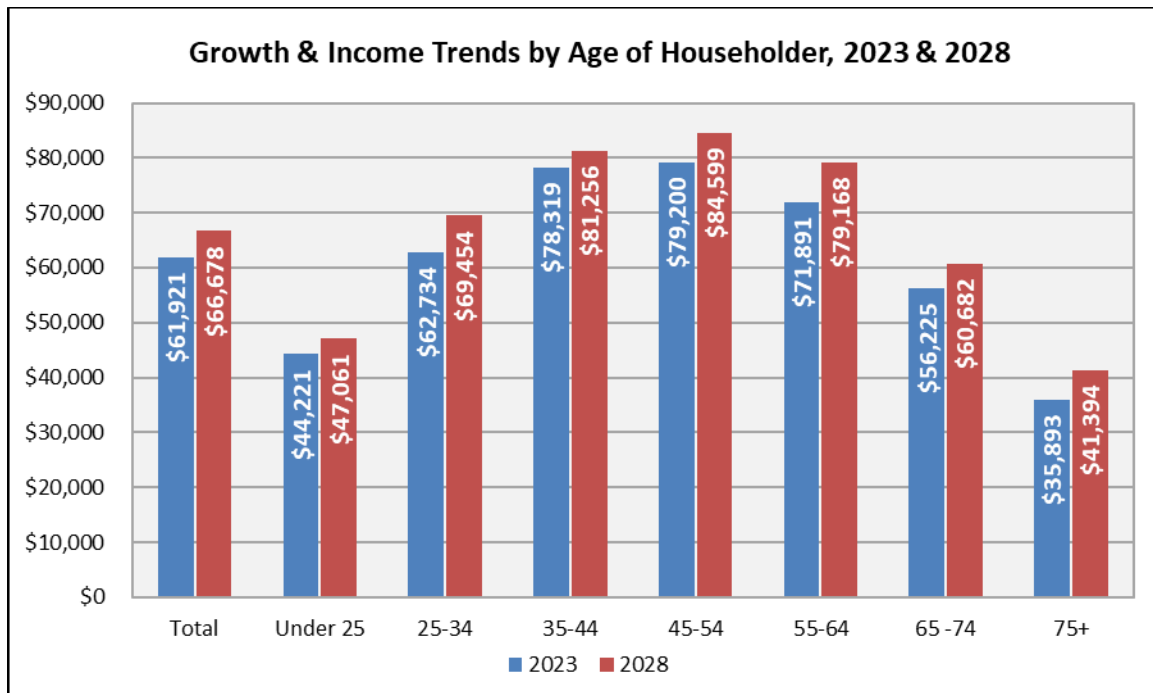


- Within the Market Area, the median income is \$61,921 in 2023 and median incomes are expected to increase 8% to \$66,678 in 2028.
- Median incomes are forecast to rise in all age cohorts, ranging from 3.75% in the 35 to 44 age cohorts to 10.7% in the 25 to 34 age cohort.
- The highest median incomes (\$79,200) was reported in the 45 to 54 age cohort in 2023.

DEMOGRAPHIC ANALYSIS

TABLE D-5 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER PMA 2023 and 2028								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2023								
Less than \$15,000	938	100	137	86	80	168	130	238
\$15,000 to \$24,999	797	67	111	59	64	119	117	261
\$25,000 to \$34,999	1,094	93	168	97	80	155	182	318
\$35,000 to \$49,999	1,768	182	299	176	179	260	333	340
\$50,000 to \$74,999	2,912	172	545	461	463	563	473	236
\$75,000 to \$99,999	1,938	84	317	350	386	463	240	97
\$100,000 to \$149,999	1,784	51	309	383	362	414	180	86
\$150,000 to \$199,999	566	6	88	109	135	131	67	29
\$200,000+	528	3	82	108	99	112	84	41
Total	12,325	758	2,055	1,829	1,847	2,384	1,806	1,646
<i>Median Income</i>	<i>\$61,921</i>	<i>\$44,221</i>	<i>\$62,734</i>	<i>\$78,319</i>	<i>\$79,200</i>	<i>\$71,891</i>	<i>\$56,225</i>	<i>\$35,893</i>
2028								
Less than \$15,000	687	87	74	66	57	96	100	207
\$15,000 to \$24,999	695	58	84	55	53	81	115	249
\$25,000 to \$34,999	1,001	94	139	103	63	120	178	304
\$35,000 to \$49,999	1,757	178	272	185	164	205	364	389
\$50,000 to \$74,999	3,089	184	532	460	452	506	613	342
\$75,000 to \$99,999	1,893	87	297	340	361	393	290	126
\$100,000 to \$149,999	2,099	65	364	441	408	440	245	135
\$150,000 to \$199,999	856	11	132	152	197	178	115	70
\$200,000+	590	2	98	101	108	109	109	62
Total	12,665	765	1,992	1,902	1,862	2,129	2,131	1,885
<i>Median Income</i>	<i>\$66,678</i>	<i>\$47,061</i>	<i>\$69,454</i>	<i>\$81,256</i>	<i>\$84,599</i>	<i>\$79,168</i>	<i>\$60,682</i>	<i>\$41,394</i>
Change - 2023 to 2028								
Less than \$15,000	-252	-13	-63	-20	-24	-72	-30	-30
\$15,000 to \$24,999	-102	-9	-27	-4	-11	-37	-1	-11
\$25,000 to \$34,999	-93	0	-28	6	-17	-36	-3	-14
\$35,000 to \$49,999	-11	-3	-26	9	-15	-55	31	48
\$50,000 to \$74,999	176	12	-13	-1	-12	-56	140	107
\$75,000 to \$99,999	-45	2	-20	-10	-25	-70	50	28
\$100,000 to \$149,999	315	14	55	58	47	26	66	49
\$150,000 to \$199,999	290	5	44	43	62	47	48	41
\$200,000+	62	-1	16	-7	10	-2	25	21
Total	340	7	-64	73	15	-255	325	238
<i>Median Income</i>	<i>\$4,757</i>	<i>\$2,840</i>	<i>\$6,720</i>	<i>\$2,938</i>	<i>\$5,399</i>	<i>\$7,278</i>	<i>\$4,456</i>	<i>\$5,501</i>
Sources: ESRI; Maxfield Research & Consulting, LLC								

- As shown in chart on the following page, the median income in the PMA, as in Watertown, are expected to grow over the next five years.



Non-senior Households

- In 2023, 7.2% of the non-senior (under age 65) households in the City of Watertown had incomes under \$15,000 (576 households) and 6.4% of non-senior households (625) in the Market Area. All of these households would be eligible for subsidized rental housing.
- Another 5.1% (409 households) of the City of Watertown’s non-senior households and 4.7% (459) of households in the Market Area had incomes between \$15,000 and \$25,000. Many of these households would qualify for subsidized housing, but many could also afford “affordable” or older market rate rentals. If housing costs absorb 30% of income, households with incomes of \$15,000 to \$25,000 could afford to pay \$375 to \$625 per month.

Senior Households

- In Watertown, 8.3% of households ages 65 to 74 and 15.8% of households ages 75 and over had incomes below \$15,000. In the Market Area, 7.2% of households ages 65 to 74 had incomes below \$15,000 along with 14.4% of households age 75 and older. Many of these low-income older senior households rely solely on social security benefits.
- Typically, younger seniors have higher incomes due to the fact they are still able to work or are married couples with two pensions or higher social security benefits. The 2023 median income for Watertown householders age 65 to 74 and 75+ are, \$54,867 and \$35,946, respectively. In the Market Area, households age 65 to 74 reported a median income of \$56,225 and households age 75+ had median incomes of \$35,893 in 2023.

DEMOGRAPHIC ANALYSIS

- Based on a median income of \$54,867 in 2023, and a 40% allocation of income to housing, seniors age 65 to 74 in the City of Watertown could afford a monthly rent of \$1,829.
- Seniors age 75 in Watertown had a median income of \$35,946 in 2023. Households over 75, earning the median income, could afford a monthly rent of \$1,198 based on allocating 40% of their income to housing expenses.

Net Worth

Table D-6 shows household net worth in Watertown and the Market Area in 2022. Simply stated, net worth is the difference between assets and liabilities, or the total value of assets after the debt is subtracted. The data was compiled and estimated by ESRI based on the Survey of Consumer Finances and Federal Reserve Board data. According to the 2019 Survey of Consumer Finances, the median net worth of homeowners was \$254,900 compared to a median net worth of just over \$6,270 for renters.

- The City of Watertown had an average net worth of \$617,434 in 2022 and a median net worth of \$117,573. The Remainder of the Market Area had average net worth of \$712,414 and a median net worth of \$256,172. Median net worth is generally a more accurate depiction of wealth than the average figure. A few households with very large net worth can significantly skew the average. Communities with high levels of farming equipment and land assets tend to also increase the average and median net worth in those areas.

TABLE D-6 ESTIMATED NET WORTH BY AGE OF HOUSEHOLDER WATERTOWN MARKET AREA 2022								
	Age of Householder							
	Total		15-24		25-34		35-44	
	Average	Median	Average	Median	Average	Median	Average	Median
City of Watertown	\$617,434	\$117,573	\$28,218	\$11,972	\$89,032	\$20,824	\$497,913	\$125,090
Remainder of MA	\$712,414	\$256,172	\$68,989	\$16,991	\$125,609	\$77,822	\$359,347	\$205,692
Market Area Total	\$633,760	\$147,397	\$30,345	\$12,433	\$93,354	\$27,543	\$471,643	\$151,379
	45-54		55-64		65-74		75+	
	Average	Median	Average	Median	Average	Median	Average	Median
City of Watertown	\$638,377	\$186,738	\$914,922	\$217,197	\$1,184,029	\$263,039	\$689,048	\$192,312
Remainder of MA	\$697,809	\$294,342	\$992,838	\$343,278	\$1,222,392	\$386,163	\$955,353	\$272,352
Market Area Total	\$645,066	\$208,096	\$929,910	\$257,425	\$1,180,866	\$287,731	\$724,581	\$203,085

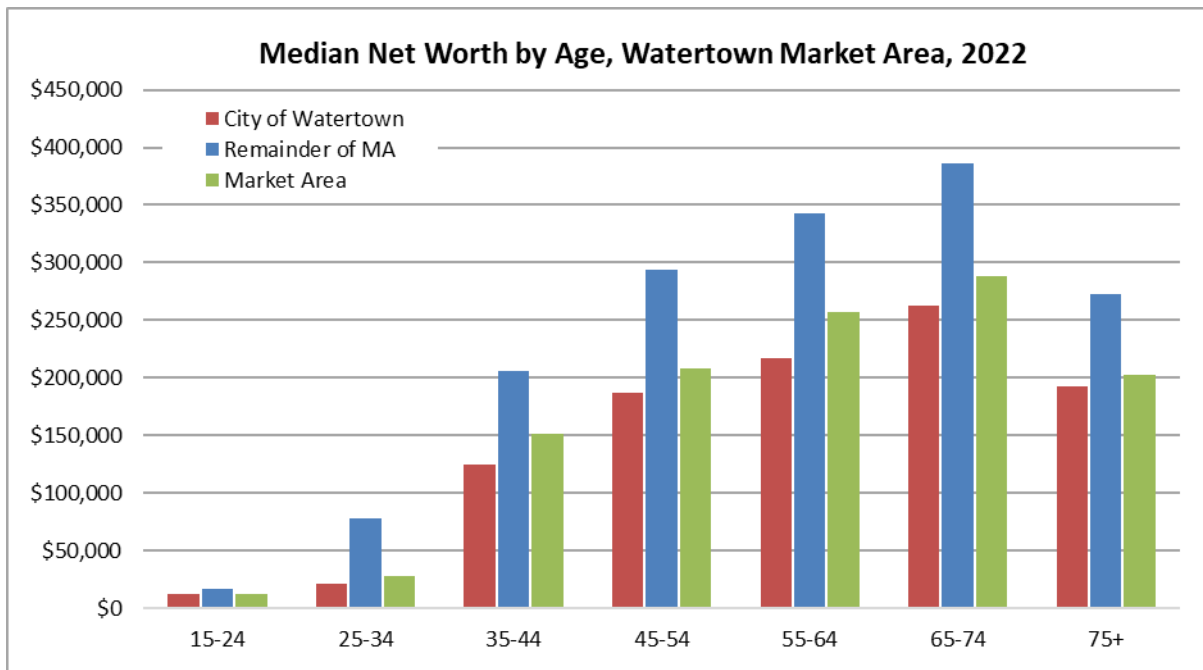
Sources: ESRI; Maxfield Research and Consulting, LLC

- Similar to household income, net worth increases as households age and decreases after they pass their peak earning years and move into retirement. Median and average net worth usually peak in the 65 to 74 age cohort. In Watertown, median net worth was highest for the 65-74 age cohort at \$263,039. In the Market Area, median net worth reached a high of \$287,731 for those 65 to 74 years old. Senior households usually have a higher net

DEMOGRAPHIC ANALYSIS

worth due to their 401k's, and other retirement funds. Also, senior households that continue to have higher average net worth could be an indication of farm equipment and land assets being primarily retained by households in senior age cohorts.

- Areas outside the City of Watertown, in the Remainder of Codington County, reported higher median net worth across all age cohorts compared to those within the City of Watertown.



Tenure by Household Income

Table D-7 shows household tenure by income for Watertown, the Remainder of the Market Area and the Market Area total in 2021. The data is an estimate from the American Community Survey. Household tenure information is important to assess the propensity for owner-occupied or renter-occupied housing options based on household affordability. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. It is important to note that the higher the income, the lower percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households; spend more than 30% of their income, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

- In 2021, in the Market Area the median income of owner households was \$75,098, this was nearly twice the median income of renter households, \$38,662. This was similar to the median income in South Dakota for both owners (\$79,580) and renters (\$38,662).

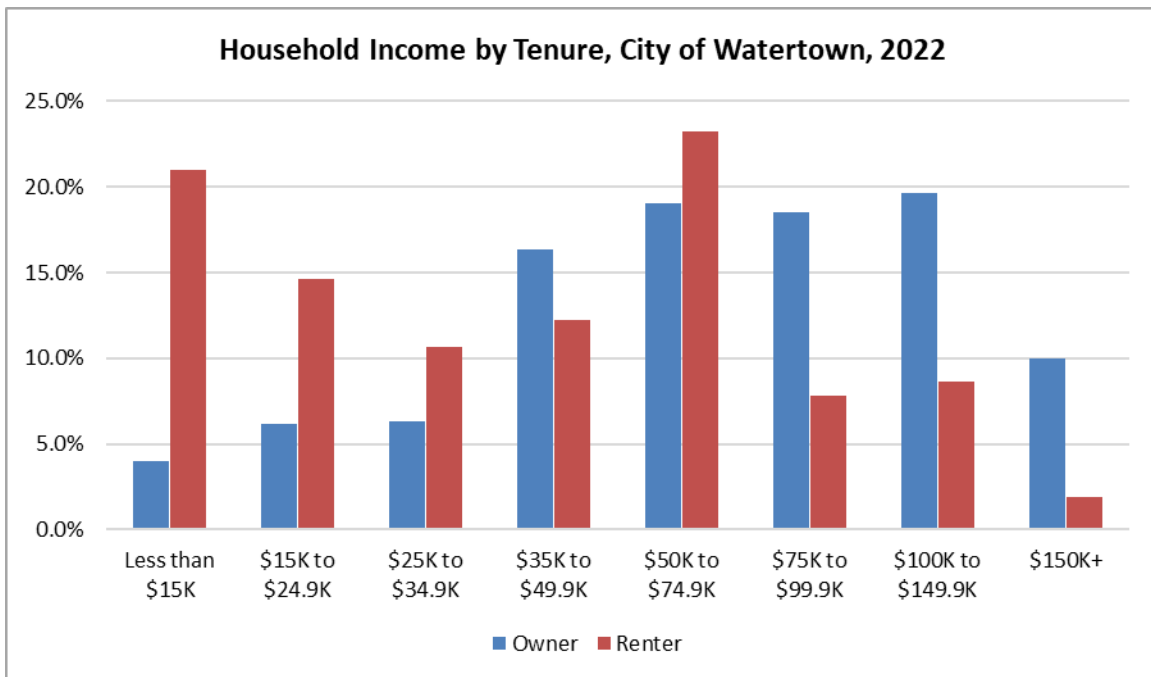
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TABLE D-7
TENURE BY HOUSEHOLD INCOME
WATERTOWN MARKET AREA
2021

Income	CITY OF WATERTOWN				REMAINDER OF MARKET AREA				MARKET AREA				South Dakota			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than \$15,000	242	4.0%	775	21.0%	72	3.7%	54	20.1%	314	3.9%	829	20.9%	10,621	4.5%	19,070	17.5%
\$15,000 to \$24,999	373	6.2%	542	14.7%	170	8.6%	61	22.8%	543	6.8%	603	15.2%	12,909	5.5%	15,376	14.1%
\$25,000 to \$34,999	379	6.3%	393	10.6%	159	8.1%	33	12.3%	538	6.7%	426	10.7%	16,846	7.1%	15,463	14.2%
\$35,000 to \$49,999	985	16.3%	452	12.2%	185	9.4%	13	4.9%	1,170	14.6%	465	11.7%	26,585	11.2%	18,267	16.7%
\$50,000 to \$74,999	1,148	19.1%	860	23.2%	275	14.0%	81	30.2%	1,423	17.8%	941	23.7%	43,124	18.2%	21,265	19.5%
\$75,000 to \$99,999	1,116	18.5%	289	7.8%	423	21.5%	7	2.6%	1,539	19.2%	296	7.5%	40,465	17.1%	10,705	9.8%
\$100,000 to \$149,999	1,182	20%	319	8.6%	400	20.3%	17	6.3%	1,582	19.8%	336	8.5%	51,127	21.6%	6,325	5.8%
\$150,000+	601	10.0%	69	1.9%	286	14.5%	2	0.7%	887	11.1%	71	1.8%	35,000	14.8%	2,631	2.4%
Total	6,026	100%	3,699	100%	1,970	100%	268	100%	7,996	100%	3,967	100%	236,677	100%	109,102	100%
Median Household Income	\$71,618		\$38,853		\$73,780		\$39,120		\$75,098		\$38,662		\$79,580		\$38,662	
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC																

DEMOGRAPHIC ANALYSIS

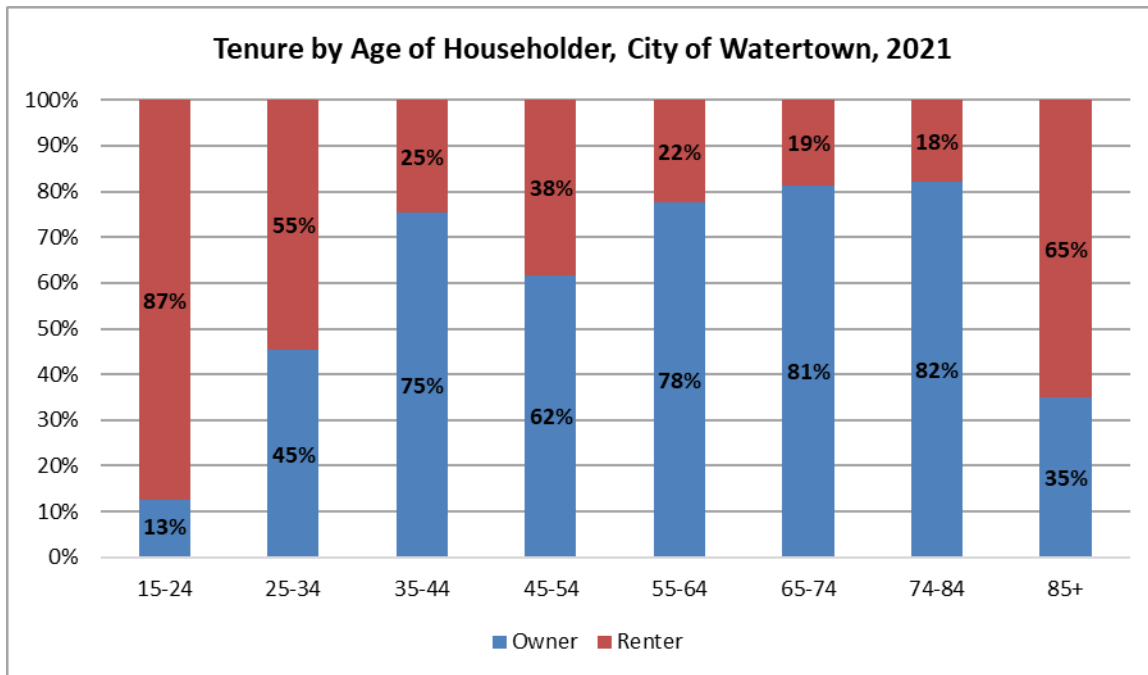
- In Watertown, the largest proportion of renter households (23.2%) earned between \$50,000 and \$74,999. These households are part of a portion of renter households are referred to as lifestyle renters, or those who are financially-able to own but choose to rent, who have household incomes above \$50,000.
- Over 20% of renter households earn less than \$15,000, these households are typically a market for deep subsidy rental housing.
- The highest proportion of owner households in Watertown earned between \$50,000 and \$149,999, with each income bracket accounting for approximately 19% of owner households.



Tenure by Age of Householder

Table D-8 shows the number of owner and renter households in the Market Area by age group in 2010 and 2021. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle. The following are key findings from Table D-8.

- The proportion of rental households in the City of Watertown rose slightly from 36.5% of households to 38% of households between 2010 and 2021.
- The proportion of rental households was significantly higher in 2021 within the City of Watertown (38%) compared to the Remainder of the Market Area (12%).
- As households progress through their life cycle, housing needs change. The proportion of renter households decreases significantly as households' age out of their young-adult years. However, by the time households reach their senior years, rental housing often becomes a more viable option than homeownership, reducing the responsibility of maintenance and the financial commitment. In the City of Watertown, homeowner households climb from 12.6% in the 15-24 age cohort to a high of 82% in the 75-84 age cohort in 2021. Homeownership drops to 35% among households over age 85.



DEMOGRAPHIC ANALYSIS

TABLE D-8
TENURE BY AGE OF HOUSEHOLDER
WATERTOWN MARKET AREA
2010 and 2021

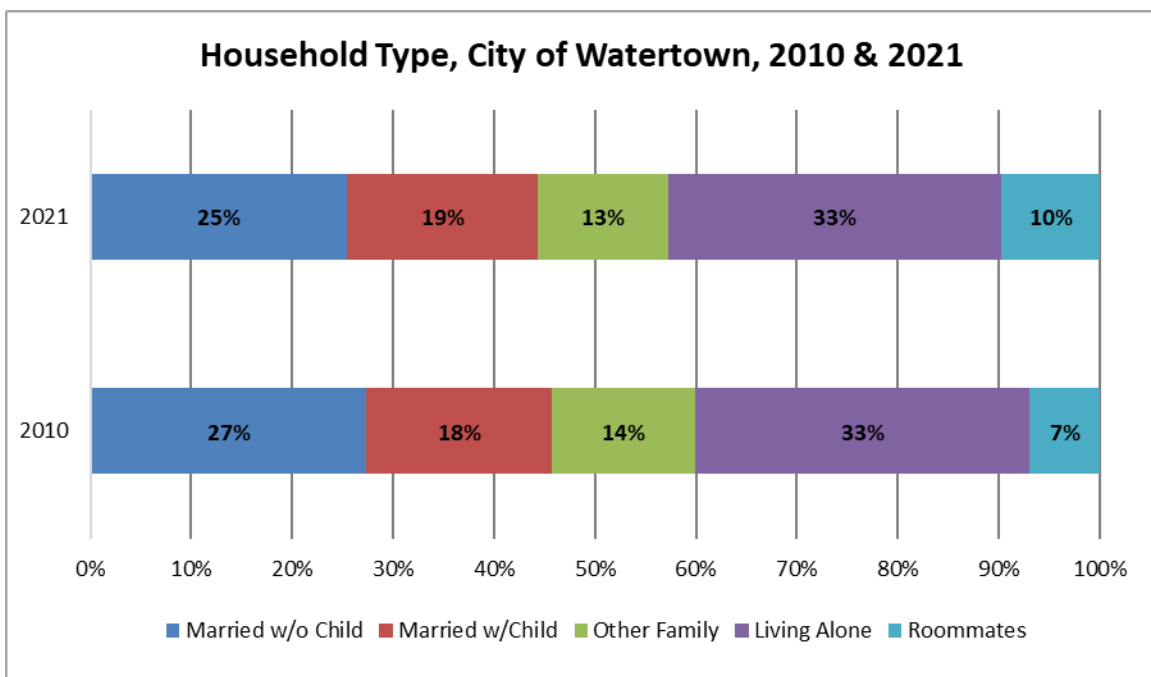
Age		CITY OF WATERTOWN				REMAINDER OF MARKET AREA				MARKET AREA TOTAL			
		2010		2021		2010		2021		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	135	15.6	110	12.6	19	33.3	55	70.5	154	16.7	165	17.4
	Rent	731	84.4	760	87.4	38	66.7	23	29.5	769	83.3	783	82.6
	Total	866	100.0	870	100.0	57	100.0	78	100.0	923	100.0	948	100.0
25-34	Own	868	54.8	795	45.4	182	74.9	167	78.8	1,050	57.5	962	49.0
	Rent	715	45.2	958	54.6	61	25.1	45	21.2	776	42.5	1,003	51.0
	Total	1,583	100.0	1,753	100.0	243	100.0	212	100.0	1,826	100.0	1,965	100.0
35-44	Own	968	72.4	1,140	75.3	360	90.5	333	89.8	1,328	76.5	1,473	78.2
	Rent	369	27.6	373	24.7	38	9.5	38	10.2	407	23.5	411	21.8
	Total	1,337	100.0	1,513	100.0	398	100.0	371	100.0	1,735	100.0	1,884	100.0
45-54	Own	1,307	72.4	889	61.7	487	90.0	351	90.7	1,794	76.4	1,240	67.8
	Rent	499	27.6	552	38.3	54	10.0	36	9.3	553	23.6	588	32.2
	Total	1,806	100.0	1,441	100.0	541	100.0	387	100.0	2,347	100.0	1,828	100.0
55-64	Own	1,155	78.3	1,107	77.5	422	94.8	512	88.7	1,577	82.1	1,619	80.7
	Rent	321	21.7	321	22.5	23	5.2	65	11.3	344	17.9	386	19.3
	Total	1,476	100.0	1,428	100.0	445	100.0	577	100.0	1,921	100.0	2,005	100.0
65-74	Own	724	75.3	1,133	81.4	244	93.5	388	93.0	968	79.1	1,521	84.1
	Rent	238	24.7	259	18.6	17	6.5	29	7.0	255	20.9	288	15.9
	Total	962	100.0	1,392	100.0	261	100.0	417	100.0	1,223	100.0	1,809	100.0
75-84	Own	530	66.6	676	82.0	129	85.4	124	86.1	659	69.6	800	82.6
	Rent	266	33.4	148	18.0	22	14.6	20	13.9	288	30.4	168	17.4
	Total	796	100.0	824	100.0	151	100.0	144	100.0	947	100.0	968	100.0
85+	Own	207	45.8	176	34.9	41	70.7	40	76.9	248	48.6	216	38.8
	Rent	245	54.2	328	65.1	17	29.3	12	23.1	262	51.4	340	61.2
	Total	452	100.0	504	100.0	58	100.0	52	100.0	510	100.0	556	100.0
TOTAL	Own	5,894	63.5	6,026	62.0	1,884	87.5	1,970	88.0	7,778	68.0	7,996	66.8
	Rent	3,384	36.5	3,699	38.0	270	12.5	268	12.0	3,654	32.0	3,967	33.2
	Total	9,278	100.0	9,725	100.0	2,154	100.0	2,238	100.0	11,432	100.0	11,963	100.0

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

Household Type

Table D-9 shows a breakdown of the type of households present in the Market Area in 2010 and 2021. The data is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred.

- The largest household type in the City of Watertown were single person households representing one-third (33%) of households in 2021.
- Married households without children represented 25% of households in Watertown in 2021, down from 27% in 2010, a 2.4% decrease in households.
- Married households with children increased by 8.1% from 2010 to 2021 in the City of Watertown.



- The household type with the largest growth were roommate households, which grew by 45.2% from 2010 to 2021.
- Married household without children were the largest household type in the Remainder of the Market Area, representing 40% of households.

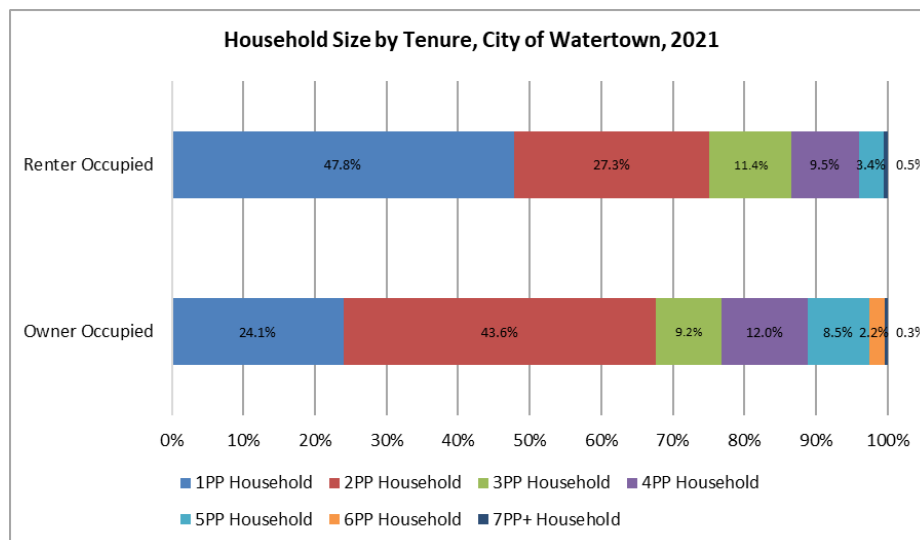
DEMOGRAPHIC ANALYSIS

TABLE D-9 HOUSEHOLD TYPE WATERTOWN MARKET AREA 2010 and 2021												
Households	Total HH's		Family Households						Non-Family Households			
			Married w/o Child		Married w/ Child		Other *		Living Alone		Roommates	
	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021
Watertown	9,278	9,725	2,537	2,476	1,701	1,839	1,325	1,247	3,065	3,219	650	944
Rem. of Market Area	2,154	2,238	846	896	617	584	190	150	428	502	73	106
Market Area Total	11,432	11,963	3,383	3,372	2,318	2,423	1,515	1,397	3,493	3,721	723	1,050
Percent												
Watertown	100.0	100.0	27.3	25.5	18.3	18.9	14.3	12.8	33.0	33.1	7.0	9.7
Rem. of Market Area	100.0	100.0	39.3	40.0	28.6	26.1	8.8	6.7	19.9	22.4	3.4	4.7
Market Area Total	100.0	100.0	29.6	28.2	20.3	20.3	13.3	11.7	30.6	31.1	6.3	8.8
Change												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Watertown	447	4.8	-61	-2.4	138	8.1	-78	-5.9	154	5.0	294	45.2
Rem. of Market Area	84	3.9	50	5.9	-33	-5.3	-40	-21.1	74	17.3	33	45.2
Market Area Total	531	4.6	-11	-0.3	105	4.5	-118	-7.8	228	6.5	327	45.2
* Single-parent families, unmarried couples with children.												
Sources: U.S. Census Bureau; Maxfield Research and Consulting LLC												

Tenure by Household Size

Table D-10 shows the distribution of households by size and tenure in the Watertown Market Area in 2021. This data is useful in that it sheds insight into unit type that may be most needed in the Market Area.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children, as well as, older adults and seniors who choose to downsize from their single-family homes. In 2021, approximately 48% of the total renter-occupied households in the City of Watertown were one-person households, compared to 24% of owner-occupied households.



DEMOGRAPHIC ANALYSIS

TABLE D-10
HOUSEHOLDS BY SIZE
WATERTOWN MARKET AREA
2021

Size	Watertown				Remainder of MA				Market Area				South Dakota	
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner	Renter
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Pct.	Pct.
1PP Household	1,450	24.1%	1,769	47.8%	366	18.6%	136	50.7%	1,816	22.7%	1,905	48.0%	23.2%	46.6%
2PP Household	2,625	43.6%	1,011	27.3%	903	45.8%	67	25.0%	3,528	44.1%	1,078	27.2%	41.3%	26.0%
3PP Household	557	9.2%	421	11.4%	227	11.5%	18	6.7%	784	9.8%	439	11.1%	12.9%	11.5%
4PP Household	725	12.0%	353	9.5%	219	11.1%	36	13.4%	944	11.8%	389	9.8%	12.5%	7.7%
5PP Household	514	8.5%	125	3.4%	169	8.6%	7	2.6%	683	8.5%	132	3.3%	6.7%	5.0%
6PP Household	134	2.2%	0	0.0%	60	3.0%	4	1.5%	194	2.4%	4	0.1%	2.2%	1.5%
7PP+ Household	21	0.3%	20	0.5%	26	1.3%	0	0.0%	47	0.6%	20	0.5%	1.3%	1.7%
Total	6,026	100%	3,699	100%	1,970	100%	268	100%	7,996	100%	3,967	100%	100%	100%

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

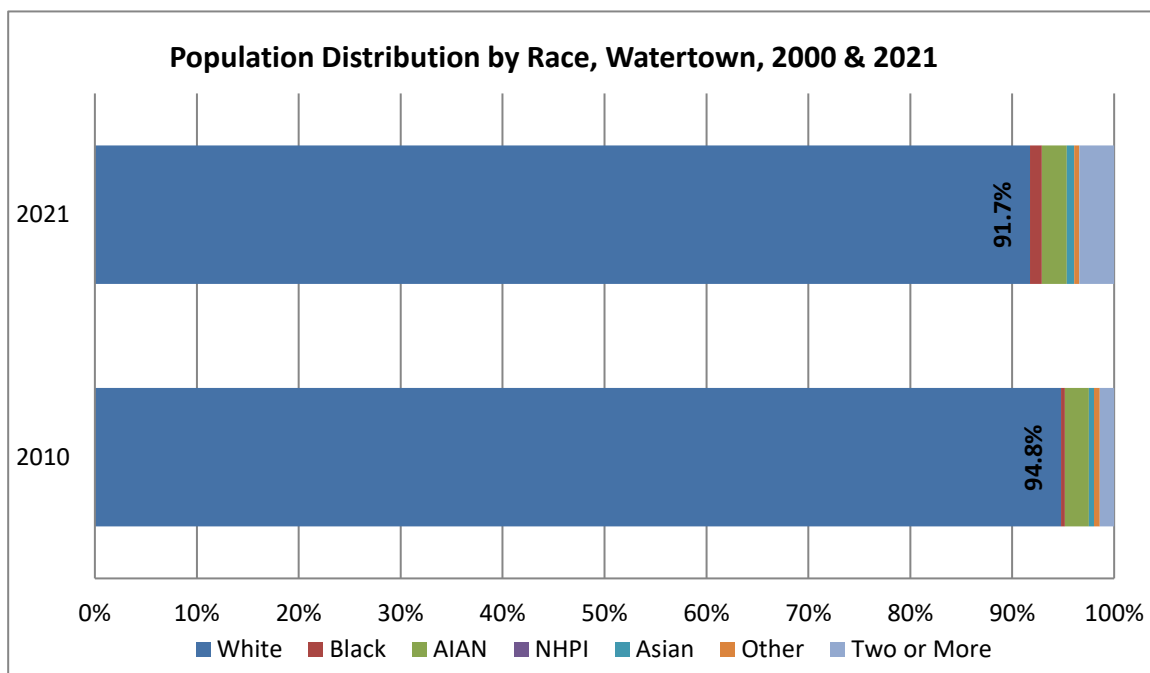
DEMOGRAPHIC ANALYSIS

- Owner households in Watertown were most likely to be two-person households (43.6%). This is similar to the proportion of two-person owner households in South Dakota (41.3%).

Diversity

The population distribution by race, Table D-11 presents the diversity of the population in the Market Area for 2010 and 2021. The data was obtained from the U.S. Census.

- In 2021, the population of the City of Watertown was 91.7% White Alone. The population of Watertown grew slightly more diverse from 2010 to 2021, when 94.8% of the population was White Alone.
- The Hispanic/Latino population of Watertown grew from 1.6% in 2010 to 3.6% in 2021.
- Outside White Alone, the population of Watertown was most likely to report themselves as Two or More Races (3.4%), followed by American Indian or Alaska Native (2.5%).



DEMOGRAPHIC ANALYSIS

TABLE D-11
POPULATION DISTRIBUTION BY RACE
WATERTOWN MARKET AREA
2010 and 2021

NUMBER	White Alone		Black or African American Alone		American Indian or Alaska Native Alone (AIAN)		Native Hawaiian or Pacific Islander Alone (NHPI)		Asian Alone		Some Other Race		Two or More Races Alone		Hispanic or Latino ¹ <i>Ethnicity not Race</i>	
	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021
Watertown	20,361	20,714	81	261	510	554	0	0	108	159	118	113	304	776	345	818
Remainder of the PMA	5,590	5,559	12	0	31	42	0	0	14	22	52	27	46	62	88	99
Primary Market Area	25,951	26,273	93	261	541	596	0	0	122	181	170	140	350	838	433	917
PERCENTAGE																
Watertown	94.8%	91.7%	0.4%	1.2%	2.4%	2.5%	0.0%	0.0%	0.5%	0.7%	0.5%	0.5%	1.4%	3.4%	1.6%	3.6%
Remainder of the PMA	97.3%	97.3%	0.2%	0.0%	0.5%	0.7%	0.0%	0.0%	0.2%	0.4%	0.9%	0.5%	0.8%	1.1%	1.5%	1.7%
Primary Market Area	95.3%	92.9%	0.3%	0.9%	2.0%	2.1%	0.0%	0.0%	0.4%	0.6%	0.6%	0.5%	1.3%	3.0%	1.6%	3.2%

¹ US Census respondents list themselves ethnically Hispanic or Latino and racially in one of the other listed categories.

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

Mobility in the Past Year

Table D-13 shows the mobility patterns of PMA residents within a one-year time frame, with ACS data from 2021.

- In Watertown, 84% of residents reported that they lived in the same house one year ago compared to 94% in the Remainder of the Market.
- Nearly 9% of Watertown residents moved within the same county within the last year.
- A greater proportion of younger age cohorts tended to move compared to older age cohorts. In Watertown, approximately 47.6% of those 18-24 and 31.6% of those 25-34 years old moved within the last year. In contrast, the least mobile age cohorts were those age 45 to 54 and 65 to 74, where only 2.8% and 2.0% of the population moved in the last year.

DEMOGRAPHIC ANALYSIS

TABLE D-13
MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE
WATERTOWN MARKET AREA
2021

Age	Not Moved		Moved							
	Same House		Within Same County		Different County		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Watertown										
Under 18	4,116	81.9%	757	15.1%	51	1.0%	103	2.0%	0	0.0%
18 to 24	1067	52.4%	281	13.8%	289	14.2%	386	19.0%	12	0.6%
25 to 34	2095	68.4%	600	19.6%	94	3.1%	201	6.6%	73	2.4%
35 to 44	2563	89.4%	132	4.6%	81	2.8%	92	3.2%	0	0.0%
45 to 54	2379	97.2%	31	1.3%	37	1.5%	0	0.0%	0	0.0%
55 to 64	2575	90.6%	97	3.4%	89	3.1%	80	2.8%	0	0.0%
65 to 74	2109	98.0%	37	1.7%	7	0.3%	0	0.0%	0	0.0%
75+	1801	95.6%	58	3.1%	0	0.0%	25	1.3%	0	0.0%
Total	18,705	83.8%	1,993	8.9%	648	2.9%	887	4.0%	85	0.4%
Remainder of MA										
Under 18	1,380	95.2%	17	1.2%	38	2.6%	15	1.0%	0	0.0%
18 to 24	168	66.4%	55	21.7%	7	2.8%	20	7.9%	3	1.2%
25 to 34	394	84.2%	37	7.9%	32	6.8%	0	0.0%	5	1.1%
35 to 44	639	91.5%	26	3.7%	13	1.9%	20	2.9%	0	0.0%
45 to 54	822	99.3%	6	0.7%	0	0.0%	0	0.0%	0	0.0%
55 to 64	1052	96.7%	4	0.4%	0	0.0%	32	2.9%	0	0.0%
65 to 74	611	99.0%	6	1.0%	0	0.0%	0	0.0%	0	0.0%
75+	264	94.0%	17	6.0%	0	0.0%	0	0.0%	0	0.0%
Total	5,330	93.8%	168	3.0%	90	1.6%	87	1.5%	8	0.1%
Market Area										
Under 18	5,496	84.9%	774	11.9%	89	1.4%	118	1.8%	0	0.0%
18 to 24	1,235	54.0%	336	14.7%	296	12.9%	406	17.7%	15	0.7%
25 to 34	2,489	70.5%	637	18.0%	126	3.6%	201	5.7%	78	2.2%
35 to 44	3,202	89.8%	158	4.4%	94	2.6%	112	3.1%	0	0.0%
45 to 54	3,201	97.7%	37	1.1%	37	1.1%	0	0.0%	0	0.0%
55 to 64	3,627	92.3%	101	2.6%	89	2.3%	112	2.9%	0	0.0%
65 to 74	2,720	98.2%	43	1.6%	7	0.3%	0	0.0%	0	0.0%
75+	2,065	95.4%	75	3.5%	0	0.0%	25	1.2%	0	0.0%
Total	24,035	85.8%	2,161	7.7%	738	2.6%	974	3.5%	93	0.3%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC

Demographic Comparison to Peer Cities

Table D-14 compares the population and housing characteristics of Watertown to other cities in South Dakota based on ACS five year estimates from 2021. Below are key points from the table.

- The population of the City of Watertown was similar to the population of Aberdeen and Brookings in 2021, while the other peer cities reported smaller population than Watertown.
- Table D-14 shows that in 2021 the household size in Watertown (2.32) was similar to the household size of Aberdeen, Mitchell and Pierre, but lower than Brookings (2.69) and Huron (2.50). The City of Mitchell recorded the smallest household size among the comparison cities, 2.23.
- Median income in Watertown (\$56,520) was comparable to all other South Dakota cities surveyed in 2021 except Pierre (\$73,787) which has the highest median income and Mitchell (\$48,164) which reported the lowest income among the identified peer cities.
- Renters in Watertown reported one of the highest median income (\$38,853) of like sized cities surveyed. Behind only the City of Pierre, which had the highest median income for renters.
- Contract rent reported in Watertown was among the highest of comparison cities. In 2021, median contract rent in Watertown was \$691, only Brookings had a higher contract rent among like size cities.

TABLE D-14														
PEER CITY SUMMARY														
WATERTOWN & LIKE SIZED CITIES														
	Watertown		Aberdeen		Brookings		Mitchell		Yankton		Pierre		Huron	
	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.
Demographic Summary														
Population (2021)		22,577		28,500		23,432		15,677		15,332		14,126		14,060
Households (2021)		9,725		12,231		8,704		7,031		6,577		6,144		5,619
HH Size (2021)		2.32		2.33		2.69		2.23		2.33		2.30		2.50
HH Median Income (2021)		\$56,520		\$58,439		\$54,676		\$48,164		\$59,190		\$73,787		\$51,206
Median Income Own (2021)		\$71,618		\$77,846		\$86,832		\$65,275		\$75,692		\$87,649		\$62,328
Median Income Rent(2021)		\$38,853		\$37,487		\$42,242		\$33,657		\$36,907		\$35,101		\$37,121
Housing Characteristics														
Percent Own (2021)		62.0%		57.4%		49.6%		59.3%		65.4%		68.1%		63.6%
Percent Rent (2021)		38.0%		42.6%		50.4%		40.7%		34.6%		31.9%		36.4%
Median Home Value (2021)		\$174,900		\$167,200		\$198,000		\$149,200		\$166,000		\$186,900		\$108,100
Median Contract Rent (2021)		\$691		\$612		\$716		\$668		\$598		\$657		\$628
Percent with a Mortgage (2021)		54.8%		63.9%		62.2%		50.8%		57.1%		60.5%		52.4%
Employment														
Unemployment Rate (2022)		2.1%		2.2%		2.2%		1.9%		1.9%		1.7%		2.0%
Source: U.S. Census Bureau; SD Dept of Labor & Regulation; Maxfield Research and Consulting LLC														

Source: U.S. Census Bureau; SD Dept of Labor & Regulation; Maxfield Research and Consulting LLC

Summary of Demographic Trends

The following points summarize key demographic trends that will impact demand for housing throughout the Primary Market Area.

- The City of Watertown is forecasted to continue to be the main driver of population in the county through 2030. By 2030, Codington County is forecasted to have 30,400 people while the City of Watertown is expected to reach 24,200.
- Household growth will keep pace with population growth in the City of Watertown during the next decade, as both population and households grow by 7% through 2030.
- The older population, cohorts 65 and older, in the City of Watertown is expected to grow more compared to other age cohorts from 2023 to 2028.
- The City of Watertown has an estimated median household income of \$59,721 in 2023. Incomes are projected to increase over the next five years to \$63,259 in 2028 (+6%).
- The Market Area median income of owner households was \$75,098, nearly twice the median income of renter households, \$38,662.
- Over one-third of households in the City of Watertown were rental households in 2021.
- In 2021, the largest household type in the City of Watertown were single person households representing 33% of households. In the Remainder of the Market Area, married household without children were the largest household, representing 40% of households.
- Approximately 48% of the total renter-occupied households in the City of Watertown were one-person households, compared to 24% of owner-occupied households.

Employment Trends

Since employment growth generally fuels household growth, employment trends are a reliable indicator of housing demand. Typically, households prefer to live near work for convenience. However, housing is often less expensive in smaller towns, making commuting from outlying communities to work in larger employment centers attractive for households concerned about housing affordability.

Employment Growth and Projections

Table E-1 shows projected employment growth in the State of South Dakota (data was unavailable at the city or county level). Table E-1 shows employment growth trends and projections from 2020 to 2030 based on the most recent South Dakota Department of Labor & Regulations occupational employment projections.

TABLE E-1 EMPLOYMENT PROJECTIONS SOUTH DAKOTA 2020-2030				
	Forecast		Change	
	2020	2030	2020-2030	
	No.	No.	No.	Pct.
South Dakota	483,893	525,014	41,121	8.5%
Sources: South Dakota Department of Labor & Regulation; Maxfield Research and Consulting LLC				

Resident Labor Force

Recent employment growth trends are shown in Tables E-2 and E-3. Table E-2 presents resident employment data for the City of Watertown and Codington County from 2000 through 2022. Resident employment data is calculated as an annual average *and reveals the work force and number of employed persons living in the County*. It is important to note that not all of these individuals necessarily work in the City or County. The data is sourced from the South Dakota Department of Labor & Regulations. The following are key trends derived from the employment data:

- The labor force in the City of Watertown has remained relatively stable between 2000 and 2022, which is consistent with the number of people employed over the same time period.
- During the same time, the labor force and the number of people employed in South Dakota grew by 15% each.

EMPLOYMENT

- Unemployment in the City of Watertown was recorded at 2% in 2022, below what is considered the full employment rate of 5%. Unemployment rates that fall below the full employment rate can lead to pressure to increase wages, which can be followed by increasing inflation.
- As seen in the chart below, the unemployment rate in the City of Watertown and Codington County mirrored the overall trends of unemployment rates in the State of South Dakota and the United States. Unemployment reached its low point in 2006 before beginning to rise due to the effects of the Great Recession, peaking in between 2009 and 2010 before beginning to fall as the economy improved. Unemployment reached a low point in the City of Watertown, 2.8%, in 2019. Unemployment rose to 4.9% in 2020 during the COVID-19 pandemic. By 2022, unemployment had fallen again to 2.0%.
- Although the overall trend in unemployment is similar, unemployment rates in the City of Watertown and Codington County remained significantly below the unemployment rate of the United States. Watertown's unemployment reached a high of 5.6% in 2010 compared to a high of 5% in South Dakota (2010) and 9.6% in the U.S. (2010).

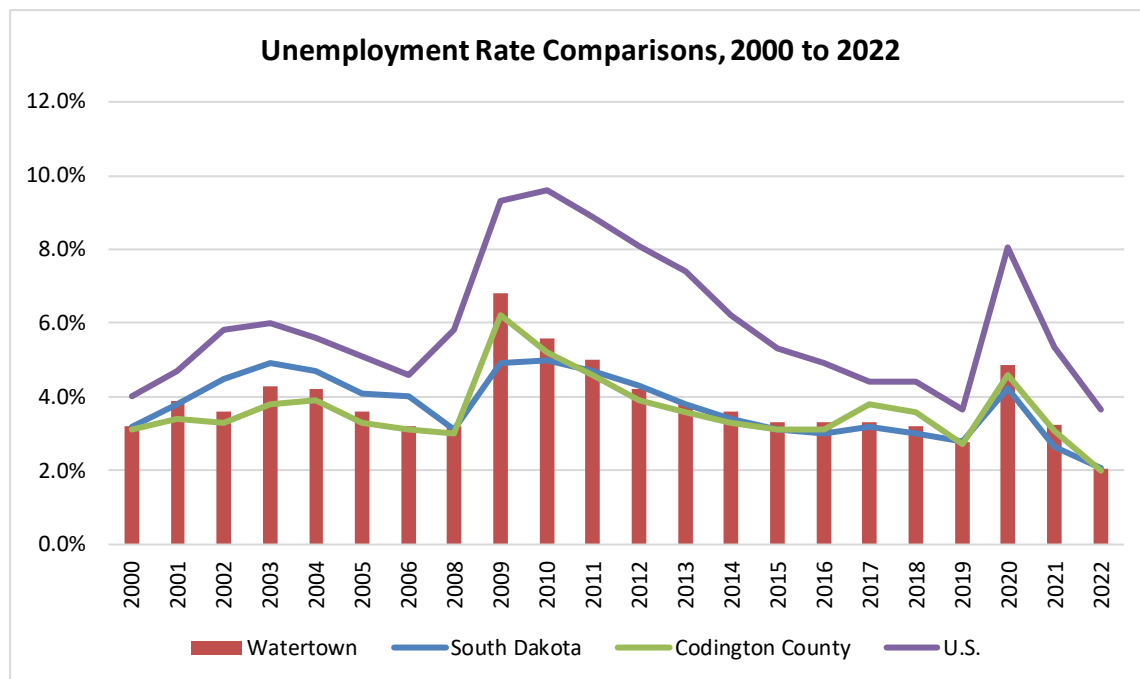


TABLE E-2 ANNUAL AVERAGE RESIDENT EMPLOYMENT CITY OF WATERTOWN, CODINGTON COUNTY & SOUTH DAKOTA 2000 to 2022				
Year	Labor Force	Employed	Unemployed	Rate
CITY OF WATERTOWN				
2000	12,086	11,705	381	3.2%
2005	12,326	11,821	505	4.1%
2010	11,766	11,103	663	5.6%
2015	11,936	11,537	399	3.3%
2019	12,040	11,707	333	2.8%
2020	12,006	11,422	584	4.9%
2021	12,227	11,829	398	3.3%
2022	12,445	12,189	256	2.1%
Change 2000-2022				
Number	359	484		
Percent	3.0%	4.1%		
CODINGTON COUNTY				
2000	15,516	15,140	376	2.4%
2005	15,889	15,309	580	3.7%
2010	15,053	14,272	781	5.2%
2015	15,308	14,836	472	3.1%
2019	15,441	15,024	417	2.7%
2020	15,370	14,665	705	4.6%
2021	15,673	15,188	485	3.1%
2022	15,970	15,650	320	2.0%
Change 2000-2022				
Number	454	510		
Percent	2.9%	3.4%		
SOUTH DAKOTA				
2000	408,658	398,618	10,040	2.5%
2005	430,606	414,209	16,397	3.8%
2010	441,339	419,355	21,984	5.0%
2015	449,858	435,917	13,941	3.1%
2019	464,329	451,353	12,976	2.8%
2020	464,505	444,899	19,606	4.2%
2021	469,583	457,174	12,409	2.6%
2022	475,065	465,250	9,815	2.1%
Change 2000-2022				
Number	66,407	66,632		
Percent	16.3%	16.7%		
U.S.				
2000	142,583,000	136,891,000	5,692,000	4.0%
2005	149,320,000	141,730,000	7,590,000	5.1%
2010	153,889,000	139,064,000	14,825,000	9.6%
2015	157,130,000	148,834,000	8,296,000	5.3%
2017	160,320,000	153,337,000	6,983,000	4.4%
2018	162,075,000	155,761,000	6,314,000	3.9%
2019	163,538,666	157,538,083	6,000,583	3.7%
2020	160,742,333	147,794,750	12,947,583	8.1%
2021	161,203,916	152,580,666	8,623,250	5.3%
2022	164,287,166	158,291,083	5,996,000	3.6%
Change 2000-2022				
Number	21,704,166	21,400,083		
Percent	15.2%	15.6%		
Not seasonally adjusted				
Sources: SD Dept. of Labor & Reg; Maxfield Research and Consulting LLC				

Covered Employment by Industry

Table E-3 presents covered employment workforce numbers as available for Codington County and the Micropolitan Statistical Area from 2000 through 2021. The South Dakota Department of Labor & Regulations does not provide industry data on the city. Covered employment data is calculated as an annual average and *reveals the number of jobs in the designated area*, which are covered by unemployment insurance. Many temporary workforce positions, agricultural, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. Some agricultural businesses and employees are listed in Table E-3, but not all positions are included. The data is sourced from the South Dakota Department of Labor & Regulations. The following are key trends from the covered employment data:

- Between 2010 and 2021, the average number of employees rose by 8.9% (+1,146) in Codington County. The industries that added the largest number of workers were the Manufacturing industry (+467), the Trade, Transportation and Utilities industry (+338) and the Leisure and Hospitality industry (+274).
- The same industries were the largest employment sectors in Codington County in 2021. The Trade, Transportation and Utilities was the largest industry (27%) followed by the Manufacturing industry (22.0%).
- The PMA accounts for 89% of all jobs in the Micropolitan Statistical Area. Although Codington County grew by 8.9% from 2010 to 2021, the Micropolitan Statistical Area grew by 8.1% during the same period, indicating a decline in the number of employees in Hamlin County.

EMPLOYMENT

TABLE E-3 COVERED EMPLOYMENT TRENDS CODINGTON COUNTY AND SOUTH DAKOTA 2000, 2005, 2010, 2017 North American Industrial Classification System (NAICS)												
Codington County						Change						
Average Number of Employees						2010 - 2021		% of Total				
Industry	2000	2005	2010	2015	2021	No.	Pct.	2000	2005	2010	2015	2021
Natural Resources & Mining	144	165	192	201	222	30	16	1.1%	1.3%	1.5%	1.5%	1.6%
Construction	700	743	792	778	750	-42	-5	5.4%	5.7%	6.2%	5.6%	5.4%
Manufacturing	3,560	3,097	2,608	3,068	3,075	467	18	27.6%	23.8%	20.3%	22.2%	22.0%
Trade, Transportation, and Utilities	3,501	3,496	3,446	3,790	3,784	338	10	27.1%	26.8%	26.9%	27.4%	27.1%
Information	240	186	173	180	111	-62	-36	1.9%	1.4%	1.3%	1.3%	0.8%
Financial Services	967	1,150	971	902	886	-85	-9	7.5%	8.8%	7.6%	6.5%	6.3%
Professional and Business Services	447	609	710	763	798	88	12	3.5%	4.7%	5.5%	5.5%	5.7%
Education and Health Services	1,478	1,593	1,859	1,873	1,995	136	7	11.5%	12.2%	14.5%	13.6%	14.3%
Leisure and Hospitality	1,391	1,512	1,583	1,736	1,857	274	17	10.8%	11.6%	12.3%	12.6%	13.3%
Other Services	472	487	495	518	497	2	0	3.7%	3.7%	3.9%	3.8%	3.6%
Totals	12,900	13,038	12,829	13,809	13,975	1,146	8.9					
Micropolitan Statistical Area						Change						
Average Number of Employees						2010 - 2021		% of Total				
Industry	2000	2005	2010	2015	2021	No.	Pct.	2000	2005	2010	2015	2021
Natural Resources & Mining	149	195	296	356	399	103	34.8	na	1.4%	2.1%	2.3%	2.5%
Construction	786	864	942	1,027	1,124	182	19.3	5.5%	6.2%	6.8%	6.8%	7.1%
Manufacturing	3,669	3,303	2,825	3,296	3,520	695	24.6	25.8%	23.6%	20.3%	21.7%	22.3%
Trade, Transportation, and Utilities	3,758	3,767	3,776	4,160	4,186	410	10.9	26.5%	26.9%	27.1%	27.4%	26.6%
Information	248	186	173	187	117	-56	-32.4	1.7%	1.3%	1.2%	1.2%	0.7%
Financial Services	1,025	1,218	971	969	956	-15	-1.5	7.2%	8.7%	7.0%	6.4%	6.1%
Professional and Business Services	504	644	745	800	872	127	17.0	3.5%	4.6%	5.3%	5.3%	5.5%
Education and Health Services	1,651	1,760	2,042	2,017	2,085	43	2.1	11.6%	12.6%	14.6%	13.3%	13.2%
Leisure and Hospitality	1,445	1,593	1,653	1,802	1,947	294	17.8	10.2%	11.4%	11.9%	11.9%	12.4%
Other Services	965	487	516	544	551	35	6.8	6.8%	3.5%	3.7%	3.6%	3.5%
Totals	14,200	14,017	13,939	15,158	15,757	1,141	8.1					

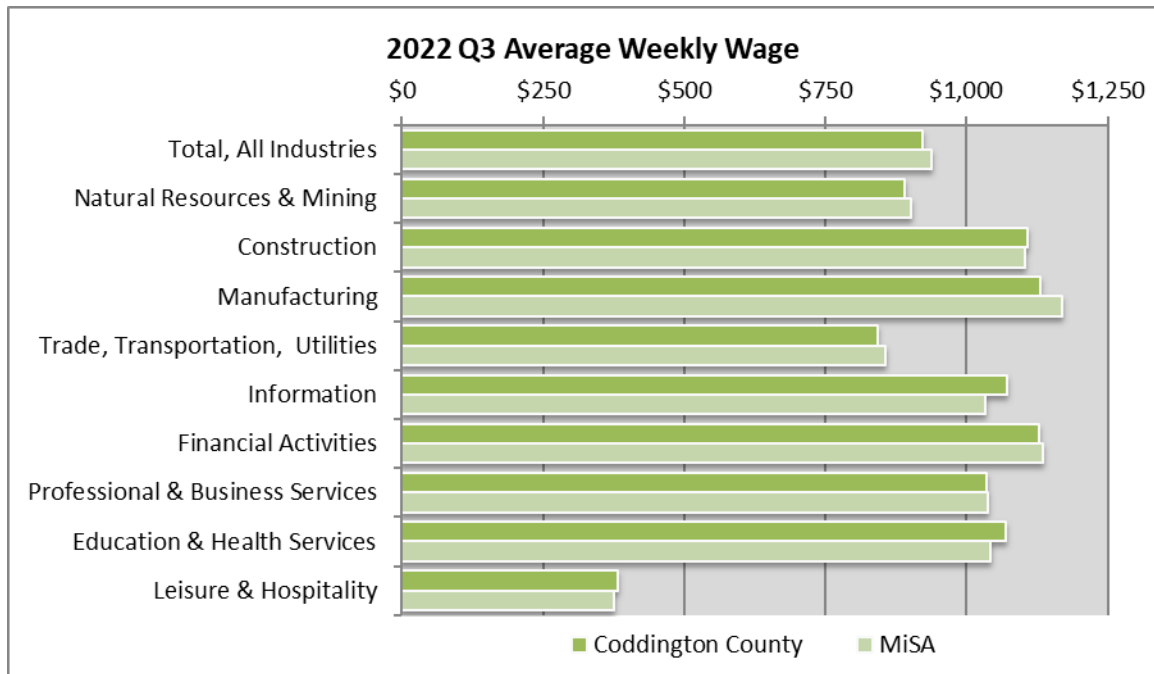
Source: SD Department of Labor & Regulation; Maxfield Research and Consulting LLC

Employment and Wages

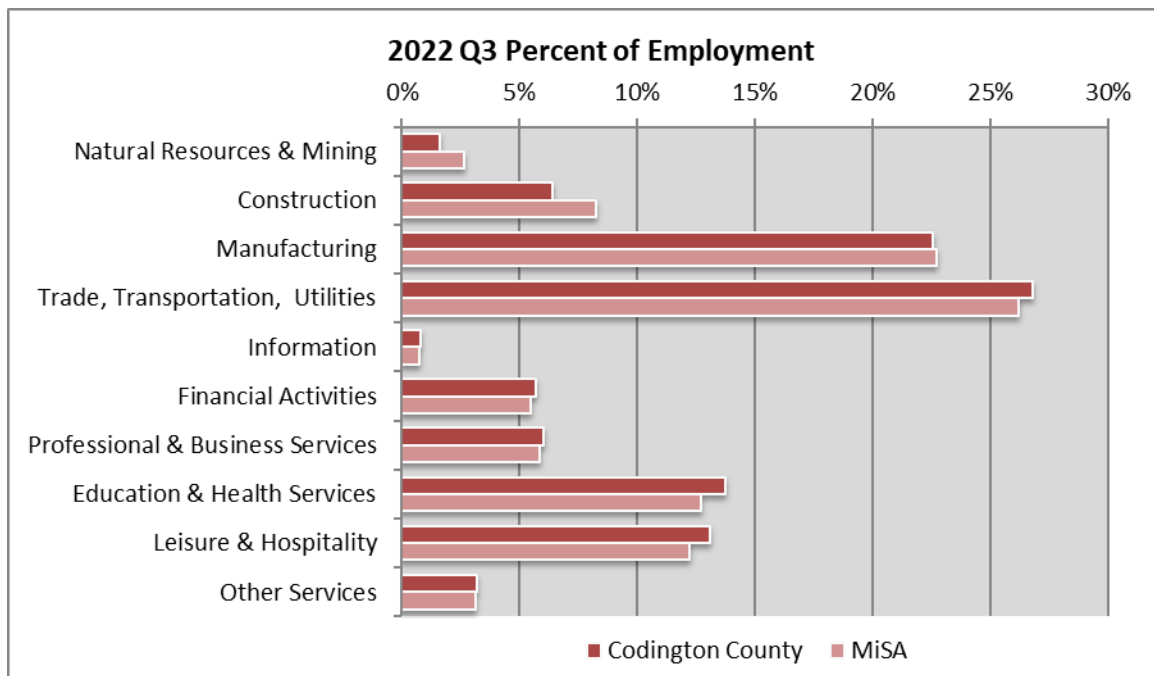
Table E-4 displays information on employment and wages in Codington County and the Micropolitan Statistical Area. The Quarterly Census of Employment and Wages (QCEW) data is sourced from the South Dakota Department of Labor & Regulation for the third quarter of 2021 and 2022, the most recent data available. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to DEED. Federal government establishments are also covered by the QCEW program.

It should be noted that certain industries in the table may not display any information which means that there is either no reported economic activity for that industry or the data has been suppressed to protect the confidentiality of cooperating employers. This generally occurs when there are too few employers or one employer comprises too much of the employment in that geography.

- In the third quarter of 2022, there were 1,317 establishments reported in Codington County employing 14,637 people with an average weekly wage of \$923 (\$47,996 annually).
- Weekly wages of 2022 in Codington County (\$923) were slightly lower than those in the Micropolitan Statistical Area (\$938).



- The highest weekly wages in Coddington County were reported in the Manufacturing (\$1,130) and Financial Activities (\$1,128) industries in the third quarter of 2022. The Manufacturing industry represented 23% of jobs and the Financial Activities industry represented nearly 6% of jobs in Coddington County.



- The largest employment industry in Coddington County was the Trade, Transportation, Utilities (26.8%), which offered an average weekly wage of \$843 (\$43,836 annually). The Trade,

EMPLOYMENT

Transportation, Utilities industry experienced the largest wage growth (+11%) from the third quarter of 2021 to the third quarter of 2022.

- From the third quarter of 2021 to the third quarter of 2022, employment in Codington County increased by 401 workers. Half of the employment increase (200 workers) was in the Manufacturing industry.

TABLE E-4 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES CODINGTON COUNTY & MICROPOLITAN STATISTICAL AREA										
Industry	2021 Q3			2022 Q3			Change 2021 - 2022			
	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	Employment #	%	Wage #	%
CODINGTON COUNTY										
Total, All Industries	1,251	14,236	\$852	1,317	14,637	\$923	401	2.8%	\$71	8.3%
Natural Resources & Mining	30	229	\$852	30	236	\$891	7	3.1%	\$39	4.6%
Construction	156	816	\$1,022	159	937	\$1,109	121	14.8%	\$87	8.5%
Manufacturing	74	3,106	\$1,047	75	3,306	\$1,130	200	6.4%	\$83	7.9%
Trade, Transportation, Utilities	332	3,803	\$760	344	3,928	\$843	125	3.3%	\$83	10.9%
Information	16	115	\$1,048	19	117	\$1,071	2	1.7%	\$23	2.2%
Financial Activities	140	884	\$1,067	147	834	\$1,128	-50	-5.7%	\$61	5.7%
Professional & Business Services	195	837	\$966	224	881	\$1,035	44	5.3%	\$69	7.1%
Education & Health Services	95	1,988	\$1,045	100	2,013	\$1,070	25	1.3%	\$25	2.4%
Leisure & Hospitality	120	1,948	\$340	128	1,921	\$383	-27	-1.4%	\$43	12.6%
Other Services	93	511	\$672	91	465	\$737	-46	-9.0%	\$65	9.7%
Micropolitan Statistical Area										
Total, All Industries	1,481	16,088	\$861	1,554	16,639	\$938	551	3.4%	\$78	9.1%
Natural Resources & Mining	51	414	\$831	52	443	\$901	29	7.0%	\$69	8.3%
Construction	222	1,228	\$1,007	226	1,373	\$1,102	145	11.8%	\$95	9.5%
Manufacturing	82	3,553	\$1,065	82	3,784	\$1,169	231	6.5%	\$104	9.8%
Trade, Transportation, Utilities	385	4,207	\$775	397	4,365	\$856	158	3.8%	\$80	10.3%
Information	19	121	\$1,011	22	123	\$1,034	2	1.7%	\$23	2.3%
Financial Activities	157	957	\$1,074	165	908	\$1,136	-49	-5.1%	\$62	5.7%
Professional & Business Services	219	919	\$940	254	974	\$1,037	55	6.0%	\$96	10.2%
Education & Health Services	107	2,070	\$1,026	111	2,119	\$1,042	49	2.4%	\$16	1.6%
Leisure & Hospitality	130	2,052	\$335	139	2,031	\$376	-21	-1.0%	\$41	12.4%
Other Services	109	568	\$683	106	520	\$766	-48	-8.5%	\$84	12.3%
Sources: SD Department of Labor & Regulation; Maxfield Research and Consulting LLC										

Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often accounts for a large proportion of households' budgets. Table E-5 highlights the commuting patterns of workers in the City of Watertown in 2019 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau.

- As shown in Table E-5, 58% of those who work in Watertown also live in Watertown.

EMPLOYMENT

- Among workers living in Watertown, 69% work in Watertown. Workers living in Watertown are also commuting to Sioux Falls (8.2%) and Brookings (2.4%).

TABLE E-5
COMMUTING PATTERNS
City of Watertown
2019

Home Destination			Work Destination		
<u>Place of Residence</u>	<u>Count</u>	<u>Share</u>	<u>Place of Employment</u>	<u>Count</u>	<u>Share</u>
Watertown city, SD	8,362	57.9%	Watertown city, SD	8,362	68.8%
Sioux Falls city, SD	311	2.2%	Sioux Falls city, SD	996	8.2%
Brookings city, SD	216	1.5%	Brookings city, SD	288	2.4%
Aberdeen city, SD	177	1.2%	Huron city, SD	135	1.1%
Huron city, SD	166	1.1%	Aberdeen city, SD	115	0.9%
Florence town, SD	103	0.7%	Mitchell city, SD	110	0.9%
Clear Lake city, SD	96	0.7%	Rapid City city, SD	71	0.6%
South Shore town, SD	82	0.6%	Madison city, SD	53	0.4%
Kranzburg town, SD	75	0.5%	Milbank city, SD	51	0.4%
Clark city, SD	74	0.5%	Clear Lake city, SD	48	0.4%
All Other Locations	4,782	33.1%	All Other Locations	1,933	15.9%
Total All Jobs	14,444		Total All Jobs	12,162	

Home Destination = Where workers live who are employed in Watertown

Work Destination = Where workers are employed who live in Watertown

Sources: US Census Bureau On the Map; Maxfield Research and Consulting LLC

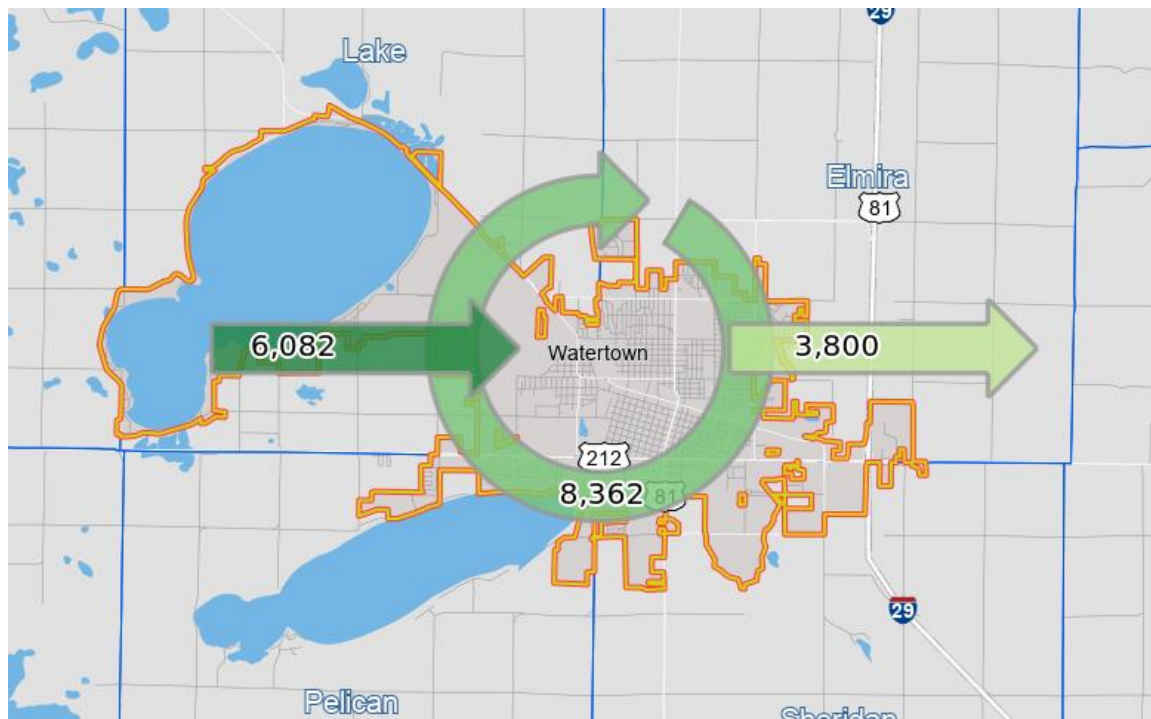
Inflow/Outflow

Table E-6 provides a summary of the inflow and outflow of workers in the City of Watertown. Outflow reflects the number of workers living in the City of Watertown, but employed outside of the city. Inflow measures the number of workers that are employed in the City of Watertown, but live outside the City. Interior flow reflects the number of workers that both live and work in the City of Watertown.

- Nearly 58% of all workers in the City of Watertown live and work in the City. These interior flow workers are mostly like to earn over \$3,333 per month (40%). Half of interior flow workers are aged 30 to 54 and 50.5% work in the All Other Services industry.
- Inflow workers had similar characteristics to interior flow workers. They are most likely to be aged 30 to 54 (47.6%), earn more than \$3,333 per month (42%) and work in the All Other Services industry (48%).
- Outflow workers were more likely to be 29 years old or younger (31.6%) compared to inflow (28%) and outflow (23.7%) workers.

TABLE E-6 COMMUTING INFLOW/OUTFLOW CHARACTERISTICS CITY OF WATERTOWN 2019						
	Outflow		Inflow		Interior Flow	
City Total	3,800	100.0%	6,082	100.0%	8,362	100.0%
<u>By Age</u>						
Workers Aged 29 or younger	1,201	31.6%	1,701	28.0%	1,979	23.7%
Workers Aged 30 to 54	1,651	43.4%	2,893	47.6%	4,167	49.8%
Workers Aged 55 or older	948	24.9%	1,488	24.5%	2,216	26.5%
<u>By Monthly Wage</u>						
Workers Earning \$1,250 per month or less	1,082	28.5%	1,612	26.5%	2,094	25.0%
Workers Earning \$1,251 to \$3,333 per month	1,228	32.3%	1,914	31.5%	2,907	34.8%
Workers Earning More than \$3,333 per month	1,490	39.2%	2,556	42.0%	3,361	40.2%
<u>By Industry</u>						
"Goods Producing"	717	18.9%	1,551	25.5%	2,487	29.7%
"Trade, Transportation, and Utilities"	1,075	28.3%	1,601	26.3%	1,652	19.8%
"All Other Services"	2,008	52.8%	2,930	48.2%	4,223	50.5%
Sources: US Census Bureau Local Employment Dynamics; Maxfield Research and Consulting, LLC						

Inflow/Outflow of Workers, City of Watertown



Major Employers

Table E-7 shows the major employers in Watertown based on data provided by employers in the City of Watertown. Please note that the table is not a comprehensive list of all employers, but presents a selected list of employers who reported more than 100 employees. The following are key points from the major employers table.

- The largest employer in Watertown is the Watertown School District, employing 776 employees, followed by the Prairie Lakes Healthcare Systems with 683 employees.
- The manufacturing industry provides over 1,753 jobs to Watertown in 2022 with Terex Utilities being the largest manufacturing employer.
- Other large industries in Watertown include Education, employing 987 people, and Healthcare, with 957 employees.

TABLE E-7 MAJOR EMPLOYERS CITY OF WATERTOWN 2022		
Name	Industry/Product/Service	Approximate Employee Size
Watertown School District	Education	776
Prairie Lakes Healthcare System	Healthcare	683
Terex Utilities	Manufacturing	634
Hy-Vee	Retail	450
Premier Bankcard	Lending	367
City of Watertown	Government	336
Worthington Industries	Manufacturing	309
Walmart	Retail	300
Dakota Bodies	Manufacturing	285
Jenkins Living Center	Healthcare	274
OEM Worldwide/Sparton	Manufacturing	272
Spartronics	Manufacturing	253
Dakota Sioux Casino	Entertainment	215
Lake Area Technical College	Education	211
Target	Retail	85
Source: City of Watertown, Maxfield Research and Consulting LLC		

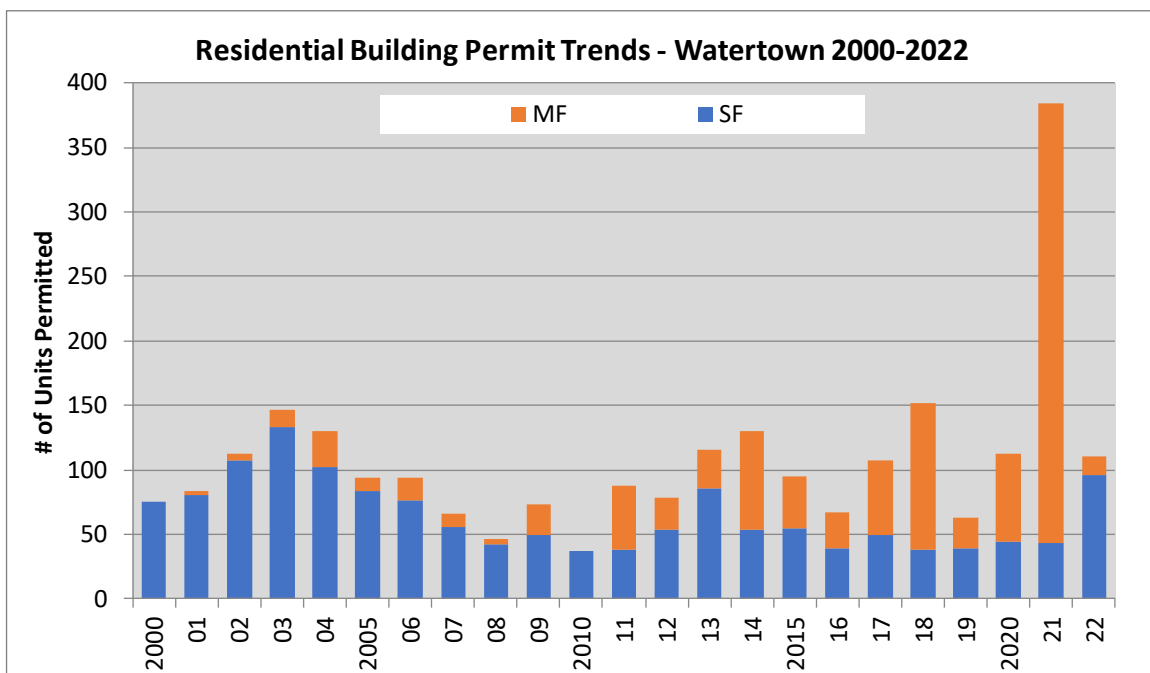
Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing functions as a building block for neighborhoods and goods and services. We examined the housing market in Watertown and the Market Area by reviewing data on the age of the existing housing supply; examining residential building trends since 2000; and reviewing housing data from the American Community Survey that relates to the Watertown area.

Residential Construction Trends 2000 to Present

Maxfield Research obtained data from the City of Watertown on the number of building permits issued for new housing units from 2000 to 2022. Table HC-1 displays permits issued for single-family and multifamily dwellings. Multifamily units usually include both for-sale (condominium, twin homes, and townhomes) and rental projects. The following are key points about housing development since 2000.

- The City of Watertown permitted 1,478 single-family units and 2,462 multi-family units between 2000 and 2022.
- Multifamily permits have increased in Watertown since 2011/2012. From 2000 to 2011, multifamily permits average 11.5% of permits per year. Multifamily permits increased to 48.7% on average per year from 2012 to 2022, led by a massive multifamily housing boom in 2021 with over 340 units.



HOUSING CHARACTERISTICS

- Before 2008, single family permits exceeded 75 annually, and reached over 100 three years in a row. Since 2008, more than 75 single family permits in one year have been recorded only two times, 86 permits in 2013 and 96 in 2022.
- The pandemic led housing boom led to a doubling of single-family housing construction between 2021 and 2022. This past year recorded the highest number of new homes since 2004.

TABLE HC-1 RESIDENTIAL BUILDING PERMIT TRENDS CITY OF WATERTOWN 2000-2022					
Year	City of Watertown				Total Units
	Single- family	----- Multifamily -----			
		MF Total	DTQ	MF5	
2000	75	0	0	0	75
2001	80	4	4	0	84
2002	107	6	6	0	113
2003	133	14	14	0	147
2004	102	28	4	24	130
2005	84	10	2	8	94
2006	76	18	10	8	94
2007	56	10	2	8	66
2008	42	4	4	0	46
2009	50	23	4	19	73
2010	37	0	0	0	37
2011	38	50	6	44	88
2012	54	24	0	24	78
2013	86	30	0	30	116
2014	54	76	16	60	130
2015	55	40	6	34	95
2016	39	28	16	12	67
2017	50	57	6	51	107
2018	38	114	24	90	152
2019	39	24	24	0	63
2020	44	69	33	36	113
2021	43	341	93	248	384
2022	96	14	0	14	110

SF = Single-family; DTQ = Duplex, Triplex, or Fourplex; MF5 = Multifamily with 5+ units

Sources: US Dept. of HUD; US Census Bureau; City of Watertown; Maxfield Research and Consulting, LLC

American Community Survey

The American Community Survey (“ACS”) is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately 3 million addresses annually. The survey gathers data previously contained only in the long form of the decennial census. As a result, the survey is ongoing and provides a more “up-to-date” portrait of demographic, economic, social, and household characteristics every year, not just every ten years. The most recent ACS highlights data collected between 2017 and 2021. Tables HC-4 to HC-7 show key data for Watertown and the Market Area.

Age of Housing Stock

The graph on the following page shows the age distribution of the housing stock in 2021 based on data from the U.S. Census Bureau American Community Survey (5-Year). Table HC-4 includes the number of housing units built in the Market Area, prior to 1940 and during each decade since.

- In total, the Market Area is estimated to have 11,963 housing units, of which 66.8% are owner-occupied and 33.1% are renter-occupied. Renter occupied units are more prevalent in the City of Watertown compared to the Market Area. Of the 9,725 housing units, 43.9% were renter-occupied in the City of Watertown compared to 10.5% in the Remainder of the Market Area.
- The median age of housing in the City of Watertown was 1979. Renter occupied housing reported a median age of 1979, similar to the median age of owner-occupied housing in Watertown, 1978.
- Housing in the Remainder of the Market Area were slightly older than housing in the City of Watertown with a median age of 1974.
- Housing built during the 1970s accounted for the largest proportion of housing in Watertown (16.5%), followed by housing built before 1940 (16.2%). Among renter-occupied housing only, the largest proportion was built in the 2000s (23.2%), while the largest proportion of owner-occupied housing was built before 1940 (22.6%).
- About 10% of Watertown’s housing stock have been constructed since 2010, compared to 6% in the Remainder of the PMA.

HOUSING CHARACTERISTICS

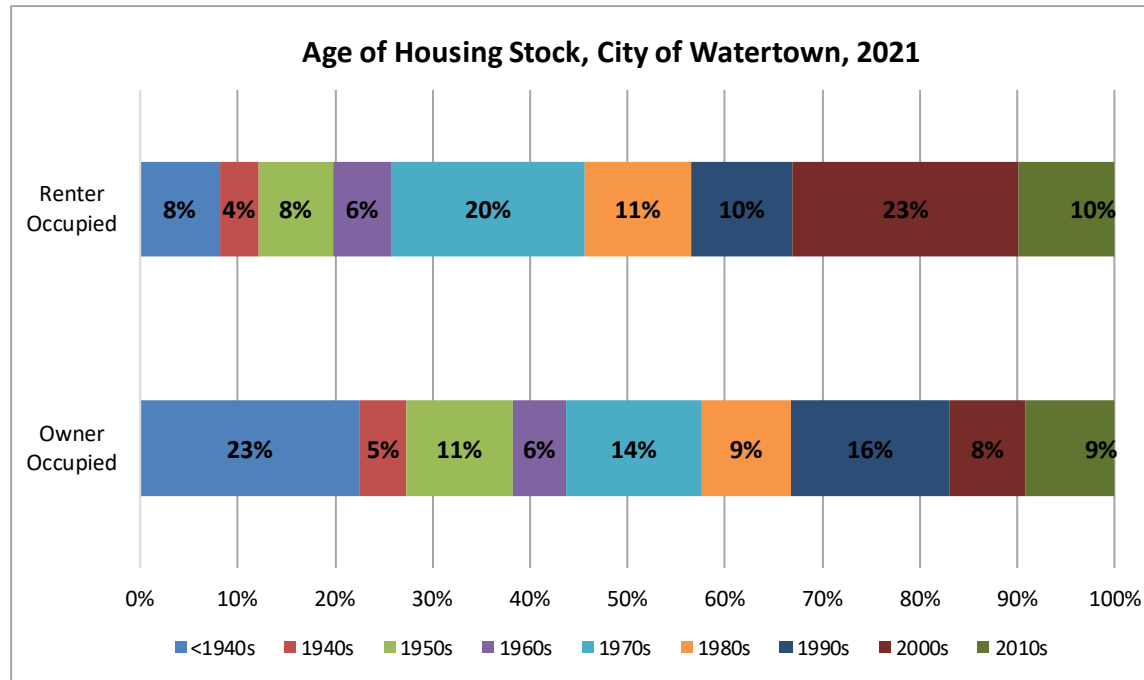


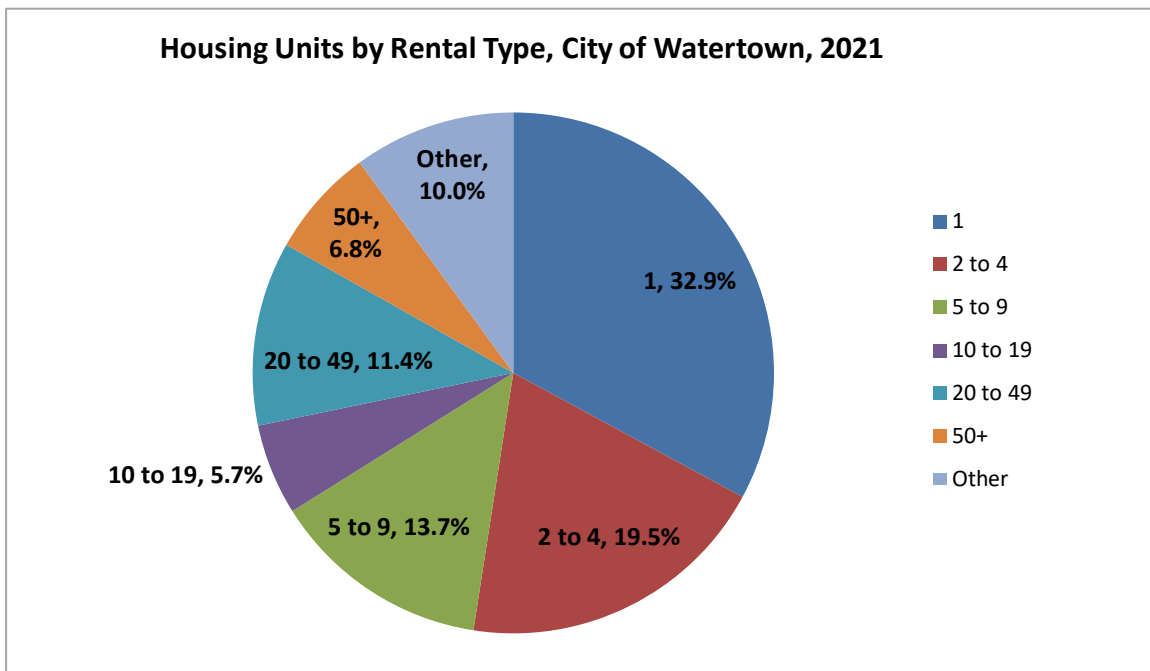
TABLE HC-2 AGE OF HOUSING STOCK WATERTOWN MARKET AREA 2021																							
		Year Unit Built																					
		Total Units		Med. Yr. Built		<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000s		2010 or later	
						No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
CITY OF WATERTOWN																							
Owner-Occupied	5,459	1978	1,232	22.6	260	4.8	593	10.9	302	5.5	757	13.9	498	9.1	890	16.3	423	7.7	504	9.2			
Renter-Occupied	4,266	1979	348	8.2	172	4.0	323	7.6	259	6.1	843	19.8	466	10.9	444	10.4	990	23.2	421	9.9			
Total	9,725	1979	1,580	16.2	432	4.4	916	9.4	561	5.8	1,600	16.5	964	9.9	1,334	13.7	1,413	14.5	925	9.5			
REMAINDER OF MARKET AREA																							
Owner-Occupied	2,537	1975	424	16.7	122	4.8	79	3.1	52	2.0	528	20.8	95	3.7	267	10.5	819	32.3	151	6.0			
Renter-Occupied	299	1975	77	25.8	11	3.7	19	6.4	8	2.7	34	11.4	29	9.7	35	11.7	-534	-178.6	22	7.4			
Total	2,836	1974	501	17.7	133	4.7	98	3.5	60	2.1	562	19.8	124	4.4	302	10.6	285	10.0	173	6.1			
MARKET AREA TOTAL																							
Owner-Occupied	7,996	1977	1,656	20.7	382	4.8	672	8.4	354	4.4	1,285	16.1	593	7.4	1,157	14.5	1,242	15.5	655	8.2			
Renter-Occupied	3,967	1979	425	10.7	183	4.6	342	8.6	267	6.7	877	22.1	495	12.5	479	12.1	456	11.5	443	11.2			
Total	11,963	1978	2,081	17.4	565	4.7	1,014	8.5	621	5.2	2,162	18.1	1,088	9.1	1,636	13.7	1,698	14.2	1,098	9.2			
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC																							

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC

Housing Units by Structure and Occupancy or (Housing Stock by Structure Type)

Table HC-5 shows the housing stock in the Market Area by type of structure and tenure as of 2021.

- The dominant housing type in the City of Watertown is the single-family detached home, representing an estimated 87.3% of all owner-occupied housing units and 25% of renter-occupied housing units as of 2021.
- Outside of Watertown, in the Remainder of the Market Area, the single-family detached home is even more dominant than in the City of Watertown, accounting for 90.7% of owner-occupied housing and 49.3% of renter-occupied housing.
- Renter-occupied housing types vary in size in the City of Watertown. After single family homes, 19.5% of renter occupied units are in 2 to 4-unit structures, units in 5 to 9-unit structures accounted for 13.7% of renter-occupied units, and 11.4% of units are in 20 to 49 unit buildings. Only 6.8% of Watertown's rental stock is living in a development with 50 units or more.

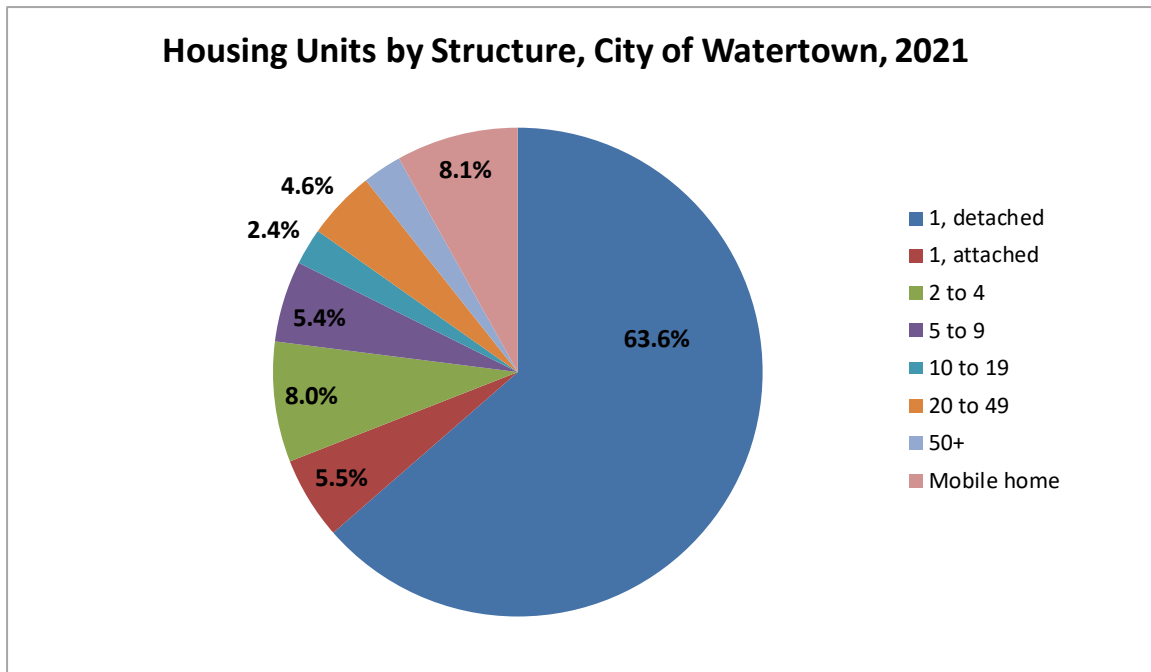


HOUSING CHARACTERISTICS

TABLE HC-3
HOUSING UNITS BY STRUCTURE & TENURE
WATERTOWN MARKET AREA
2021

Units in Structure	WATERTOWN				REMAINDER				MARKET AREA TOTAL				MICRO		State of SD	
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied %	Renter-Occupied %	Owner-Occupied %	Renter-Occupied %
1, detached	5,260	87.3%	924	25.0%	1,786	90.7%	132	49.3%	7,046	88.1%	1,056	25.2%	89.7%	29.7%	86.3%	28.9%
1, attached	238	3.9%	293	7.9%	12	0.6%	4	1.5%	250	3.1%	297	7.1%	2.6%	6.9%	3.8%	5.5%
2	12	0.2%	264	7.1%	0	0.0%	2	0.7%	12	0.2%	266	6.4%	0.1%	6.1%	0.5%	4.5%
3 to 4	39	0.6%	459	12.4%	0	0.0%	42	15.7%	39	0.5%	501	12.0%	0.0%	12.0%	0.3%	9.8%
5 to 9	17	0.3%	505	13.7%	0	0.0%	7	2.6%	17	0.2%	512	12.2%	0.2%	12.7%	0.2%	11.4%
10 to 19	26	0.4%	209	5.7%	0	0.0%	1	0.4%	26	0.3%	210	5.0%	0.3%	5.5%	0.4%	13.1%
20 to 49	20	0.3%	423	11.4%	0	0.0%	0	0.0%	20	0.3%	423	10.1%	0.2%	9.9%	0.1%	13.6%
50 or more	0	0.0%	251	6.8%	0	0.0%	0	0.0%	0	0.0%	251	6.0%	0.0%	5.8%	0.1%	7.8%
Mobile home	414	6.9%	371	10.0%	171	8.7%	80	29.9%	585	7.3%	451	10.8%	6.5%	11.3%	8.2%	5.2%
Boat, RV, van, etc.	0	0.0%	0	0.0%	1	0.1%	0	0.0%	1	0.0%	0	0.0%	0.5%	0.0%	0.1%	0.1%
Total	6,026	100%	3,699	100%	1,970	100%	268	100%	7,996	100%	4,187	95%	100%	100%	100%	100%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC



Owner-Occupied Housing Units by Mortgage Status

Table HC-6 shows mortgage status and average values from the American Community Survey for 2021 (5-Year). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it's the only mortgage. A second (and sometimes third) mortgage is called a "junior mortgage," a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free.

- In Watertown, 54.8% of housing units have a mortgage. This is similar to the proportion of homes in the State of South Dakota with a mortgage (54.9%).
- Units with a mortgage in Watertown reported a higher median value (\$183,800) compared to housing units without a mortgage (\$168,900).
- Outside of Watertown, in the Remainder of the Market Area, median values were higher than within the City. Housing units with a mortgage had a median value of \$200,758 and units without a mortgage had a value of \$191,623.
- The median value of homes in the State of Minnesota was also higher than those in the City of Watertown. Homes with a mortgage reported a median value of \$207,700 and \$161,000 without a mortgage.

HOUSING CHARACTERISTICS

TABLE HC-4 OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS WATERTOWN MARKET AREA 2021									
Mortgage Status	WATERTOWN		REMAINDER		MARKET AREA		MICRO		STATE OF SD
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Housing units without a mortgage	2,724	45.2	901	45.7	3,625	45.3	4,376	45.2	45.1
Housing units with a mortgage/debt	3,302	54.8	1,069	54.3	4,371	54.7	5,306	54.8	54.9
<i>Second mortgage only</i>	55	0.9	24	1.2	79	1.0	90	0.9	0.9
<i>Home equity loan only</i>	312	5.2	36	1.8	348	4.4	413	4.3	4.2
<i>Both second mortgage and equity loan</i>	0	0.0	3	0.2	3	0.0	24	0.2	0.2
<i>No second mortgage or equity loan</i>	2,923	48.5	996	50.6	3,919	49.0	4,749	49.0	49.1
<i>Home equity loan with no mortgage</i>	12	0.2	10	0.5	22	0.3	30	0.3	0.01
Total	6,026	100.0	1,970	100.0	7,996	100.0	9,682	100.0	100%
Median Value by Mortgage Status									
Housing units with a mortgage	\$183,800		\$200,758		\$197,700		\$182,896		\$207,700
Housing units without a mortgage	\$168,900		\$191,623		\$168,100		\$169,559		\$161,000
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC									

Owner-Occupied Housing Units by Value

Table HC-7 presents data on housing values summarized by nine price ranges. Housing value refers to the estimated price point the property would sell if the property were for sale. For single-family and townhome properties, value includes both the land and the structure. For condominium units, value refers to only the unit.

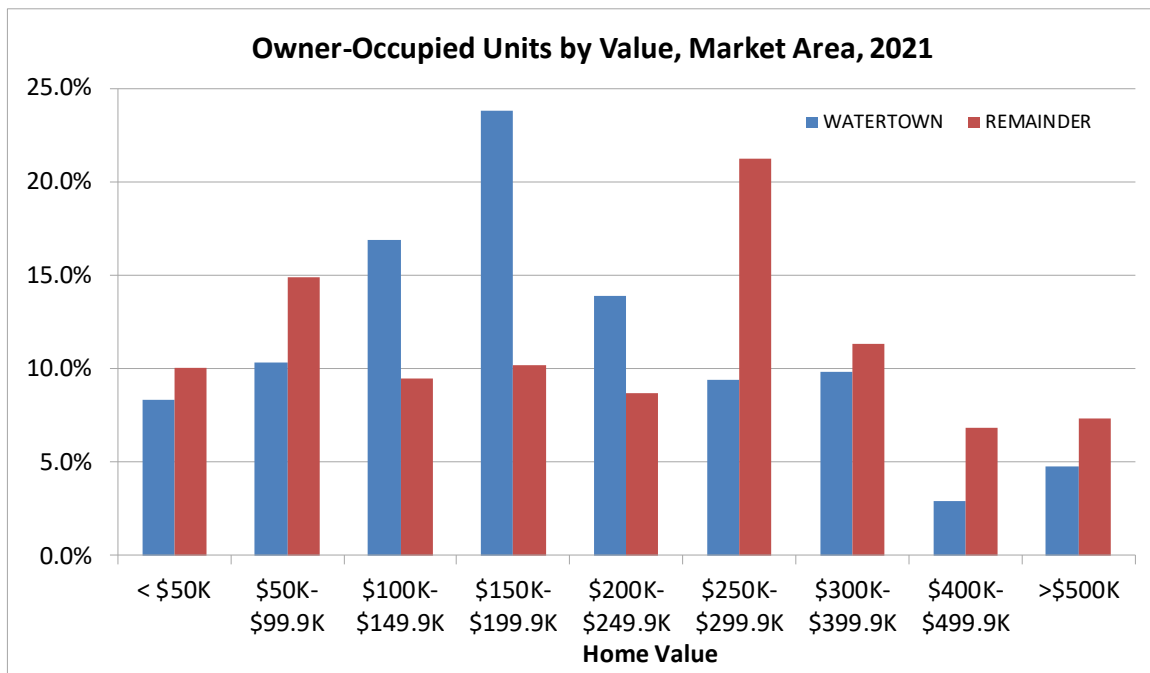
- Nearly a quarter of homes in the City of Watertown were valued between \$150,000 and \$199,999, the largest proportion of home values in the City.
- Over half (54.5%) of homes in the City of Watertown were valued between \$100,000 and \$249,999.
- The largest proportion of homes in the State of South Dakota was also valued between \$150,000 and \$199,999 (17.6%).
- In the Remainder of the Market, the largest proportion of home values was in the \$250,000 to \$299,999 bracket (21.2%).
- The median values of homes in the City of Watertown (\$174,900) is less than in the Remainder of the Market Area (\$221,049).
- Homes in the Market Area have a similar median value (\$181,900) as the State of South Dakota (\$187,800).

HOUSING CHARACTERISTICS

TABLE HC-5
OWNER-OCCUPIED UNITS BY VALUE
WATERTOWN MARKET AREA
2021

Home Value	WATERTOWN		REMAINDER		MARKET AREA		MICRO		STATE OF SD
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	
Less than \$50,000	501	8.3	198	10.1	699	8.7	798	8.2	10.5%
\$50,000-\$99,999	622	10.3	293	14.9	915	11.4	1213	12.5	11.9%
\$100,000-\$149,999	1,015	16.8	186	9.4	1,201	15.0	1535	15.9	13.8%
\$150,000-\$199,999	1,432	23.8	201	10.2	1,633	20.4	1861	19.2	17.6%
\$200,000-\$249,999	835	13.9	171	8.7	1,006	12.6	1207	12.5	14.2%
\$250,000-\$299,999	567	9.4	418	21.2	985	12.3	1166	12.0	9.6%
\$300,000-\$399,999	594	9.9	223	11.3	817	10.2	985	10.2	11.4%
\$400,000-\$499,999	174	2.9	135	6.9	309	3.9	416	4.3	4.9%
Greater than \$500,000	286	4.7	145	7.4	431	5.4	501	5.2	6.2%
Total	6,026	100.0	1,970	100.0	7,996	100.0	9,682	100.0	100.0%
Median Home Value	\$174,900		\$221,049		\$181,900		\$179,392		\$187,800

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC



Renter-Occupied Units by Contract Rent

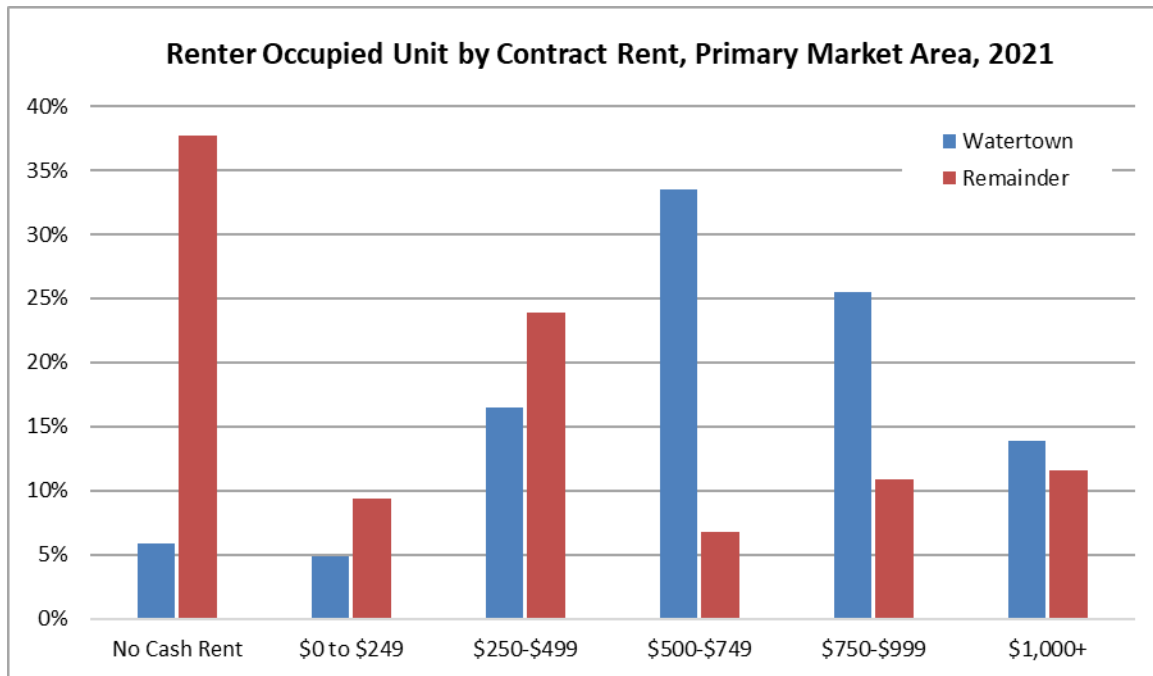
Table HC-8 presents information on the monthly housing costs for renters, called contract rent (also known as asking rent). Contract rent is the monthly rent agreed to regardless of any utilities, furnishings, fees, or services that may be included.

- The median contract rent in Watertown was \$691 in 2021. Based on a 30% allocation of income to housing, a household in Watertown would need an income of about \$27,640 to afford the median rent in Watertown.
- Nearly all renter occupied units in Watertown reported a cash rent (94.2%). The most commonly reported contract rent in the City was between \$500 and \$749, accounting for a third of all rents in Watertown.
- The rental market in the Remainder of the Market Area is composed differently than in the City of Watertown, with a higher proportion of low-cost units and nontraditional rental units requiring no rent. Over one-third (37.7%) of rental units in the Remainder of the Market Area reported no contract rent, compared to only 5.8% in the Watertown. Among rental units that reported a contract rent in the Remainder of the Market Area, the highest proportion (23.9%) asked between \$250 and \$499 in rent.

TABLE HC-6
RENTER-OCCUPIED UNITS BY CONTRACT RENT
WATERTOWN MARKET AREA
2021

Contract Rent	WATERTOWN		REMAINDER		MARKET AREA		MICRO		STATE OF SD
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	
No Cash Rent	216	5.8	101	37.7	317	8.0	378	8.7	7.4%
Cash Rent	3483	94.2	167	62.3	3,650	92.0	3,983	91.3	92.6%
\$0 to \$249	179	4.8	25	9.3	204	5.1	564	12.9	8.2%
\$250-\$499	610	16.5	64	23.9	674	17.0	822	18.8	16.4%
\$500-\$749	1240	33.5	18	6.7	1,258	31.7	1,347	30.9	29.1%
\$750-\$999	941	25.4	29	10.8	970	24.5	1,007	23.1	22.2%
\$1,000+	513	13.9	31	11.6	544	13.7	564	12.9	16.7%
Total	3,699	100.0	268	100.0	3,967	100.0	4,361	100.0	100.0%
Median Contract Rent	\$691		\$606		\$685		\$667		\$695

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC



Summary of Housing Characteristics

The following points summarize key housing trends in the Market Area.

- In the Market Area, two-thirds of housing units are owner-occupied, while 55% of housing units in Watertown were owner-occupied.
- Housing built during the 1970s accounted for the largest proportion of housing in Watertown (16.5%). The largest proportion of rental housing was built in the 2000s (23.2%), and the largest proportion of owner-occupied housing was built before 1940 (22.6%).
- Single-family detached homes are the main housing type in the City of Watertown, representing an estimated 87.3% of all owner-occupied housing units and 25% of renter-occupied housing units as of 2021.
- Over half (54.7%) of all owner-occupied homes carried a mortgage in the Market Area in 2021.
- Houses with a mortgage have a higher median value (\$182,896) compared to (\$169,559) in the Market Area.
- Nearly all renter occupied units in Watertown reported a cash rent (94.2%). One-third of rents in Watertown were reported between \$500 and \$749.

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize rental market conditions in the Watertown Market Area. The ACS is an ongoing survey conducted by the United States Census Bureau that provides data every year rather than every ten years as presented by the decennial census. We use this data because these figures are not available from the decennial census. Please note that the ACS data includes all rental units, regardless of household type.

Table R-1 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2017-2021 ACS in the Watertown Market Area and provides a comparison to South Dakota. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, wood, etc.) if these are paid by the renter.

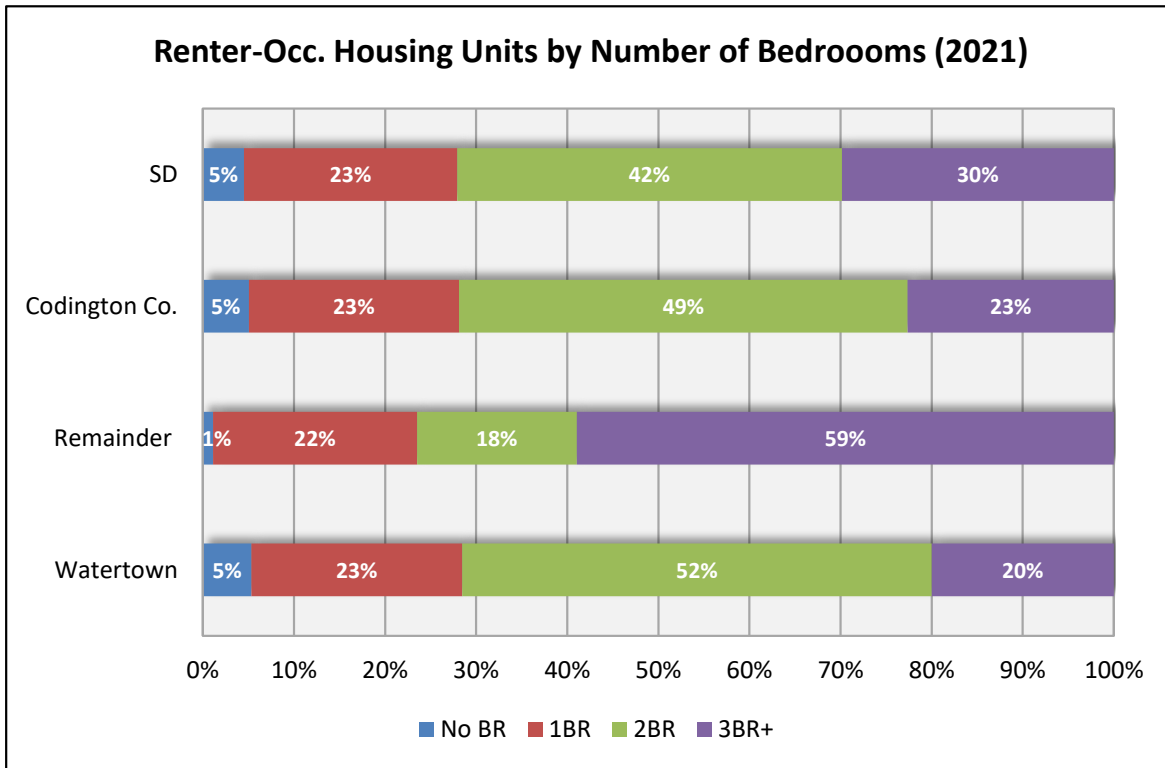
- The City of Watertown reported a median rent of \$822 compared to the median rent of \$818 in Codington County and \$809 in the state of South Dakota.
- Two- bedroom units are the most common rental unit type in the City of Watertown, with 52% of the rental housing units reported as two-bedroom units. In the Remainder of the Market Area, three-bedroom units are the most common rental type, accounting for 59% of rental units. The difference is likely the presence of more apartment rentals within Watertown and a higher proportion of single-family rentals, with more bedrooms, in the rural areas of the Primary Market Area.
- Based on the housing study completed in 2019, the median gross rent in Watertown increased 20% from \$685 (2017 ACS) to \$822 (2021 ACS). By comparison, the median gross rent increased 19% in the Remainder of the Market Area and 16% in South Dakota, during the same time period.

RENTAL HOUSING MARKET ANALYSIS

TABLE R-1
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS
WATERTOWN MARKET AREA
2021

	City of Watertown		Remainder of MA		Codington County		SD
	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	3,699	100%	268	100%	3,967	100%	100%
Median Gross Rent	\$822		\$812		\$818		\$809
No Bedroom	197	5%	3	1%	200	5%	5%
Less than \$200	197	5%	3	1%	200	5%	4%
\$200 to \$299	11	0%	3	1%	14	0%	0%
\$300 to \$499	60	2%	0	0%	60	2%	1%
\$500 to \$749	61	2%	0	0%	61	2%	1%
\$750 to \$999	6	0%	0	0%	6	0%	1%
\$1,000 to \$1,499	0	0%	0	0%	0	0%	0%
\$1,500 or more	59	2%	0	0%	59	1%	0%
No cash rent	0	0%	0	0%	0	0%	0%
1 Bedroom	856	23%	60	22%	916	23%	23%
Less than \$200	840	23%	54	20%	894	23%	23%
\$200 to \$299	112	3%	3	1%	115	3%	3%
\$300 to \$499	136	4%	7	3%	143	4%	4%
\$500 to \$749	338	9%	26	10%	364	9%	8%
\$750 to \$999	86	2%	3	1%	89	2%	5%
\$1,000 to \$1,499	86	2%	15	6%	101	3%	2%
\$1,500 or more	82	2%	0	0%	82	2%	1%
No cash rent	16	0%	6	2%	22	1%	0%
2 Bedrooms	1,906	52%	47	18%	1,953	49%	42%
Less than \$200	1,812	49%	22	8%	1,834	46%	40%
\$200 to \$299	55	1%	0	0%	55	1%	1%
\$300 to \$499	170	5%	5	2%	175	4%	3%
\$500 to \$749	400	11%	14	5%	414	10%	10%
\$750 to \$999	819	22%	0	0%	819	21%	15%
\$1,000 to \$1,499	330	9%	3	1%	333	8%	10%
\$1,500 or more	38	1%	0	0%	38	1%	1%
No cash rent	94	3%	25	9%	119	3%	2%
3 or More Bedrooms	740	20%	158	59%	898	23%	30%
Less than \$200	634	17%	88	33%	722	18%	25%
\$200 to \$299	13	0%	7	3%	20	1%	1%
\$300 to \$499	0	0%	9	3%	9	0%	2%
\$500 to \$749	84	2%	19	7%	103	3%	4%
\$750 to \$999	243	7%	25	9%	268	7%	5%
\$1,000 to \$1,499	231	6%	26	10%	257	6%	9%
\$1,500 or more	63	2%	2	1%	65	2%	4%
No cash rent	106	3%	70	26%	176	4%	5%

Sources: US Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC



Select General-Occupancy Rental Projects Survey

Maxfield Research and Consulting LLC identified and surveyed larger multifamily rental properties of 12 or more units in Watertown, South Dakota that have been constructed since the previous housing study delivered in 2019. Table R-2 summarizes information on occupancy projects, while Table R-3 summarizes rent and square footage by unit type.

At the time of our survey, 530 market rate units were surveyed and eight units were vacant, resulting in an overall vacancy rate of 1.5%. The industry standard is a vacancy rate of 5% for a stabilized rental market, this rate promotes competitive rates, ensures adequate choice, and allows for unit turnover.

RENTAL HOUSING MARKET ANALYSIS

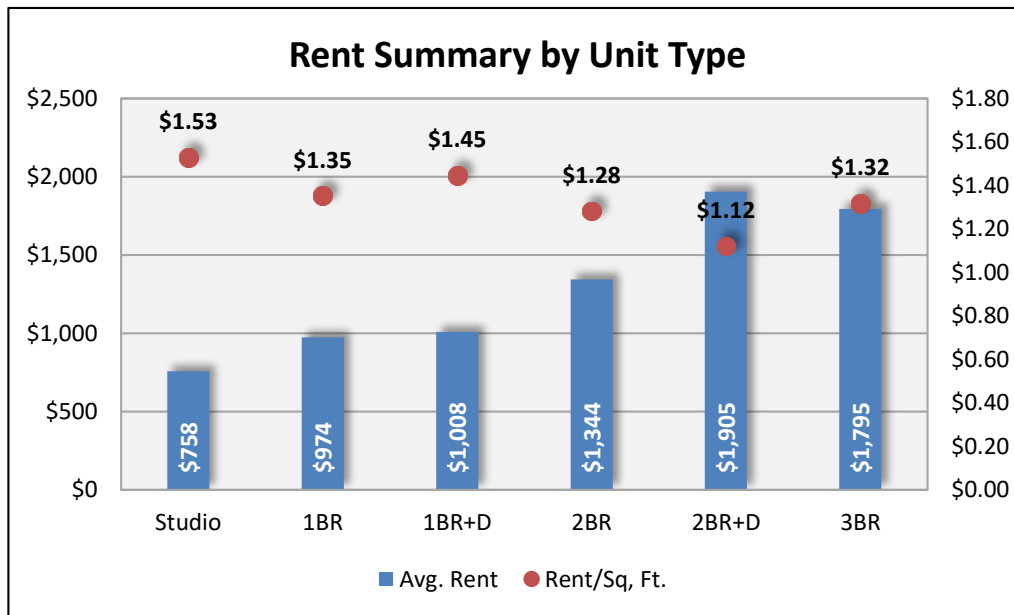
TABLE R-2 SELECT NEWER GENERAL OCCUPANCY RENTAL PROPERTIES CITY OF WATERTOWN MAY 2023							
Property Name/Location	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.
MARKET RATE							
The Plains 1604 4th St Watertown, SD	2022	276 0 0.0%	4 - Studio 236 - 1BR 29 - 2BR 7 - 3BR	606 - 606 660 - 851 1,125 - 1,214 1,362 - 1,362	\$937 - \$937 \$976 - \$1,006 \$1,372 - \$1,422 \$1,795 - \$1,795	\$937 \$991 \$1,397 \$1,795	\$1.55 - \$1.55 \$1.18 - \$1.48 \$1.17 - \$1.22 \$1.32 - \$1.32
Amenities / Notes: Clubhouse, fitness center, pet wash station, dog park, courtyard, surface and heated underground parking, walk-in closet, in-unit washer and dryer, dishwasher, built-in microwave, and patio/balconies. Heat/water/internet/sewer/garbage included in rent.							
Parkside Place 10 2nd St NE Watertown, SD	2022	36 0 0.0%	36 - 1BR	750 - 778	\$980 - \$980	\$980	\$1.26 - \$1.31
Amenities / Notes: Built-in microwave, dishwasher, surface and garage parking, in-unit washer and dryer, rooftop patio, and walk-in closets (in select units).							
Flats on 8th 22 8th Ave SW Watertown, SD	2021	24 0 0.0%	4 - Studio 4 - 1BR 16 - 2BR	347 - 347 530 - 530 830 - 830	\$725 - \$725 \$885 - \$885 \$1,075 - \$1,075	\$725 \$885 \$1,075	\$2.09 - \$2.09 \$1.67 - \$1.67 \$1.30 - \$1.30
Amenities / Notes: In-unit washer and dryer, dishwasher (in select units), built-in microwave, patio (with select units), and walk-in closets (in select units), and surface parking. Water/sewer/trash/gas included in rent.							
The Lofts 10 N Broadway Watertown, SD	2020	39 2 5.1%	36 - 1BR 3 - 2BR	568 - 568 964 - 964	\$970 - \$970 \$1,325 - \$1,325	\$970 \$1,325	\$1.71 - \$1.71 \$1.37 - \$1.37
Amenities / Notes: Dishwasher, surface and underground garage parking, built-in microwave, walk-in closet (in select units), and in-unit washer and dryer. Water/sewer/trash included in rent.							
The Oaks 218 19th St SE Watertown, SD	2019	72 4 5.6%	34 - Studio 24 - 1BR 14 - 2BR	500 - 500 620 - 620 912 - 912	\$728 - \$753 \$839 - \$924 \$1,133 - \$1,233	\$741 \$882 \$1,183	\$1.46 - \$1.51 \$1.35 - \$1.49 \$1.24 - \$1.35
Amenities / Notes: Patio/balconies, surface and detached garage parking, dishwasher, built-in microwave, community room, fitness center, walk-in closets in select units, and in-unit washer and dryer.							
One/Two Willow Creek 2000/2001 Kemp Pl E Watertown, SD	2016 & '18	83 2 2.4%	28 - 1BR 3 - 1BR+D 44 - 2BR 8 - 2BR+D	604 - 737 697 - 697 1,074 - 1,114 1,697 - 1,697	\$875 - \$975 \$1,008 - \$1,008 \$1,335 - \$1,585 \$1,905 - \$1,905	\$925 \$1,008 \$1,460 \$1,905	\$1.32 - \$1.45 \$1.45 - \$1.45 \$1.24 - \$1.42 \$1.12 - \$1.12
Amenities / Notes: Walk-in closets, common area laundry facilities, surface and underground/detached garage parking, patio/balcony, dog park, and pet wash station. Water/sewer/trash/internet included in rent.							
Market Rate Total Units / Vacant		530 8 1.5%					

Sources: Maxfield Research & Consulting, LLC

- Monthly rents average \$1,056 for surveyed units and average rents ranged from a low of \$758 for a studio unit to a high of \$1,905 for a two-bedroom plus den unit.
- Surveyed units averaged 791 square feet, with studio units being the smallest (496 square feet) and two-bedroom plus den units being the largest at 1,697 square feet.
- The weighted average rent per square foot for surveyed units is \$1.34, and ranges from a low of \$1.12 for a two-bedroom plus den unit to a high of \$1.53 for a studio unit.

RENTAL HOUSING MARKET ANALYSIS

TABLE R-3 RENT SUMMARY CITY OF WATERTOWN MAY 2023							
Unit Type	Unit Mix		Rent	Rent Range		Avg.	Avg.
	No.	Pct.	Avg.	Low	High	Size	Rent/Sq. Ft.
MARKET RATE							
Studio	42	7.9%	\$758	\$725 - \$937		496	\$1.53
1BR	364	68.7%	\$974	\$839 - \$1,006		720	\$1.35
1BR+D	3	0.6%	\$1,008	\$1,008	\$1,008	697	\$1.45
2BR	106	20.0%	\$1,344	\$1,075 - \$1,585		1,047	\$1.28
2BR+D	8	1.5%	\$1,905	\$1,905	\$1,905	1,697	\$1.12
3BR	7	1.3%	\$1,795	\$1,795 - \$1,795		1,362	\$1.32
Total	530	100.0%	\$1,056	\$725 - \$1,905		791	\$1.34
Source: Maxfield Research and Consulting, LLC							



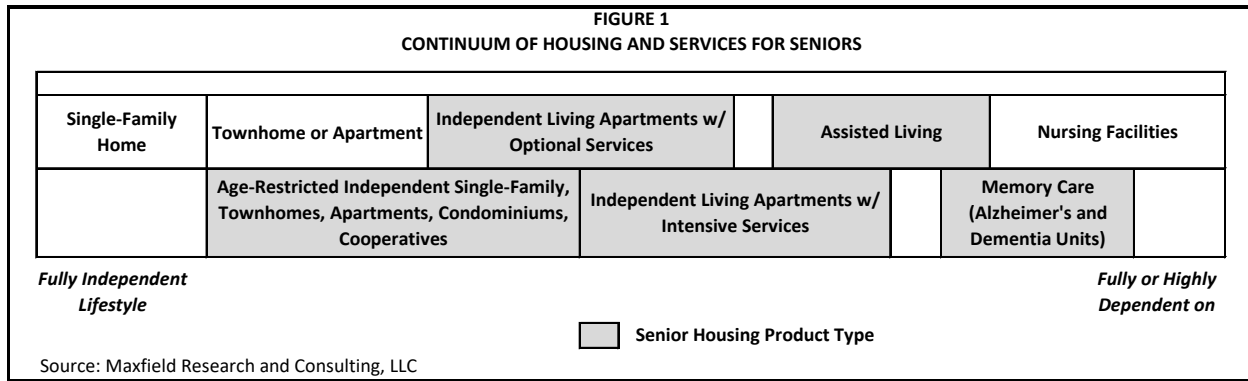
Senior Housing Defined

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of housing alternatives, which occasionally overlap, thus making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. Maxfield Research and Consulting LLC classifies senior housing projects into five categories based on the level of support services offered:

- ▶ **Active Adult** properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and occasionally a transportation program are usually all that are available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.
- ▶ **Independent Living** properties (or senior living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties typically dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Independent living properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings, even excluding the services. Sponsorship by a nursing home, hospital or other health care organization is common.
- ▶ **Assisted Living** properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.
- ▶ **Memory Care** properties, designed specifically for persons suffering from Alzheimer’s disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which deals almost exclusively with widows or

widowers, a higher proportion of persons afflicted with Alzheimer's disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.

- **Skilled Nursing Care**, or long-term care facilities, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, insurance as well as use of private funds.

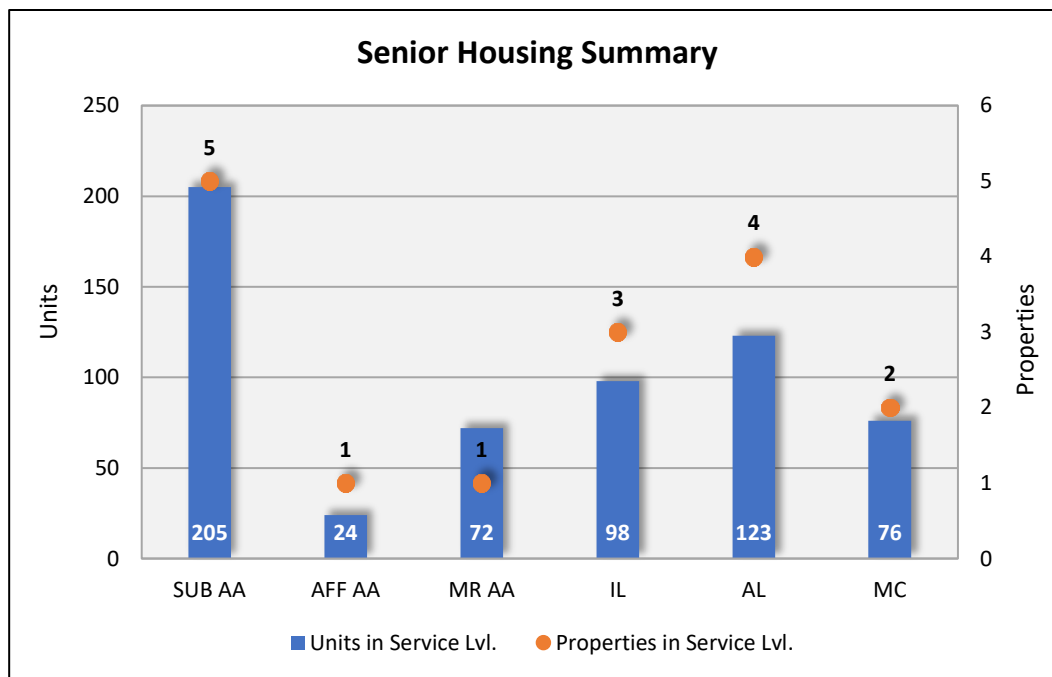


The senior housing products available today, when combined with long-term care facilities form a full continuum of care, extending from virtually a purely residential model to a medically intensive one. Often the services available at these properties overlap with another making these definitions somewhat ambiguous. In general, active adult properties tend to attract younger active seniors, who merely wish to rid themselves of home maintenance; independent living properties serve independent seniors that desire support services (i.e., meals, housekeeping, transportation, etc.) while assisted living properties tend to attract older, frail seniors who need assistance with daily activities, but not the skilled medical care available only in a nursing facility.

Senior Housing Properties in the Market Area

Table S-1 shows an inventory of existing senior housing properties in the City of Watertown. Information presented includes the property name, location, year built, and number of units.

- Maxfield Research identified 15 senior housing facilities in the City of Watertown as of May 2023. Combined, these properties have 598 units, including 205 subsidized active adult units, 24 affordable active adult units, 72 market rate active adult units, 98 independent living units, 123 assisted living units, and 76 memory care units.
- Since the previous 2019 housing study, only one senior housing property has opened, *Generations on 1st*, which is a 72-unit market rate active adult property and is located at 26 1st Avenue.



SENIOR HOUSING ANALYSIS

TABLE S-1 SENIOR PROPERTIES SUMMARY CITY OF WATERTOWN MAY 2023									
Project Name	Year Built	Address	SUB AA Units	AFF AA Units	MR AA Units	IL Units	AL Units	MC Units	Total Units
Senior Housing Properties									
Generations on 1st	2022	26 1st Ave			72				72
Edgewood Prairie Crossing	2014	424 9th St SE					13		13
Eastwood Apts.	2010	925 25th St NE	19						19
StoneyBrook Suites	2000	500 16th Ave					48		48
Benet Place Senior Apts.	1997	90 28th Ave SE				37			37
Edgewood Commons	1997	901 14th Ave NE				24	49		73
200 Maple Place	1997	200 Maple Pl				37			37
Colonial Apts.	1992	325 E Kemp Ave		24					24
Edgewood	1985	225 14th Ave NE						16	16
Jenkins Twonview Apts.	1980	220 S Maple	60						60
Meadow Lake	1979	17444 Meadow Lake Rd					13		13
Tower Apts.	1979	17 1st St SW	50						50
Jenkins Living Center	1975	215 S Maple						60	60
Watercress Apts.	1975	107 8th Ave SW	16						16
Watertown Hi-Rise	1975	24 W Kemp	60						60
Total			205	24	72	98	123	76	598
Sources: Maxfield Research & Consulting, LLC									

Introduction

Maxfield Research and Consulting LLC analyzed the for-sale housing market in Watertown by analyzing data on single-family and multifamily home sales and active listings, identifying active subdivisions and pending for-sale developments; and conducting interviews with local real estate professionals, builders, and developers.

Overview of For-Sale Housing Market Conditions

Table FS-1 presents home resale data on residential sales of homes classified as residential single unit dwellings in the City of Watertown from 2000 through October 2022. FS-2 shows 2022 home resales in Watertown in eleven price ranges. The data shows the annual number of sales, as well as, the median and average pricing. The following are key points observed from our analysis of this data.

- Since 2005, there have been approximately 408 sales annually in the City of Watertown. Transaction volume reached its highest point in 2021 with 497 sales. Sales volumes were lowest in 2009 (314 sales); generally one of the worst years in the real estate industry across the country during the Great Recession.
- Although sales volumes have fluctuated year-to-year, the median sales price did not experience the highs and lows that many communities experienced during the recession. The median sales price of homes generally rose from 2005 through 2022, more than doubling during this time from \$100,250 in 2005 to 225,050 in 2022.



FOR SALE MARKET ANALYSIS

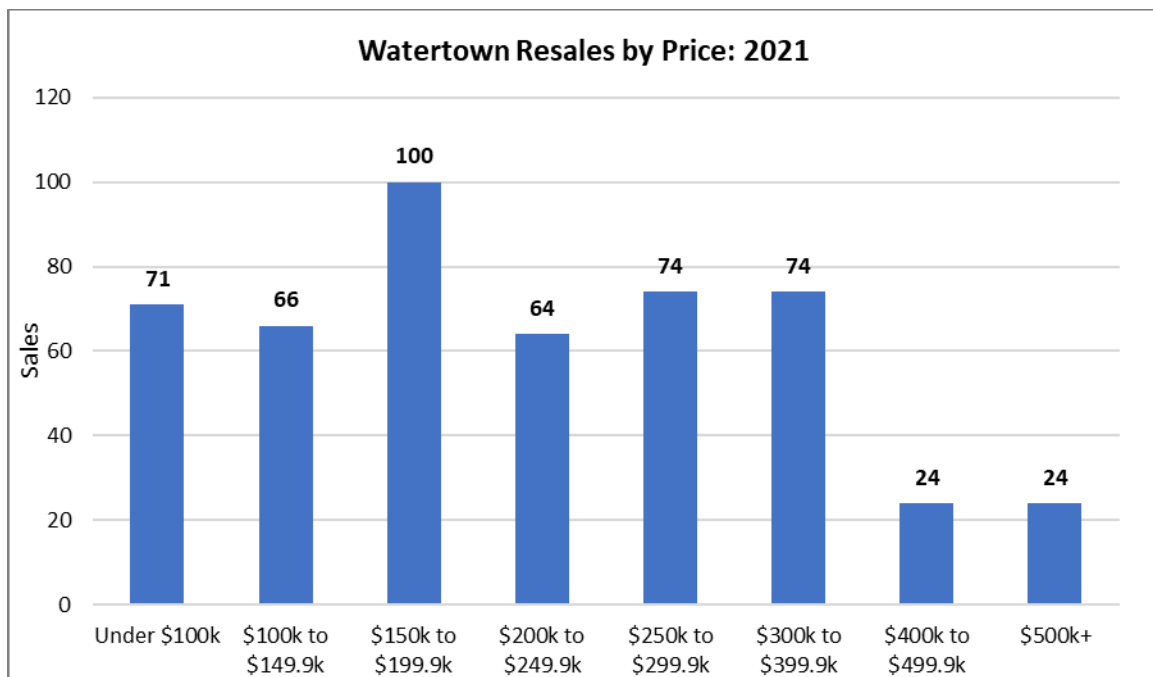
- The median sales price experienced modest gains from 2018 to 2019 (1.7%) and 2019 to 2020 (1.9%). Then from 2020 to 2021, median sales price experienced strong growth, rising 18.3%.

TABLE FS-1 RESIDENTIAL RESALES WATERTOWN SD 2005 through 2022					
Year	Number of Sales	Median Sales Price	% Chg.	Average Sales Price	% Chg.
2005	468	\$100,250	--	\$116,991	--
2006	471	\$115,000	14.7%	\$126,532	8.2%
2007	415	\$113,000	-1.7%	\$122,005	-3.6%
2008	362	\$131,250	16.2%	\$142,847	17.1%
2009	314	\$125,000	-4.8%	\$130,904	-8.4%
2010	354	\$125,300	0.2%	\$134,863	3.0%
2011	375	\$127,400	1.7%	\$138,632	2.8%
2012	399	\$137,350	7.8%	\$153,316	10.6%
2013	363	\$136,900	-0.3%	\$152,809	-0.3%
2014	423	\$145,000	5.9%	\$157,832	3.3%
2015	433	\$150,000	3.4%	\$162,180	2.8%
2016	404	\$150,950	0.6%	\$163,392	0.7%
2017	424	\$163,750	8.5%	\$174,499	6.8%
2018	402	\$172,150	5.1%	\$187,527	7.5%
2019	442	\$175,000	1.7%	\$184,960	-1.4%
2020	469	\$177,500	1.4%	\$194,925	5.4%
2021	497	\$210,000	18.3%	\$236,714	21.4%
2022*	336	\$225,050	7.2%	\$248,309	4.9%
Pct. Change					
05' - 13'	-22.4%	36.6%		30.6%	
14' - 21'	17.5%	44.8%		50.0%	
*January through October					
Source: Coddington County Equilization Dept. ; Maxfield Research & Consulting, LLC					

- Home resales in the \$150,000 to \$199,999 range were the most common, representing 20% of resales in 2021. Nearly 15% of resales were within the \$250,000 to \$299,999.
- The median sales price of homes sold in 2021 was \$210,000.

**TABLE FS-2
RESALES BY PRICE POINT
WATERTOWN, SD
2021**

		Watertown	
Price Range		No.	Pct.
< \$50,000		21	4.2%
\$50,000 to \$99,999		50	10.1%
\$100,000 to \$149,999		66	13.3%
\$150,000 to \$199,999		100	20.1%
\$200,000 to \$249,999		64	12.9%
\$250,000 to \$299,999		74	14.9%
\$300,000 to \$349,999		46	9.3%
\$350,000 to \$399,999		28	5.6%
\$400,000 to \$449,999		14	2.8%
\$450,000 to \$499,999		10	2.0%
\$500,000 & Over		24	4.8%
Total		497	100%
Minimum		\$20,000	
Maximum		\$1,150,000	
Median		\$210,000	
Average		\$236,714	
Sources: Codington County			
Maxfield Research & Consulting, LLC			



Current Supply of Homes on the Market

To more closely examine the current market for available owner-occupied housing in the City of Watertown, we reviewed the current supply of homes on the market (listed for sale). Table FS-2 shows homes currently listed for sale in Watertown in twelve price ranges.

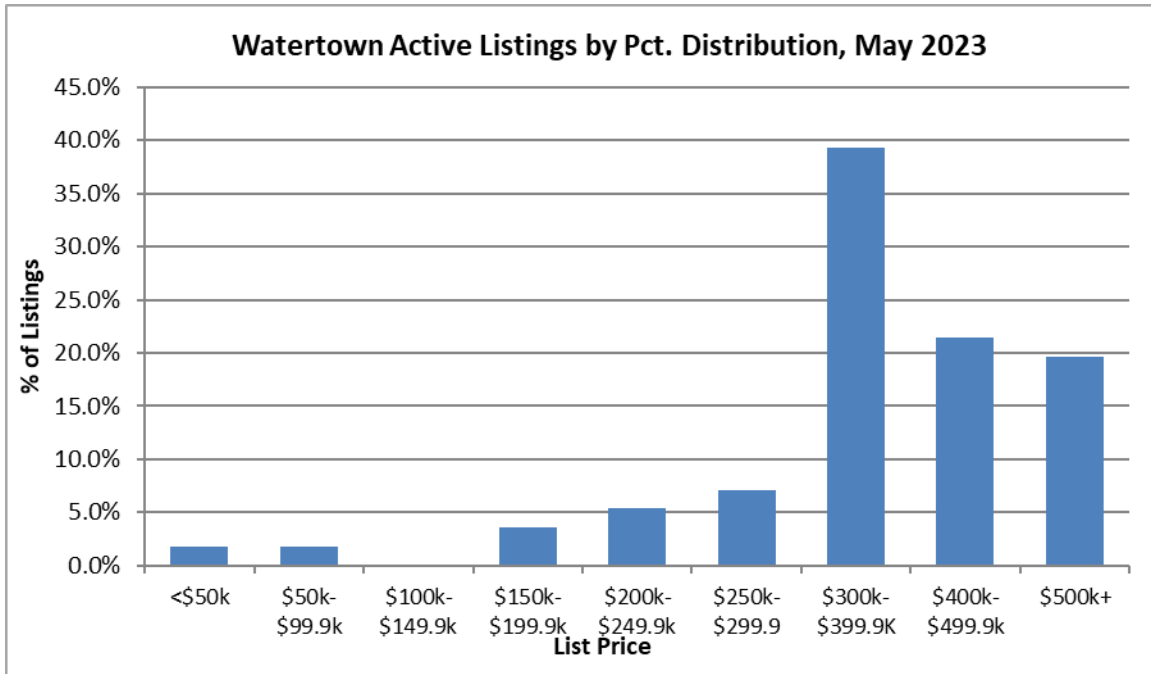
- As of May 2023, there were 56 homes listed for sale in the Watertown area. About 55% of the active home listings were for single-family homes (31 homes). There were 25 multifamily homes for-sale (i.e. townhomes, twinhomes, or condominiums).
- The median list price in Watertown was about \$445,000 for a single-family home and \$350,000 for a multifamily home.

TABLE FS-2 HOMES CURRENTLY LISTED FOR-SALE WATERTOWN May 2023						
Price Range	Single-Family		Multifamily		Total	
	No.	Pct.	No.	Pct.	No.	Pct.
< \$50,000	1	3.2%	0	0.0%	1	1.8%
\$50,000 to \$99,999	1	3.2%	0	0.0%	1	1.8%
\$100,000 to \$149,999	0	0.0%	0	0.0%	0	0.0%
\$150,000 to \$199,999	2	6.5%	0	0.0%	2	3.6%
\$200,000 to \$249,999	2	6.5%	1	4.0%	3	5.4%
\$250,000 to \$299,999	3	9.7%	1	4.0%	4	7.1%
\$300,000 to \$349,999	2	6.5%	8	32.0%	10	17.9%
\$350,000 to \$399,999	3	9.7%	9	36.0%	12	21.4%
\$400,000 to \$449,999	3	9.7%	2	8.0%	5	8.9%
\$450,000 to \$499,999	7	22.6%	0	0.0%	7	12.5%
\$500,000 & Over	7	22.6%	4	16.0%	11	19.6%
	31	100%	25	100%	56	100%
Minimum	\$37,500		\$215,000		\$37,500	
Maximum	\$1,350,000		\$694,900		\$1,350,000	
Median	\$445,000		\$350,000		\$372,400	
Average	\$461,439		\$401,720		\$434,779	
Sources: Zillow.com, Maxfield Research and Consulting, LLC						

- The largest majority of single-family homes were listed in the \$450,000 to \$449,999 and \$500,000 and over price brackets. Both brackets had seven listings, each representing 22.6% of single-family listings in Watertown. The higher list price is due to nearly one-half of all listings being new construction and commanding a price premium over the resale market.

FOR-SALE MARKET ANALYSIS

- Among multifamily listings, 36% were in the \$350,000 to \$399,999 bracket, with nine listings. Nearly all of these are new construction condominiums on Lake Kampeksa (Stoney Point).
- Nearly 40% of all listing, single family and multifamily fell in the \$300,000 to \$399,999 price bracket.



- Collectively, the median list price is approximately \$372,400. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.
- Based on a median list price of \$372,400, the income required to afford a home at this price would be about \$106,000 to \$124,000, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home.

Table FS-3 shows homes currently listed for sale in the Watertown by property style and pricing. The data was provided by the is based on active listings in May 2023.

- One-story homes accounted for the largest proportion of single-family and multi-family homes on the market (79.6%). The average list price for one-story homes was \$450,551 with an average size of 2,185 square feet. One story homes are among the newest single family homes on the market, they have an average year built of 2006 and many listings are new construction.
- The remaining single family home types had five or fewer listings in May 2023. There were five split-level homes for sale, listed for an average price of \$379,900 with 2,680 square feet.
- One and a half story homes had the oldest average age, 1952, and had one of the lower average list prices, \$293,267.
- Condos represented 62.5% of multi-family homes listed for sale. Listings had an average price of \$430,240 and an average size of 1,472. The condos in Watertown have an average year built of 2020. As previously mentioned, most of these listings are tied to the new Stoney Point condominium development on the lake.

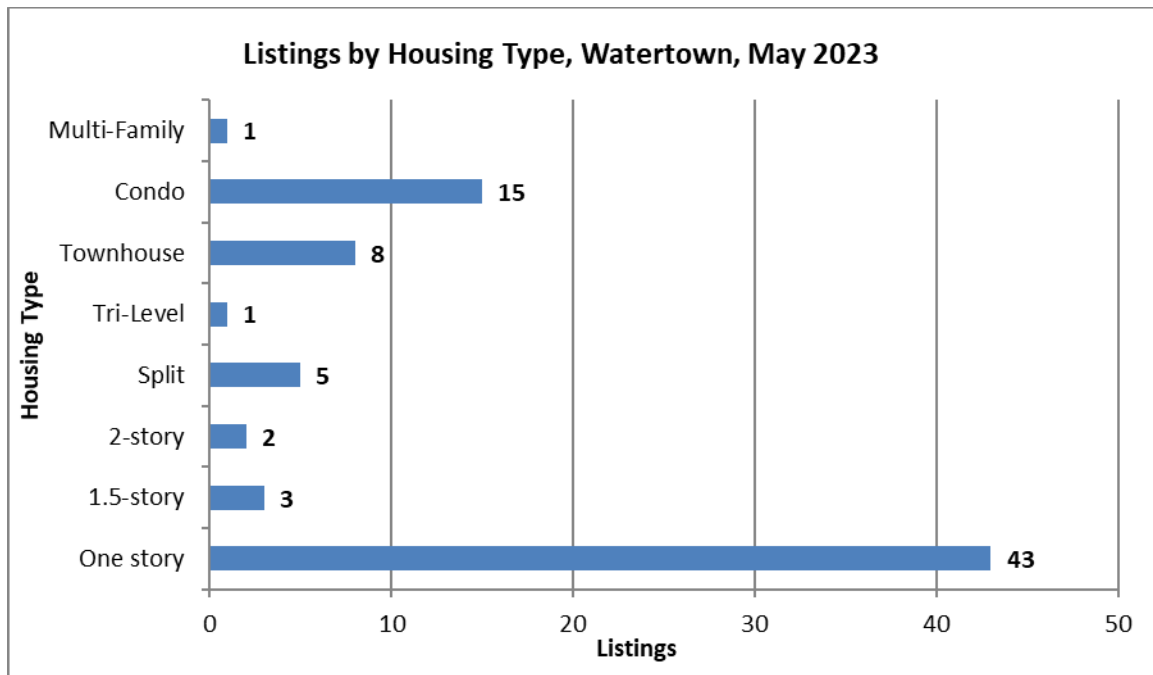


TABLE FS-3 ACTIVE LISTINGS BY HOUSING TYPE WATERTOWN May 2023						
Property Type	Listings	Pct.	Avg. List Price	Avg. Home Size Sq. Ft.	Avg. List Price Per Sq. Ft.	Avg. Age of Home
Single-Family						
One story	43	79.6%	\$450,551	2,185	\$226	2006
1.5-story	3	5.6%	\$293,267	2,365	\$124	1952
2-story	2	3.7%	\$542,450	4,442	\$116	1964
Split	5	9.3%	\$379,900	2,680	\$144	2000
Tri-Level	1	1.9%	\$269,900	1,432	\$188	1980
SF Total	54	100.0%	\$461,439	2,950	\$156	1986
Multi-Family						
Townhouse	8	33.3%	\$343,700	1,403	\$249	2021
Condo	15	62.5%	\$430,240	1,472	\$295	2020
Multi-Family	1	4.2%	\$419,900	5,441	\$77	1906
MF Total	24	100.0%	\$400,963	1,615	\$270	2015
Sources: Realtor.com, Maxfield Research and Consulting, LLC						

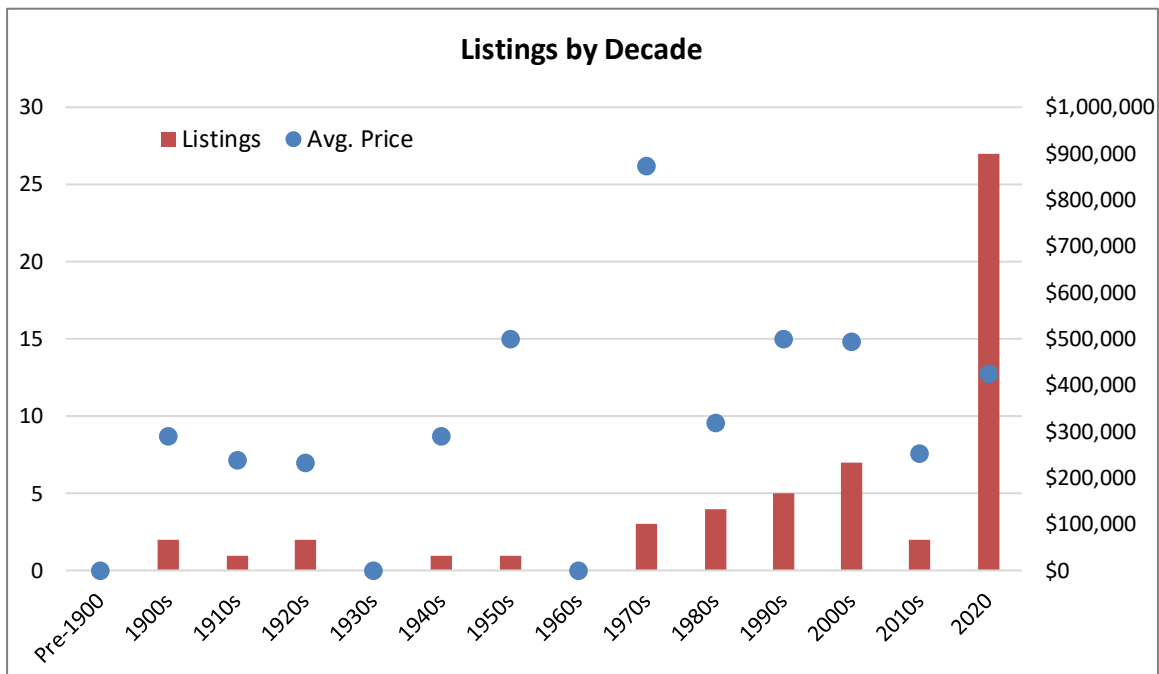
Table FS-4 summarizes the active listings by year built.

- Nearly half of all listing in Watertown were built between 2020 and 2023. Of the 27 properties for sale built during this time, 21 were multi-family properties of either townhomes or condos.
- Active listings built from 2020-2023 had an average size of 1,833 square feet and average \$257 per square feet. This was the highest average per square foot cost of all the decades surveyed although the average size of properties was among the smaller decade averages.

TABLE FS-4
ACTIVE LISTINGS BY DECADE
WATERTOWN - MAY 2023

Decade	Listings	Pct.	Avg. List Price	Avg. Sq. Ft.	Avg. PSF
Pre-1900	0	0.0%	-	-	-
1900s	2	3.6%	\$289,900	3,422	\$96
1910s	1	1.8%	\$239,900	2,124	\$113
1920s	2	3.6%	\$232,400	2,616	\$89
1930s	0	0.0%	-	-	-
1940s	1	1.8%	\$289,900	2,478	\$117
1950s	1	1.8%	\$499,900	1,844	\$271
1960s	0	0.0%	-	-	-
1970s	3	5.5%	\$874,667	4,599	\$196
1980s	4	7.3%	\$318,650	1,714	\$216
1990s	5	9.1%	\$500,460	2,941	\$152
2000s	7	12.7%	\$496,357	3,300	\$154
2010s	2	3.6%	\$252,500	1,866	\$114
2020-2023	27	49.1%	\$424,926	1,833	\$257
Total	55	100.0%	\$435,049	2,367	\$206

Source: Realtor.com, Maxfield Research & Consulting, LLC



Vacant Lot Supply

Tables FS-5 shows an inventory of lots within newer platted subdivisions in Watertown. The table includes information on the total number of lots platted, number of lots developed, lots available, acres, and average land and home values per the Codington County Equalization data. Please note: infill lots and scattered lots are omitted from the table. Key findings from the table follow.

- A total of 296 vacant lots were available in Watertown as of May 2023.
- Collectively, the average lot size among all the lots in the active subdivision is about one-third an acre (0.39). Lot sizes range from 0.14 acres at Prairie's Edge Estates to over 2.87 acres at The Lakes of Willow Creek.
- The average assessed value for land is about \$48,864. The average assessed value of the completed homes in these subdivisions is \$284,200.
- The assessed value of the land is about 17% of the total market value. Typically, in most other markets, the lot-to-home value ratio is higher and approaches 20% or more. As a result, home buyers in Watertown are receiving more house for their dollar than other submarkets with higher land costs.

FOR-SALE MARKET ANALYSIS

TABLE FS-5
WATERTOWN LOT SUPPLY
May 2023

Subdivision	Total Lots	Avail. Lots	Lot Size			Land Assessed Value			Home Value (Assessed Value)		
			Min	Max	Avg.	Min	Max	Avg.	Min	Max	Avg.
Country Club Estates	10	5	0.20	- 0.92	0.43	\$19,654	- \$73,930	\$46,179	\$124,659	- \$348,083	\$217,253
Dakota Commons Additions	98	8	0.04	- 0.83	0.24	\$23,229	- \$58,721	\$39,664	\$186,096	- \$497,915	\$286,074
Golf View Estates & Additions	53	5	0.16	- 0.71	0.32	\$36,438	- \$139,888	\$54,305	\$247,860	- \$708,571	\$361,683
Kak's Add. (1st, 2nd, & Replat)	69	11	0.18	- 0.53	0.32	\$17,382	- \$131,227	\$58,055	\$122,856	- \$530,110	\$221,668
Kampeska Dunes 2nd	19	3	0.33	- 0.72	0.38	\$21,459	- \$95,593	\$52,164	\$225,630	- \$896,969	\$391,424
Prairie's Edge Estates	28	22	0.13	- 0.32	0.17	\$19,675	- \$46,565	\$26,033	\$168,058	- \$252,028	\$229,531
Prairie Hills Development Additions	25	9	0.18	- 2.69	0.90	\$13,372	- \$108,791	\$58,984	\$137,908	- \$562,310	\$416,898
Prairie Winds Golf Club 1st Add.	17	11	0.34	- 0.69	0.40	\$43,194	- \$64,791	\$46,653	\$183,702	- \$532,228	\$344,478
River Ridge Estates 6th Add	15	4	0.24	- 0.41	0.31	\$37,877	- \$57,008	\$46,933	\$248,708	- \$360,816	\$310,178
River Ridge Estates 7th Add	17	10	0.35	- 1.43	0.66	\$51,194	- \$104,805	\$66,493	\$145,148	- \$603,111	\$380,693
Valley View Additions (1st, 2nd, 3rd & 4th)	230	152	0.13	- 0.86	0.30	\$25,540	- \$113,647	\$48,502	\$96,723	- \$627,903	\$257,311
Willow Creek Village 5th Add.	31	31	0.29	- 0.51	0.38	\$62,330	- \$76,677	\$68,304	n/a	n/a	n/a
The Lakes of Willow Creek 1st Add	26	25	0.78	- 2.87	1.76	\$13,884	- \$53,691	\$32,600	n/a	n/a	n/a
Subtotals	638	296			0.39			\$48,864			\$284,200

Source: Maxfield Research & Consulting, LLC

Introduction

Affordable housing is a term that has various definitions according to different people and is a product of supply and demand. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable. However, many individual properties have income restrictions set anywhere from 30% to 80% of AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. Moderate-income housing, often referred to as “workforce housing,” refers to both rental and ownership housing. Hence the definition is broadly defined as housing that is income-restricted to households earning between 50% and 120% AMI. Figure 1 below summarizes income ranges by definition.

FIGURE 1 AREA MEDIAN INCOME (AMI) DEFINITIONS	
Definition	AMI Range
Extremely Low Income	0% - 30%
Very Low Income	31% - 50%
Low Income	51% - 80%
Moderate Income Workforce Housing	80% - 120%
Note: Codington County 4-person AMI = \$65,600 (2022)	

Naturally-Occurring Affordable Housing (i.e. Unsubsidized Affordable)

Although affordable housing is typically associated with an income-restricted property, there are other housing units in communities that indirectly provide affordable housing. Housing units that were not developed or designated with income guidelines (i.e. assisted) yet are more affordable than other units in a community are considered “naturally-occurring” or “unsubsidized affordable” units. This rental supply is available through the private market, versus assisted housing programs through various governmental agencies. Property values on these units are lower based on a combination of factors, such as: age of structure/housing stock, location, condition, size, functionally obsolete, school district, etc. Because of these factors, housing costs tend to be lower.

According to the *Joint Center for Housing Studies of Harvard University*, the privately unsubsidized housing stock supplies three times as many low-cost affordable units than assisted projects nationwide. Unlike assisted rental developments, most unsubsidized affordable units are scattered across small properties (one to four unit structures) or in older multifamily structures. Many of these older developments are vulnerable to redevelopment due to their age, modest rents, and deferred maintenance.

Because many of these housing units have affordable rents, project-based and private housing markets cannot be easily separated. Some households (typically those with household incomes of 50% to 60% AMI) income-qualify for both market rate and project-based affordable housing.

Rent and Income Limits

Table HA-1 shows the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in Codington County. These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and also published separately by Novogradac based on the date the project was placed into service. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. This table is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families at financially assisted housing.

HOUSING AFFORDABILITY

TABLE HA-1
MHFA/HUD INCOME AND RENT LIMITS
CODINGTON COUNTY- 2022

	Income Limits by Household Size							
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	\$17,220	\$19,680	\$22,140	\$24,600	\$26,580	\$28,530	\$30,510	\$32,460
50% of median	\$28,700	\$32,800	\$36,900	\$41,000	\$44,300	\$47,550	\$50,850	\$54,100
60% of median	\$34,440	\$39,360	\$44,280	\$49,200	\$53,160	\$57,060	\$61,020	\$64,920
80% of median	\$45,920	\$52,480	\$59,040	\$65,600	\$70,880	\$76,080	\$81,360	\$86,560
100% of median	\$57,400	\$65,600	\$73,800	\$82,000	\$88,600	\$95,100	\$101,700	\$108,200
120% of median	\$68,880	\$78,720	\$88,560	\$98,400	\$106,320	\$114,120	\$122,040	\$129,840
	Maximum Gross Rent							
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$430	\$492	\$553	\$615	\$664			
50% of median	\$717	\$820	\$922	\$1,025	\$1,107			
60% of median	\$861	\$984	\$1,107	\$1,230	\$1,329			
80% of median	\$1,148	\$1,312	\$1,476	\$1,640	\$1,772			
100% of median	\$1,435	\$1,640	\$1,845	\$2,050	\$2,215			
120% of median	\$1,722	\$1,968	\$2,214	\$2,460	\$2,658			
	Fair Market Rent							
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$541	\$640	\$757	\$936	\$1,027			

Sources: HUD, Novogradac, Maxfield Research and Consulting LLC

Introduction

Maxfield Research obtained data from the City of Watertown in order to identify housing developments under construction, planned, or pending. Table P-1 provides an inventory and summarizes the number of housing units by product type that are either recently completed, under construction, or are planned to move forward.

- High Five Properties submitted for a seven phase development names Prairie Haven that is planned to have 500 total lots. The Concept Plan for the first phase was approved in Fall 2021, and will contain 72 single family lots.
- Willow Creek Village 5th Addition is proposed to develop 19 single family homes. The addition is currently marketing and two lots have been sold.
- Harmony Hill is being developed by the Benedictine Sisters of Watertown, Mother of God Monastery, Aason Engineering Company and Catalyst Construction. There are currently 64 senior living units under development, 32 assisted living and 32 memory care units. The development is planned in four phases to be built through 2030. In total, the campus is planned to have 700 units. Living units are expected to range from affordable to luxury, single family to condominiums, and include student and veteran housing options.
- East Woods 19th Addition is planned as a rental property development. The development was approved with the restriction that it contains no more than 48 units with a maximum of 80 bedrooms.
- A concept plan for the Williston Addition was approved by the planning commission in Fall 2022. The development is proposed to have six phases including both single family and multifamily homes.
- A plat for the fourth addition for the KAK's subdivision was approved in March 2022 with 82 lots. The plat included 30 R-1 single family lots and 52 PUD (rural residential) lots.
- The plat for 33 lots in the Kampeska Dunes fourth subdivision was approved in May 2022. The plat includes 16 R-1 lots and 17 R-2, single family attached residential lots.
- The River Ridge Estates eights addition received plat approval in June 2021 for 26 single family lots.

PLANNED AND PROPOSED HOUSING PROJECTS

TABLE P-1
PLANNED/PENDING RESIDENTIAL PROJECTS
WATERTOWN MARKET AREA
May 2023

Project Name/Location	Developer/Applicant	Project Type	Units/Lots			Status/ Timing	Comments
			MR	Aff	Total		
Watertown							
Prairie Haven West of Golf Course Road and north of 4th Avenue SW	High Five Properties	Single Family Homes	72		72	Concept Plan Approved by Planning Commission September 2021	To be completed in seven phases, the first phase will have 72 lots. 500 lots to be developed through all seven phases.
Willow Creek Village 5th Addition South of Willow Creek Dr and east of 22nd St E	Willow Creek Development, Inc	Single Family Homes	19		19	Concept Plan Approved by Planning Commission November 2021	Lots for sale, two lots sold as of May 2023
Harmony Hill Revised Bounded by Highway 81, 20th Ave S, County Road 11, 32nd Ave S	Benedictine Sisters of Watertown Mother of God Monastery Aason Engineering Company Catalyst Construction	Senior Living	64		64	Phase 1 underway, includes assisted living and memory care. Phase 2 platted, development agreement signed	32 units assisted living, 32 units memory care
Williston Addition Bounded by 78th St SW, 84th St SW, 3rd Ave NW, Hwy 212	Williston, Inc	Single Family and Multi-Family	N/A		N/A	Concept plan approved September 2022	To be developed in six phases
East Woods 19th Addition 14th Ave NE, west of 27th St NE	Helman Homes	Multi-Family	48		48	Approved May 2023	No more than 80 bedrooms permitted
KAK's Fourth Addition North of Lake Pelican, between 36th St SW and 42nd St SW	KAK's Lakeside Addition Inc.	Single Family	82		82	Concept plan approved March 2022	30 R-1 Single Family Residential lots and 52 PUD (rural residential) lots
Kampeska Dunes Fourth Subdivision NW intersection of Golf Course Rd and 33rd St NW	J&J Land Sales, LLC	Single Family	33		33	Plat approved May 2022	16 R-1 and 17 R-2 Single Family Attached Residential lots
River Ridge Estates 8th Addition W of 2nd St NW and S of 26th Ave NW	High Plains Development Corp Inc	Single Family	26		26	Plat approved June 2021	26 R-1 Single Family lots
Source: City of Watertown; Maxfield Research & Consulting							

Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in Watertown. This section of the report presents our estimates of housing demand in Watertown from 2023 through 2030.

Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that are needed. The housing life-cycle stages are:

1. *Entry-level householders*
 - Often prefer to rent basic, inexpensive apartments
 - Usually singles or couples in their early 20's without children
 - Will often "double-up" with roommates in apartment setting
2. *First-time homebuyers and move-up renters*
 - Often prefer to purchase modestly-priced single-family homes or rent more upscale apartments
 - Usually married or cohabiting couples, in their mid-20's or 30's, some with children, but most are without children
3. *Move-up homebuyers*
 - Typically prefer to purchase newer, larger, and therefore more expensive single-family homes
 - Typically families with children where householders are in their late 30's to 40's
4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
 - Prefer owning but will consider renting their housing
 - Some will move to alternative lower-maintenance housing products
 - Generally couples in their 50's or 60's
5. *Younger independent seniors*
 - Prefer owning but will consider renting their housing
 - Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
 - Generally in their late 60's or 70's

6. *Older seniors*

- May need to move out of their single-family home due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
- Generally single females (widows) in their mid-70's or older

Demand for housing can come from several sources including: household growth, changes in housing preferences, and replacement need. Household growth necessitates building new housing unless there is enough desirable vacant housing available to absorb the increase in households. Demand is also affected by shifting demographic factors such as the aging of the population, which dictates the type of housing preferred. New housing to meet replacement need is required, even in the absence of household growth, when existing units no longer meet the needs of the population and when renovation is not feasible because the structure is physically or functionally obsolete.

Rural areas tend to have higher proportions of younger households that own their housing than in the larger growth centers or metropolitan areas. In addition, senior households tend to move to alternative housing at an older age. These conditions are a result of housing market dynamics, which typically provide more affordable single-family housing for young households and a scarcity of senior housing alternatives for older households.

The graphic on the following page provides greater detail of various housing types supported within each housing life cycle. Information on square footage, average bedrooms/bathrooms, and lot size is provided on the subsequent graphic.

Housing Demand Overview

The previous sections of this assessment focused on demographic and economic factors driving demand for housing in Watertown. In this section, we utilize findings from the economic and demographic analysis to calculate demand for new general occupancy housing units.

Housing markets are driven by a range of supply and demand factors that vary by location and submarket. The following points outline several of the key variables driving housing demand.

Demographics

Demographics are major influences that drive housing demand. Household growth and formations are critical (natural growth, immigration, etc.), as well as household types, size, age of householders, incomes, etc.

HOUSING DEMAND ANALYSIS

DEMOGRAPHICS & HOUSING DEMAND							
Age Cohort	Student Housing	Rental Housing	1st-time Home Buyer	Move-up Home Buyer	2nd Home Buyer	Empty Nester/ Downsizer	Senior Housing
18-24	18 - 24						
25-29		18-34					
30-34			25-39				
35-39				30-49			
40-44							
45-49							
50-54					40-64		
55-59							
60-64						55-74	
65-69		65-79					
70-74							55+ & 65+
75-79							
80-84							
85+							

Source: Maxfield Research & Consulting, LLC

TYPICAL HOUSING TYPE CHARACTERISTICS				
	Housing Types	Target Market/ Demographic	Unit/Home Characteristics	Lot Sizes/ Units Per Acre ¹
For-Sale Housing	Entry-level single-family	First-time buyers: Families, couples w/no children, some singles	1,200 to 2,200 sq. ft. 2-4 BR 2 BA	80'+ wide lot 2.5-3.0 DU/Acre
	Move-up single-family	Step-up buyers: Families, couples w/no children	2,000 sq. ft.+ 3-4 BR 2-3 BA	80'+ wide lot 2.5-3.0 DU/Acre
	Executive single-family	Step-up buyers: Families, couples w/no children	2,500 sq. ft.+ 3-4 BR 2-3 BA	100'+ wide lot 1.5-2.0 DU/Acre
	Small-lot single-family	First-time & move-down buyers: Families, couples w/no children, empty nesters, retirees	1,700 to 2,500 sq. ft. 3-4 BR 2-3 BA	40' to 60' wide lot 5.0-8.0 DU/Acre
	Entry-level townhomes	First-time buyers: Singles, couples w/no children	1,200 to 1,600 sq. ft. 2-3 BR 1.5BA+	6.0-12.0 DU/Acre
	Move-up townhomes	First-time & step-up buyers: Singles, couples, some families, empty-nesters	1,400 to 2,000 sq. ft. 2-3 BR 2BA+	6.0-8.0 DU/Acre
	Executive townhomes/twinhomes	Step-up buyers: Empty-nesters, retirees	2,000+ sq. ft. 3 BR+ 2BA+	4.0-6.0 DU/Acre
	Detached Townhome	Step-up buyers: Empty-nesters, retirees, some families	2,000+ sq. ft. 3 BR+ 2BA+	4.0-6.0 DU/Acre
	Condominiums	First-time & step-up buyers: Singles, couples, empty-nesters, retirees	800 to 1,700 sq. ft. 1-2 BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 75.0+ DU/Acre
Rental Housing	Apartment-style rental housing	Singles, couples, single-parents, some families, seniors	675 to 1,250 sq. ft. 1-3 BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 75.0+ DU/Acre
	Townhome-style rental housing	Single-parents, families w/children, empty nesters	900 to 1,700 sq. ft. 2-4 BR 2BA	8.0-12.0 DU/Acre
	Student rental housing	College students, mostly undergraduates	550 to 1,400 sq. ft. 1-4BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 50.0+ DU/Acre
Both	Senior housing	Retirees, Seniors	550 to 1,500 sq. ft. Suites - 2BR 1-2 BA	Varies considerably based on senior product type

¹ Dwelling units(DU) per acre expressed in net acreage (minus right-of-way)

Source: Maxfield Research & Consulting, LLC

Economy & Job Growth

The economy and housing market are intertwined; the health of the housing market affects the broader economy and vice versa. Housing market growth depends on job growth (or the prospect of); jobs generate income growth which results in the formation of more households and can stimulate household turnover. Historically low unemployment rates have driven both existing home purchases and new-home purchases. Lack of job growth leads to slow or diminishing household growth, which in-turn relates to reduced housing demand. Additionally, low income growth results in fewer move-up buyers which results in diminished housing turnover across all income brackets.

Consumer Choice/Preferences

A variety of factors contribute to consumer choice and preferences. Many times a change in family status is the primary factor for a change in housing type (i.e. growing families, empty-nest families, etc.). However, housing demand is also generated from the turnover of existing households who decide to move for a range of reasons. Some households may want to move-up, downsize, change their tenure status (i.e. owner to renter or vice versa), or simply move to a new location.

Supply (Existing Housing Stock)

The stock of existing housing plays a crucial component in the demand for new housing. There are a variety of unique household types and styles, not all of which are desirable to today's consumers. The age of the housing stock is an important component for housing demand, as communities with aging housing stocks have higher demand for remodeling services, replacement new construction, or new home construction as the current inventory does not provide the supply that consumers seek.

Pent-up demand may also exist if supply is unavailable as householders postpone a move until new housing product becomes available.

Housing Finance

Household income is the fundamental measure that dictates what a householder can afford to pay for housing costs. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

Over the past year, interest rates have risen at a torrid pace as the Federal Reserve is fighting 40-year high inflation. As a result, the cost to finance a house in 2023 is about +45% more than the start of 2022 with interest rates hovering 3%. As a result, many buyers are on the sidelines and are being priced out of the market with each rate hike.

Mobility

It is important to note that demand is somewhat fluid between other cities in South Dakota. Demand may be impacted by strong development activity in Sioux Falls.

Estimated Demand for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in Watertown between 2023 and 2030.

The 65 and older cohort is typically not a target market for new general occupancy for-sale housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, Watertown is not expected to experience an increase in households under the age of 65 between 2023 and 2030. All growth is expected to occur in households over age 65.

Demand is forecast to emerge from existing householders through turnover. Based on mobility data from the Census Bureau, an estimated 32% of owner households will turnover in an 7-year period, resulting in 1,368 existing households projected to turnover. Finally, we estimate 16% of the existing owner households will seek new for-sale housing, resulting in demand for 219 for-sale units through 2030 from existing Watertown households.

Next, we estimate that 35% of the total demand for new for-sale units in the Watertown will come from people currently living outside of Watertown. Adding demand from outside Watertown to the existing demand potential, results in a total estimated demand for 337 for-sale housing units by 2030.

Based on land available, building trends, and demographic shifts (increasing older adult population), we project 75% of the for-sale owners will prefer traditional single-family product types while the remaining 25% will prefer a maintenance-free multi-family product (i.e. twin homes, townhomes, or condominiums).

We then subtract the current identified pending and available lots. This includes 528 single family lots (296 vacant lots and 232 in the planning phases) and 48 multi-family lots in Watertown.

After subtracting the current lot supply in subdivisions, we find excess demand through 2030 for 0 single-family lots and 36 multifamily lots/units. However, demand exists for about 250 single-family units and 84 units this decade.

HOUSING DEMAND ANALYSIS

TABLE HD-1 FOR-SALE HOUSING DEMAND WATERTOWN 2023 to 2030			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the City 2023 to 2030 ¹			0
(times) % propensity to own ²	x	58%	
(equals) Projected demand from new HH growth	=		0
Demand from Existing Owner Households			
Number of owner households (age 64 and younger) in the City (2023) ³			4,215
(times) Estimated percent of owner turnover ⁴	x	32%	
(equals) Total existing households projected to turnover	=		1,368
(times) Estimated percent desiring new housing	x	16%	
(equals) Demand from existing households			219
(equals) Total demand from HH growth and existing HHs 2023 to 2030	=		219
(times) Demand from outside the City			35%
(equals) Total demand potential for ownership housing, 2023 to 2030			337
		Single Family	Multi-Family*
(times) Percent desiring for-sale single-family vs. multifamily ⁵	x	75%	25%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	252	84
(minus) Pending undeveloped (232 lots) and developed lots (296 lots) ⁶	-	528	48
(equals) Excess demand for new general occupancy for-sale housing (i.e. new platted lots)	=	0	36
¹ Estimated household growth based on projections as adjusted by Maxfield Research and Consulting LLC ² Pct. of owner households under the age of 65 (U.S. Census - 2020). ³ Estimate based on 2020 owner households (under age 65). ⁴ Based on on turnover from 2021 American Community Survey for households moving over a 7-year period. ⁵ Based on preference for housing type and land availability ⁶ Approved platted lot data does not account for future lots or scattered lot supply, which includes individual lots and lots in older non-marketing subdivisions. * Multi-family demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research and Consulting LLC			

Estimated Demand for General-Occupancy Rental Housing

Table HD-2 presents our calculation of general occupancy rental housing demand for Watertown. This analysis identifies potential demand for rental housing that is generated from both new households and turnover households.

The 65 and older cohort is typically not a target market for new general occupancy rental housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, Watertown is not expected to see an increase in households under the age of 65 between 2023 and 2030.

HOUSING DEMAND ANALYSIS

Demand is also forecast to emerge from existing Watertown householders through turnover. Based on mobility data from the Census Bureau, we estimate 78% turnover among renter households in a 7-year period, resulting in existing households projected to turnover of 2,386 through 2030. Finally, we estimate the percentage of the existing renter households that will desire new rental housing (15%), resulting in demand for 358 rental units from existing households in Watertown through 2030.

TABLE HD-2 RENTAL HOUSING DEMAND WATERTOWN 2023 to 2030			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the City 2023 to 2030 ¹			0
(times) Estimated % to be renting their housing ²	x	42%	
(equals) Projected demand from new HH growth	=		0
Demand from Existing Renter Households			
Number of renter HHs (age 64 and younger) in the City (2023) ³			3,074
(times) Estimated percent of renter turnover ⁴	x	78%	
(equals) Total existing households projected to turnover	=		2,386
(times) Estimated percent desiring new rental housing	x	15%	
(equals) Demand from existing households			358
(equals) Total demand from HH growth and existing HHs 2023 to 2030	=		358
(times) Demand from outside the City			35%
(equals) Total demand potential for rental housing, 2023 to 2030			551
		Subsidized	Affordable
(times) Percent of rental demand by product type ⁵	x	20%	25%
(equals) Total demand potential for general-occupancy rental housing units	=	110	138
(minus) Units under construction or pending ⁶	-	0	0
(equals) Excess demand for new general occupancy rental housing in the City	=	110	138
			303
¹ Estimated household growth based on projections as adjusted by Maxfield Research and Consulting LLC ² Pct. of renter households under the age of 65 (U.S. Census - 2020). ³ Estimate based on 2020 renter households (under age 65). ⁴ Based on on turnover from 2020 American Community Survey for households moving over 7-year period. ⁵ Based on the combination of current rental product and household incomes of area renters (non-senior households) ⁶ Pending units (under construction or approved) at 95% occupancy.			
Source: Maxfield Research & Consulting, LLC			

Next, we estimate that 35% of the total demand for new rental units in Watertown will come from people currently living outside of Watertown. This will create a total demand for rental housing of 551 units.

We then estimate the number of rental units each product type could capture in Watertown. This capture rate is estimated based on the current products and product pricing within in Watertown along with household incomes for current renters. We find that there is demand for 110 subsidized housing units, 138 affordable rental units, and 303 market rate units.

Estimated Demand for Subsidized/Affordable Active Adult Senior Housing

Table HD-3 presents our demand calculations for subsidized and affordable senior housing for households in Watertown. In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior (65+) households earning less than \$35,000, while excluding homeowner earning \$30,000 to \$34,999.

Adjusting to include appropriate long-term capture rates for each age cohort (1.5% of households age 55 to 64, about 10.0% of households age 65 to 74, and 20.0% of households age 75 and over) results in a market rate demand potential for 159 independent senior rental units in 2023 in Watertown.

TABLE HD-3 DEEP-SUBSIDY/SHALLOW SUBSIDY ACTIVE ADULT HOUSING DEMAND WATERTOWN 2023 & 2030						
	2023			2030		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of < \$35,000 ¹	388	380	696	341	486	800
Less Households w/ Incomes of \$30,000 to \$34,999 ¹	- 68	- 77	- 131	- 63	- 110	- 117
(times) Homeownership Rate	x 78%	x 81%	x 64%	x 78%	x 81%	x 64%
(equals) Total Potential Market Base	= 335	= 317	= 612	= 292	= 396	= 725
(times) Potential Capture Rate	x 1.5%	x 10.0%	x 20.0%	x 1.5%	x 10.0%	x 20.0%
(equals) Demand Potential	= 5	= 32	= 122	= 4	= 40	= 145
(equals) Potential Demand from Residents	= 159			= 189		
(plus) Demand from outside of the City (35%)	+ 86			+ 102		
(equals) Total Demand Potential	= 245			= 291		
	Deep-Subsidy		Shallow-Subsidy	Deep-Subsidy		Shallow-Subsidy
(times) % by Product Type	x 35%		x 65%	x 35%		x 65%
(equals) Demand Potential by Product Type	= 86		= 159	= 102		= 189
(minus) Existing and Pending Sub./Aff. Active Adult Units ²	- 199	-	- 23	- 199	-	- 23
(equals) Excess Demand for Sub./Aff. Units	= 0	=	= 136	= 0	=	= 166
¹ 2030 calculations define income-qualified households as all households with incomes less than \$40,000. Homeowner households with incomes between \$35,000 and \$39,999 are excluded from the market potential for financially-assisted housing.						
² Existing & pending units (under construction and approved) are deducted at market equilibrium, or 97% occupancy.						
Source: Maxfield Research & Consulting, LLC						

We then estimate that seniors currently residing outside of Watertown would generate 35% of the demand for subsidized and affordable senior housing. Together, demand from Watertown seniors and demand from seniors who would relocate to Watertown total an estimated 245 subsidized/affordable units in 2023.

We estimate that 35% of the demand will be for subsidized rentals and 65% for affordable rentals. This results in demand for no subsidized units (given high supply in Watertown) and 136 affordable units in 2023. There are currently 199 units of subsidized and 23 units of affordable senior housing in Watertown. The total units are adjusted to reflect market equilibrium (97% occupancy), and the result is subtracted from the potential demand for subsidized and affordable senior units. This results in no excess demand for subsidized senior units and demand for an additional 136 affordable senior units.

Estimated Demand for Market Rate Active Adult Senior Housing

Table HD-4 presents our demand calculations for market rate active adult senior housing in Watertown in 2023 and 2030.

In order to determine demand for independent senior housing, the potential market is reduced to those households that are both age and income qualified. The age-qualified market is defined as seniors age 55 and older, although independent living projects will primarily attract seniors age 65 and older.

We calculate that the minimum income needed to afford monthly rents is \$35,000, since seniors with this income could afford a monthly rent of \$1,165 based on spending 40% of their income. It is important to note that a new senior development would garner the higher rents. In addition, we add homeowner households with incomes between \$30,000 and \$34,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in Watertown in 2023 to be 3,490 households.

Adjusting to include appropriate long-term capture rates for each age cohort (1.5% of households age 55 to 64, about 8.5% of households age 65 to 74, and 15.0% of households age 75 and over) results in a market rate demand potential for about 240 active adult senior rental units in 2023.

We estimate that 35% of the long-term demand for active adult senior housing will be generated by seniors currently residing outside of Watertown. This demand will consist primarily of parents of adult children living in Watertown, individuals who live just outside of the city and have an orientation to the area, as well as former residents who desire to return. Together, the demand from Watertown seniors and demand from seniors who would relocate results in a total demand potential for 370 active adult units in 2023 and 412 units in 2030.

Independent demand in Watertown is split into housing that offers ownership housing and rental housing. Based on the current product available, we project that 40% of demand will be for adult ownership housing (148 units) and 60% will be for rental housing (222 units).

Next, we subtract existing competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for 148 adult owner-occupied units and 153 adult rental units in 2023.

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$35,000 to \$39,999 would income qualify for market rate independent senior housing in 2030. It is projected that there will be demand for 165 adult owner-occupied units and 179 adult rental units in Watertown by 2030.

HOUSING DEMAND ANALYSIS

TABLE HD-4 MARKET RATE ACTIVE ADULT HOUSING DEMAND WATERTOWN 2023 & 2030						
	2023			2030		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of ≥\$35,000 ¹	1,490	1,091	710	1,335	1,247	813
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 68	77	131	+ 63	110	117
(times) Homeownership Rate	x 78%	81%	64%	x 78%	81%	64%
(equals) Total Potential Market Base	= 1,543	1,154	794	= 1,384	1,337	888
(times) Potential Capture Rate	x 1.5%	8.5%	15.0%	x 1.5%	8.5%	15.0%
(equals) Demand Potential	= 23	98	119	= 21	114	133
Potential Demand from Residents	= 240			= 268		
(plus) Demand from Outside of the City (35%)	+ 129			+ 144		
(equals) Total Demand Potential	= 370			= 412		
	Owner-Occupied		Renter-Occupied	Owner-Occupied		Renter-Occupied
(times) % by Product Type	x 40%		x 60%	x 40%		x 60%
(equals) Demand Potential by Product Type	= 148		= 222	= 165		= 247
(minus) Existing and Pending MR Active Adult Units ²	- 0		- 68	- 0		- 68
(equals) Excess Demand for MR Active Adult Units	= 148		= 153	= 165		= 179

¹ 2030 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$35,000 and \$39,999.

² Existing and pending units (under construction and approved) are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research & Consulting, LLC

Estimated Demand for Independent Living Senior Housing

Table HD-5 presents our demand calculations for independent living housing in Watertown in 2023 and 2030.

The potential age- and income-qualified base for congregate senior housing includes all senior (65+) households with incomes of \$35,000, as well as, homeowner households with incomes between \$30,000 and \$34,999 who would qualify with the proceeds from the sales of their homes. The proportion of eligible homeowners is based on the homeownership rates of area seniors, as identified in the demographics section of this study. The number of age, income, and asset-qualified households in Watertown is estimated to be 1,948 households in 2023.

Adjusting to include appropriate capture rates for each age cohort (1.5% of households age 65 to 74 and 15.0% of households age 75 and older) results in a local demand potential for 136 independent living units in 2023.

We estimate that seniors currently residing outside of Watertown will generate 35% of the demand for independent living senior housing. This demand will consist primarily of parents of adult children living in Watertown, individuals who live just outside of Watertown and have an orientation to the area, and former residents who desire to return upon retirement. Together,

HOUSING DEMAND ANALYSIS

the demand from Watertown seniors and demand from seniors who are willing to relocate totals 210 units of independent living senior housing in 2023.

We subtract 98 units to account for existing units at 95% occupancy. This results in total demand for congregate units of 117 units in 2023.

Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and senior homeowners with incomes between \$35,000 and \$39,999 would qualify for congregate housing in 2023. Following the same methodology, demand is calculated to be 143 units through 2030 in Watertown.

TABLE HD-5 MARKET RATE INDEPENDENT LIVING RENTAL HOUSING DEMAND WATERTOWN 2023 & 2030				
	2023		2030	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Households w/ Incomes of $\geq$ \$35,000 ¹	1,091	710	1,247	813
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+	77	+	110
(times) Homeownership Rate	x	81%	x	81%
(equals) Total Potential Market Base	=	1,154	=	1,337
(times) Potential Capture Rate ²	x	1.5%	x	1.5%
(equals) Potential Demand	=	17	=	20
Potential Demand from Market Area Residents	=	136	=	153
(plus) Demand from Outside of the City (35%)	+	73	+	83
(equals) Total Demand Potential	=	210	=	236
(minus) Existing and Pending Independent Living Units ³	-	93	-	93
(equals) Total Independent Living Demand Potential	=	117	=	143
¹ 2030 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$35,000 and \$39,999. ² The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2018 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for service-intensive assisted living). ³ Existing and pending units (under construction and approved) at 95% occupancy (market equilibrium).				
Source: Maxfield Research and Consulting LLC				

Demand Estimate for Assisted Living Housing

Table HD-6 presents our demand calculations for assisted living senior housing in Watertown in 2023 and 2030. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years in 2008. Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over. In 2023, there were 2,082 seniors age 75 and older in Watertown.

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the U. S. Census Bureau (2008 panels of the Survey of Income and Program Participation (SIPP) files), 30% of seniors needed assistance with everyday activities (from 25.5% of 75-to-79-year-olds, to 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds). Applying these percentages to the senior population yields a potential assisted living market of 766 seniors in Watertown.

Due to the supportive nature of assisted living housing, most daily essentials are included in monthly rental fees, which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living housing in Watertown is to identify the income-qualified market based on a senior's ability to pay the monthly rent. We consider seniors in households with incomes of \$40,000 or greater to be income-qualified for assisted living senior housing in the PMA. Households with incomes of \$40,000 could afford monthly assisted living fees of \$3,000 by allocating 90% of their income toward the fees.

According to the 2009 Overview of Assisted Living, the average arrival income of assisted living residents in 2008 was \$27,260, while the average annual assisted living fee was \$37,281 (\$3,107/month). This data highlights that seniors are spending down assets to live in assisted living and avoid institutional care. Thus, in addition to households with incomes of \$40,000 or greater, there is a substantial base of senior households with lower incomes who income-qualify based on assets – their homes, in particular.

For each age group, we estimate the income-qualified percentage to be all seniors in households with incomes above \$40,000 (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated seniors in homeowner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). As a result, 58% of residents are income qualified in 2023, resulting in a total market potential of 445 people.

HOUSING DEMAND ANALYSIS

Because the vast majority of assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 75+ in Watertown living alone. Based on 2020 ACS data, 60% of age 75+ households in Watertown lived alone. Applying this percentage results in a total base of 268 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. Adding the proportion of demand likely to be generated by couples results in a total of 305 age/income-qualified seniors needing assistance in Watertown including both couples and singles.

We estimate that roughly 40% of the qualified market needing significant assistance with ADLs would either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility. The remaining 60% could be served by assisted living housing. Applying this potential market penetration rate of 60% results in demand for 122 assisted living units in 2023.

TABLE HD-6 MARKET RATE ASSISTED LIVING DEMAND WATERTOWN 2023 and 2030						
Age group	2023			2030		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	757	25.5%	193	949	25.5%	242
80 - 84	616	33.6%	207	688	33.6%	231
85+	709	51.6%	366	785	51.6%	405
Total	2,082		766	2,422		878
Percent Income-Qualified²			58%			58%
Total potential market			445			507
(times) Percent living alone			x 60%			60%
(equals) Age/income-qualified singles needing assistance			= 268			306
(plus) Proportion of demand from couples (12%) ³			+ 37			42
(equals) Total age/income-qualified market needing assistance			= 305			347
(times) Potential penetration rate ⁴			x 40%			40%
(equals) Potential demand from City residents			= 122			139
(plus) Proportion from outside City (35%)			+ 66			75
(equals) Total potential assisted living demand			= 188			214
(minus) Existing market rate assisted living units ⁵			- 114			144
(equals) Total excess market rate assisted living demand			= 73			70
¹ The percentage of seniors unable to perform or having difficulty with ADLs, based on the 2018 State of Aging in America published by the Centers for Disease Control and Prevention and the National Center for Health Statistics.						
² Includes households with incomes of \$40,000 or more, plus a portion of estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). \$45,000+ in 2030.						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
⁵ Existing and pending units at 93% occupancy.						
Source: Maxfield Research & Consulting, LLC						

We estimate that a portion of demand for assisted living units in Watertown (35%) will come from outside Watertown. Applying this figure results in total potential demand for 188 market rate assisted living units in Watertown.

Next, existing assisted living units are subtracted from overall demand. Overall, we subtract 114 competitive units (after accounting for a 7% vacancy rate) from the demand potential, resulting in 73 units of excess demand for assisted living housing in Watertown. By 2030, total excess demand for market rate assisted living units in Watertown is projected to be 70 units.

Estimated Demand for Memory Care Housing

Table HD-7 presents our demand calculations for market rate memory care senior housing in Watertown in 2023 and 2030.

Demand is calculated by starting with the estimated Watertown senior (age 65+) population in 2023 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. According to the Alzheimer's Association (Alzheimer's Disease Facts and Figures, 2007), 2% of seniors ages 65 to 74, 19% of seniors ages 75 to 84, and 42% of seniors ages 85+ are inflicted with Alzheimer's Disease. This yields a potential market of 606 seniors in Watertown.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing are at least \$4,000 and range upwards of \$5,000 when including service packages. Based on our review of senior household incomes in Watertown, homeownership rates and home sale data, we estimate that 46% of seniors in the Watertown would have incomes and/or assets to sufficiently cover the costs of memory care housing. This figure takes into account married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the number of seniors with Alzheimer's/dementia by the income-qualified percentage results in a total of 278 age/income-qualified seniors in Watertown in 2023.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of about 70 seniors in Watertown.

We estimate that 35% of the overall demand for memory care housing in Watertown would come from outside of Watertown. Demand from both inside and outside of Watertown totals 107 memory care units in 2023.

HOUSING DEMAND ANALYSIS

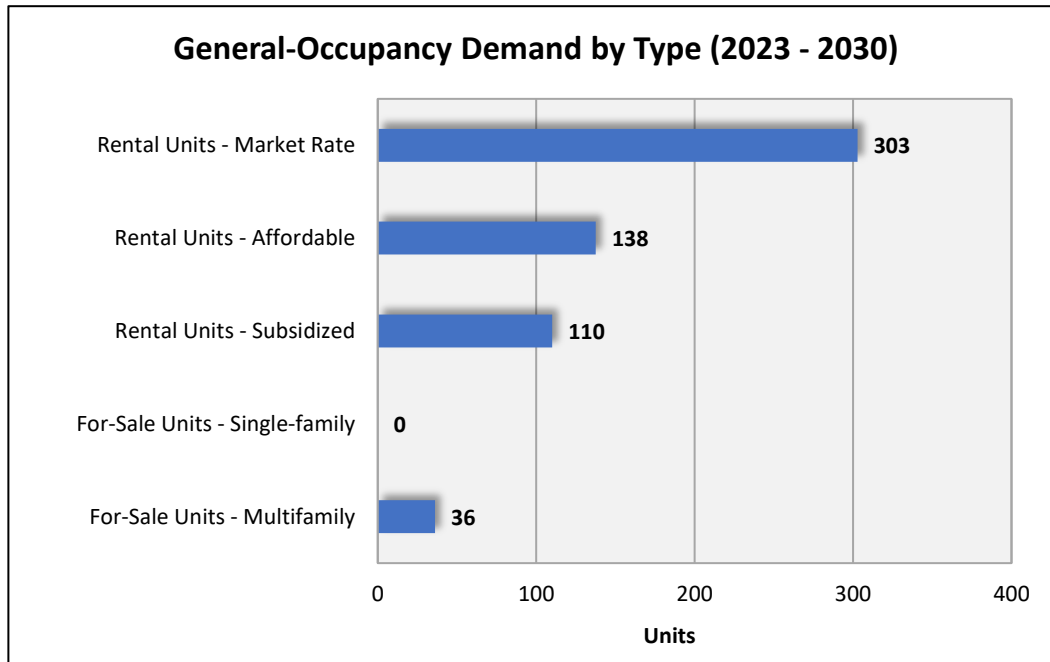
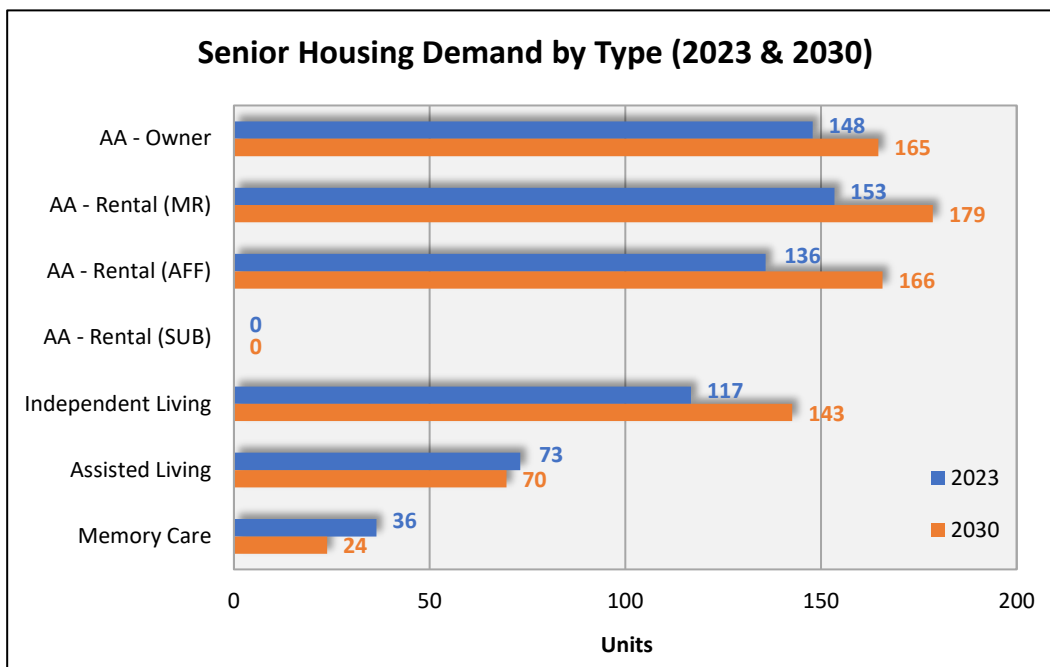
We reduce the demand potential by the 71 existing competitive units (less a 93% occupancy rate). Subtracting these competitive units decreases the excess memory care demand to 36 units in 2023. Following the same methodology and accounting for new supply, demand is calculated to decrease to 24 memory care units through 2030.

TABLE HD-7 MARKET RATE MEMORY CARE DEMAND WATERTOWN 2023 & 2030		
	2023	2030
65 to 74 Population	2,333	2,764
(times) Dementia Incidence Rate ¹	x 2%	x 2%
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 47	= 55
75 to 84 Population	1,374	1,637
(times) Dementia Incidence Rate ¹	x 19%	x 19%
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 261	= 311
85+ Population	709	785
(times) Dementia Incidence Rate ¹	x 42%	x 42%
(equals) Estimated Age 85+ Pop. with Dementia	= 298	= 330
(equals) Total Senior Population with Dementia	= 606	= 696
(times) Percent Income/Asset-Qualified ²	x 46%	x 46%
(equals) Total Income-Qualified Market Base	= 278	= 323
(times) Percent Needing Specialized Memory Care Assistance	x 25%	x 25%
(equals) Total Need for Dementia Care	= 70	= 81
(plus) Demand from Outside of the City (35%)	+ 37	+ 43
Total Demand for Memory Care Units	= 107	= 124
(minus) Existing and Pending Memory Care Units ³	- 71	- 100
(equals) Excess Demand Potential	= 36	= 24
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2020)		
² Includes seniors with income at \$60,000 or above (\$65,000 in 2030) plus a portion of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing).		
³ Existing and pending units at 93% occupancy.		
Source: Maxfield Research & Consulting, LLC		

Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Watertown and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Needs Assessment*. The following table and charts illustrate calculated demand by product type. It is important to recognize that housing demand is highly contingent on projected household growth; household growth could be higher if a strong economy leads to increased job growth or if Watertown begins to attract commuters outside the work area.

TABLE CR-1 SUMMARY OF HOUSING DEMAND WATERTOWN 2023 - 2030		
Type of Use	2023 - 2030	
General-Occupancy		
Rental Units - Market Rate	303	
Rental Units - Affordable	138	
Rental Units - Subsidized	110	
For-Sale Lots - Single-family*	0	
For-Sale Lots - Multifamily*	36	
Total General Occupancy Supportable	587	
	2023	2030
Age-Restricted (Senior)		
Market Rate		
Active Adult	301	343
Ownership	148	165
Rental	153	179
Independent Living	117	143
Assisted Living	73	70
Memory Care	36	24
Total Market Rate Senior Supportable	528	579
Affordable/Subsidized		
Active Adult - Subsidized	0	0
Active Adult - Affordable	136	166
Total Affordable Senior Supportable	136	166
Note: Demand includes the subtraction of pending projects.		
* over 500 lots were subtracted across SF and MF product types		
Source: Maxfield Research and Consulting LLC		



RECOMMENDATIONS

Based on the finding of our analysis and demand calculations, Table CR-2 provides a summary of the recommended development concepts by product type for the City of Watertown. It is important to note that these proposed concepts are intended to act as a development guide to most effectively meet the housing needs of existing and future households in Watertown. The recommended development types do not directly coincide with total demand as illustrated in Table CR-1.

TABLE CR-2 RECOMMENDED HOUSING DEVELOPMENT CITY OF WATERTOWN 2023 to 2030					
		Purchase Price/ Monthly Rent Range ¹	No. of Units	Pct. of Total	Development Timing
Owner-Occupied Homes					
Single Family ²					
	Entry-level	>\$275,000	60 - 80	24%	On-going
	Move-up	\$275,00 - \$400,000	120 - 140	45%	On-going
	Executive	\$450,000+	80 - 100	31%	On-going
	Total		260 - 320	100%	
Townhomes/Detached Townhomes/Twinhomes ²					
	Entry-level	>\$200,000	25 - 30	31%	On-going
	Move-up	\$200,00 - \$325,000	30 - 40	39%	On-going
	Executive	\$350,000+	25 - 30	31%	On-going
	Total		80 - 100	100%	
Total Owner-Occupied			340 - 420		
General Occupancy Rental Housing					
Market Rate Rental Housing					
	Apartment-style	\$750/studio - \$1,800/3BR	240 - 250	80%	2024+
	Townhomes	\$1,350/2BR - \$1,900/3BR	55 - 65	20%	2024+
	Total		295 - 315	100%	
Affordable Rental Housing					
	Apartment-style	Moderate Income ³	85 - 95	67%	2024+
	Townhomes	Moderate Income ³	40 - 50	33%	2024+
	Total		125 - 145	100%	
Total Renter-Occupied			420 - 460		
Senior Housing (i.e. Age Restricted)					
	Active Adult Senior Coop	\$150,000+ (plus monthly fee)	80 - 100	18%	2024+
	Active Adult Affordable Rental	Moderate Income ³	90 - 100	19%	2024+
	Active Adult Market Rate Rental ⁴	\$975/1BR - \$1,750/2BR+	125 - 150	28%	2024+
	Independent Living (Congregate)	\$1,500/Studio - \$2,500/2BR	80 - 100	18%	2025+
	Assisted Living	\$2,900/EFF - \$4,500/2BR	50 - 60	11%	2026+
	Memory Care	\$3,500/EFF - \$5,500/2BR	20 - 24	4%	2026+
	Total		445 - 534	100%	
Total - All Units			1,205 - 1,414		
¹ Pricing in 2023 dollars. Pricing can be adjusted to account for inflation.					
² Recommendations include the absorption of some existing previously platted lots.					
³ Affordability subject to income guidelines per HUD. See Table HA-1 for Codington County Income limits.					
⁴ A mixed-income community can also be explored					
Note - Recommended development does not coincide with total demand. Watertown may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)					
Source: Maxfield Research & Consulting, LLC					