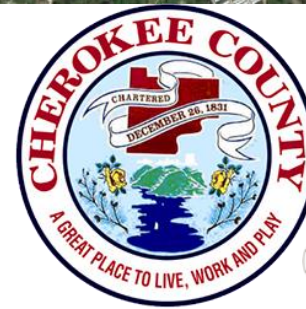


HICKORY FLAT AREA PLAN MARKET ANALYSIS CHEROKEE COUNTY, GEORGIA

Presentation 3: Forecasts



Prepared for
Cherokee County Department of Planning and Zoning
Final Report: June 2020



MARKET STUDY CONTENTS

Project Overview

The Cherokee County Department of Planning and Zoning (the Department) engaged Bleakly Advisory Group, Inc. (BAG) to prepare a market analysis for Study Area that will become the focus of the Area Plan. **The purpose of BAG's work is to help the County, the City and the public to better understand market trends and pressures that have shaped the Study's Area's recent development, to forecast future growth patterns, and to establish a solid base of information to assist the process of planning for Hickory Flat's future.**

This is one of three presentations that summarize the full report, which can be access from the Department of Planning and Zoning web site.

The first presentation, prepared in October, focused on existing conditions, including the Study Area's demographics, general growth trends, land use and land supply.

The second presentation focused on market supply/demand forces and the Study Area's short-term prospects for new housing and commercial development.

This third and final presentation focuses on long-term growth forecasts for the Study Area, including potential residential and commercial "build out" scenarios and their resulting planning implications. Market-based recommendations to support the Area Plan are also presented.

Complete Market Study Contents

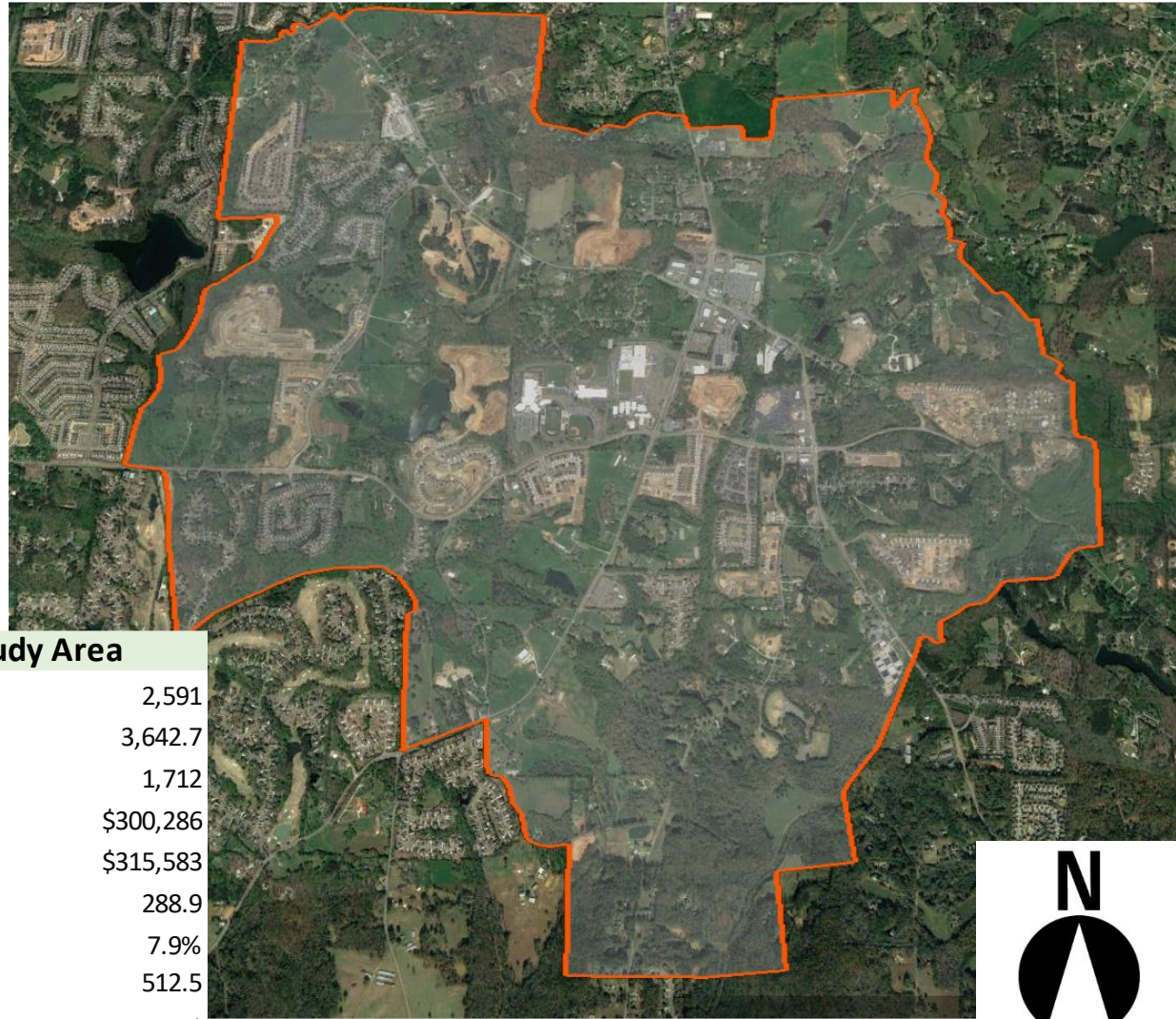
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STUDY AREA CONTEXT

Area Boundaries

- All data is taken from sources that were current as of early 2019



Land Use Snapshot: Hickory Flat Study Area

| | |
|---|---------------|
| Number of Tax Parcels | 2,591 |
| Total Acreage | 3,642.7 |
| Estimated Housing Units (from 2019 tax parcel data) | 1,712 |
| Average Full Market Value/Parcel - All Residential | \$300,286 |
| Average Full Market Value - SF Detached Only | \$315,583 |
| Total Tax Exempt Acreage | 288.9 |
| Percent Tax Exempt | 7.9% |
| Study Area Acreage in the City of Holly Springs | 512.5 |
| Percent of Land Area In the City | 14.1% |
| Total Market Value (including tax exempt parcels) | \$776,303,500 |
| Estimated Taxable Real Estate Digest | \$297,820,320 |

Source: Cherokee County Property Tax Assessment Records and Bleakly Advisory Group, Inc.



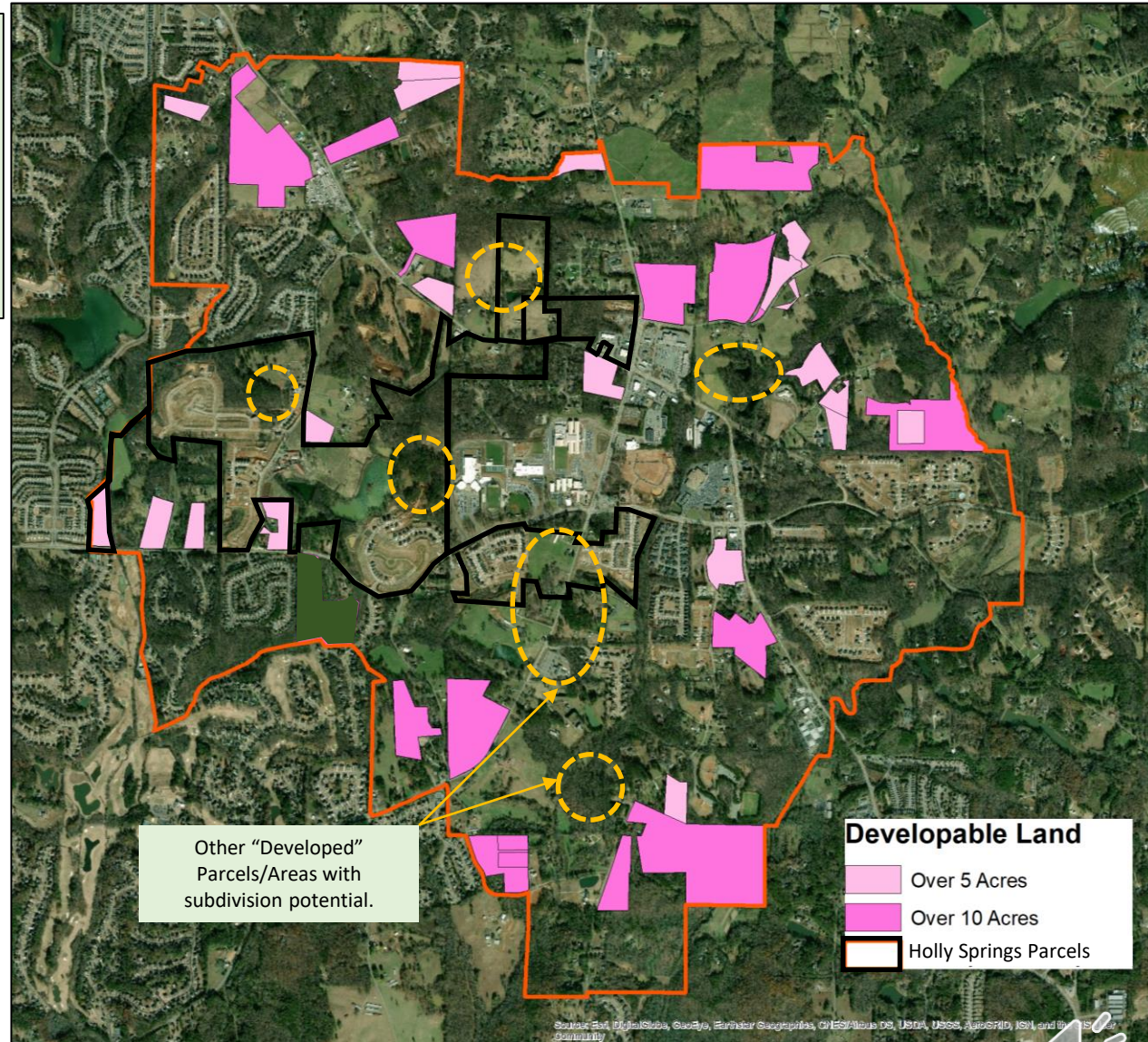
Residential Market Forecast

DEVELOPABLE RESIDENTIAL LAND

Potential Future Development Sites

Our analysis of tax parcel data identified **1,160 acres within the Study Area** which have the physical potential and are currently valued low enough to be subdivided for future development. Nearly all of this land is residentially zoned.

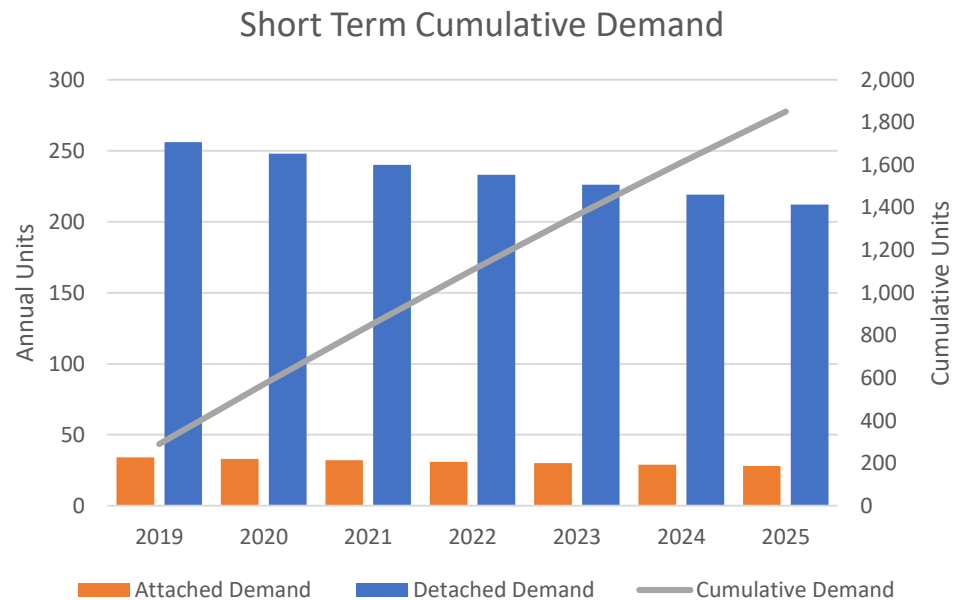
- The depicted (shaded) parcels total **472 undeveloped acres**, including 341 acres in parcels larger than 10 acres and 131 acres in parcels sized between 5 and 10 acres. Most of these larger parcels are in the unincorporated County.
- Another 35 developed parcels of 10 acres or larger where the total full market value of the real estate averages less than \$34,000 per acre. **These parcels exceed 688 acres.** (General locations of these other parcels are identified by the dashed circles.) A major portion of this acreage is in Holly Springs.
- To put this inventory in context, 85% of the Study Area's existing housing supply or nearly 1,450 units, occupy 586 acres, suggesting that this remaining land area could support roughly double that amount of units if developed to the same average density.



RESIDENTIAL NEW CONSTRUCTION

Short-term Demand Forecast: 2020-2025

- This graphic translates the previous forecast into **demand** projections for new attached and detached housing in Hickory Flat. Despite more supply competition and declining capture rates, **annual demand is projected to remain in the range of 240 to 290 units per year, potentially resulting in the addition of 1,560 more units from an estimated base of 1,990 units at the end of 2019.** This demand forecast does not necessarily mean that adequate supply will be created to meet this need locally, or that builders will be able to deliver products within that price band.
- In the short term, this forecast could change in the following ways.
 - Upward, if in addition to current offerings, local regulatory policy and residential developers continue to diversify the range of housing types to offer products that other geographies within Cherokee are not producing or capturing in large numbers, i.e. more attached housing in the form of townhomes and patio homes, or more products priced under \$300,000 at the value-oriented end, or products above \$500,000 at the luxury end.
 - Downward, if development economics continue to push minimum price points above the largest segment of the market, forcing Hickory Flat to compete entirely for the much smaller market demand for new homes priced above \$450,000.
 - Downward, if developers are not able to procure enough land and produce enough units to meet demand.



Source: Bleakly Advisory Group, Inc.

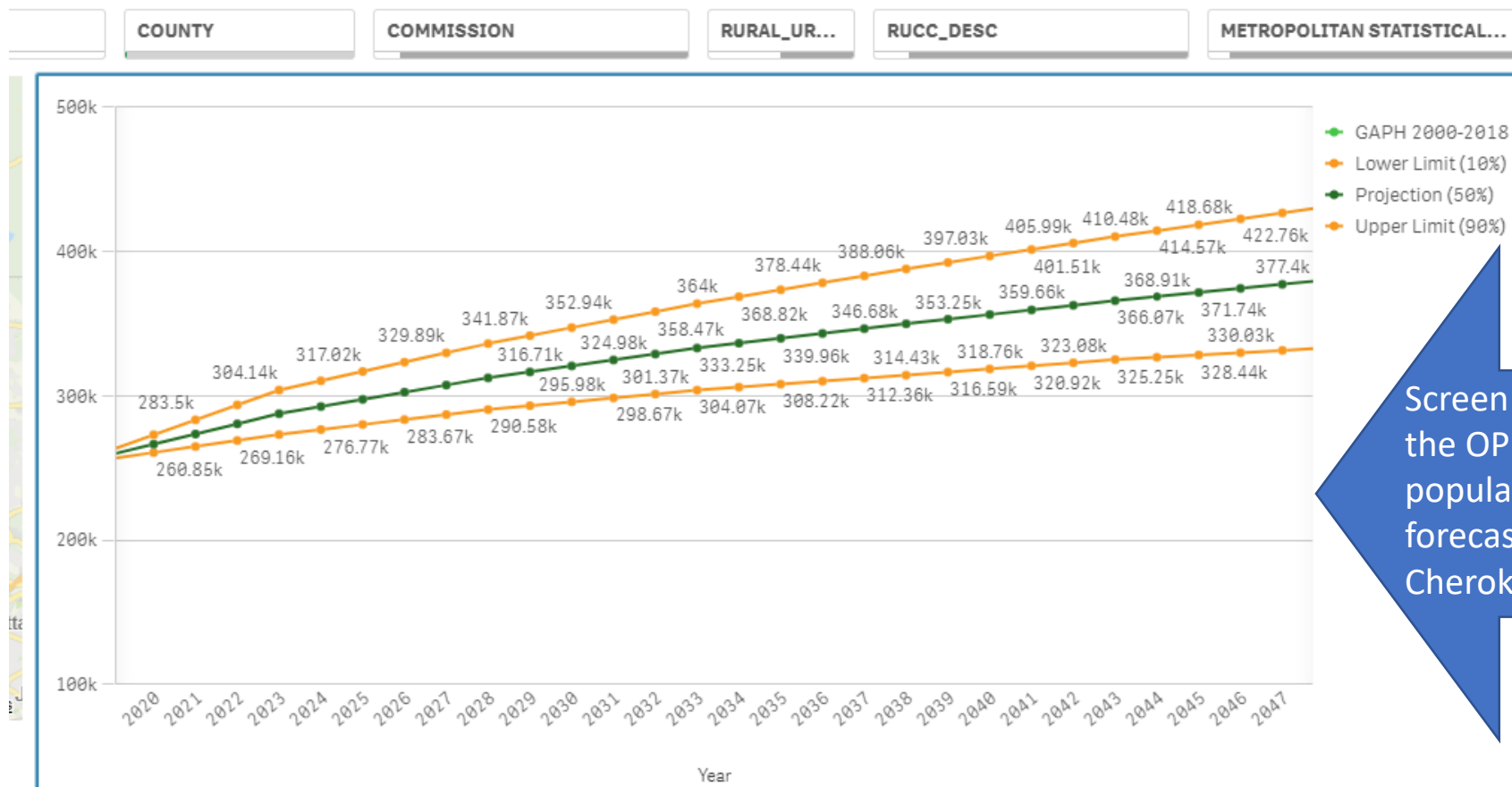
This forecast indicates that demand for housing in the Study Area is much greater than the Envirionics Analytics forecast of 2% annual household growth through 2025.

| New Construction Priced Over \$310K | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|------|------------|------------|------------|--------------|--------------|--------------|
| Attached | 34 | 33 | 32 | 31 | 30 | 29 | 28 |
| Detached | 256 | 248 | 240 | 233 | 226 | 219 | 212 |
| Annual Total New Construction | 290 | 281 | 272 | 264 | 256 | 248 | 240 |
| Cumulative Lots Developed: 2020-25 | | 281 | 553 | 817 | 1,073 | 1,321 | 1,561 |
| Existing Hickory Flat Units End 2019/2025 Units/% increase | | | | | 1,994 | 3,555 | 78% |

LONG RANGE DEMAND INDICATORS

Population Forecast

- BAG consulted forecasts developed by the Atlanta Regional Commission (ARC) and the Governor’s Office of Planning and Budget (OPB).
- Of these sources, the OPB data are the most complete in terms of years available (annually through 2063). The OPB also forecasts county-level population growth by race and age cohort.

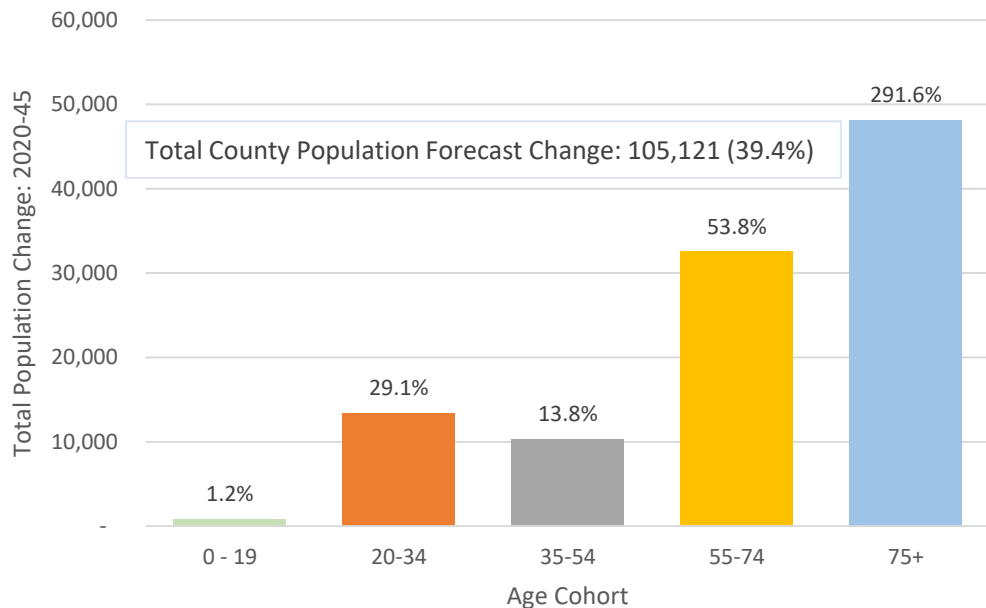


Screen shot of the OPB population forecast for Cherokee County

LONG-TERM RESIDENTIAL DEMAND DRIVERS

Cherokee County 2045 Population Forecast by Age Group

Change in Cherokee County Population by Age Group: 2020-2045



- Based on the OPB’s baseline county-level forecasts, **Cherokee’s total population is expected to grow by more than 105,100 (39.4%), reaching roughly 371,700 residents by 2045**
 - Although substantial, this 25-year forecast is much lower than the actual 20-year population increase of 120,800 experienced since 2000.
 - **Reaching this population will require the net addition of more than 50,000 housing units**
- Total population change masks a more dramatic predicted shift in growth by age group. Although all age groups increase in number, **cohorts under age 55 are projected to increase at a much slower rate than the total population, while empty nesters and elderly over age 75 increase dramatically, both in total number and % change.**
- This forecast assumes that Cherokee County’s population will largely remain “in place” as households age, which may or may not occur.
- **These demographic shifts have important implications for future demand and the types of housing that will be needed in Cherokee County over the longer term.**

2020-2045 Cherokee Co. Population Change by Age Group

| Age Group | Population Change |
|-----------------------|-------------------|
| Ages 0-19 | +823 |
| Ages 20-34 | +13,410 |
| Ages 35-54 | +10,247 |
| Ages 55-74 | +32,507 |
| 75 & Older | +48,134 |
| All Age Groups | +105,121 |

Source: Governor’s Office of Planning & Budget (OPB) Forecast and Bleakly Advisory Group, Inc.

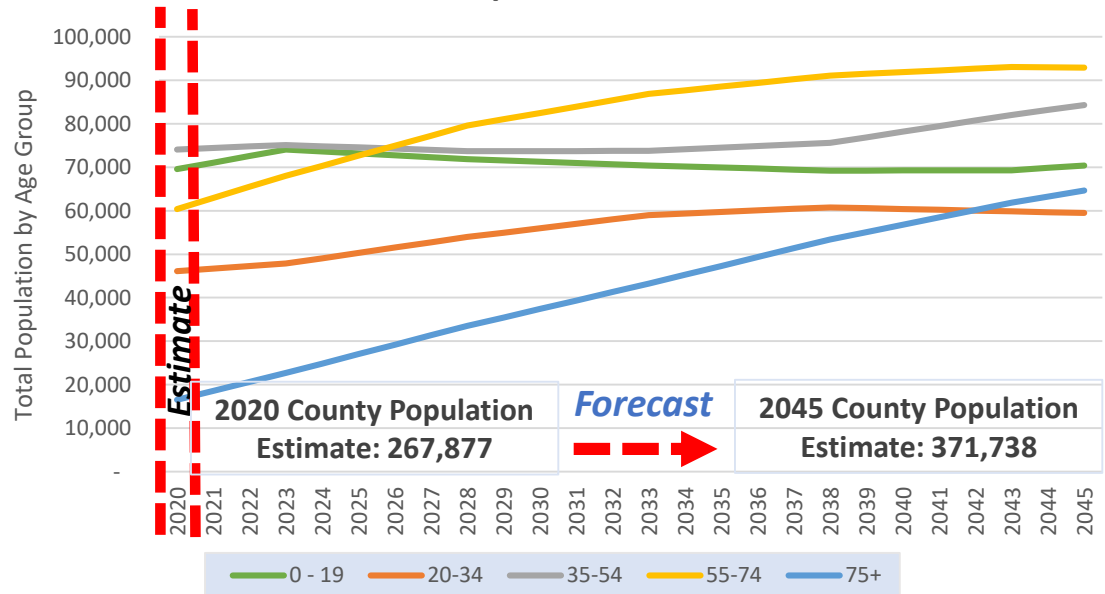


LONG-TERM RESIDENTIAL DEMAND DRIVERS

Annual Cherokee County Population Forecast by Age Group

- This graph also illustrates information presented in the earlier slide by showing an annual population forecast by age cohort. It illustrates the dramatic increase in the age 75+ population as baby boomers age into retirement. The forecast also shows a pending long-term decline in school-aged population starting mid-decade, from the dual impacts of declining birth rates and slower growth among persons of child-bearing age.
 - **As the age distribution of Hickory Flat’s current population already skews older than the County, these projected impacts may be even more pronounced within the Study Area.**
- The OPB forecast suggests that the short-term demand forecast of more 250-300 units per year presented in the previous slides, may not continue at that level long-term, as suggested by **the decline in the number of children and home buyers in the 35 to 54 age cohort beginning mid-decade. This segment has been the largest target market for housing products delivered in Hickory Flat since 2013.**
- By 2030, housing demand will be increasingly driven by the decisions made by empty nester and senior households, to either remain in their current homes or seek alternative housing.

Cherokee County Annual Population Growth by Age Group: 2020-2045

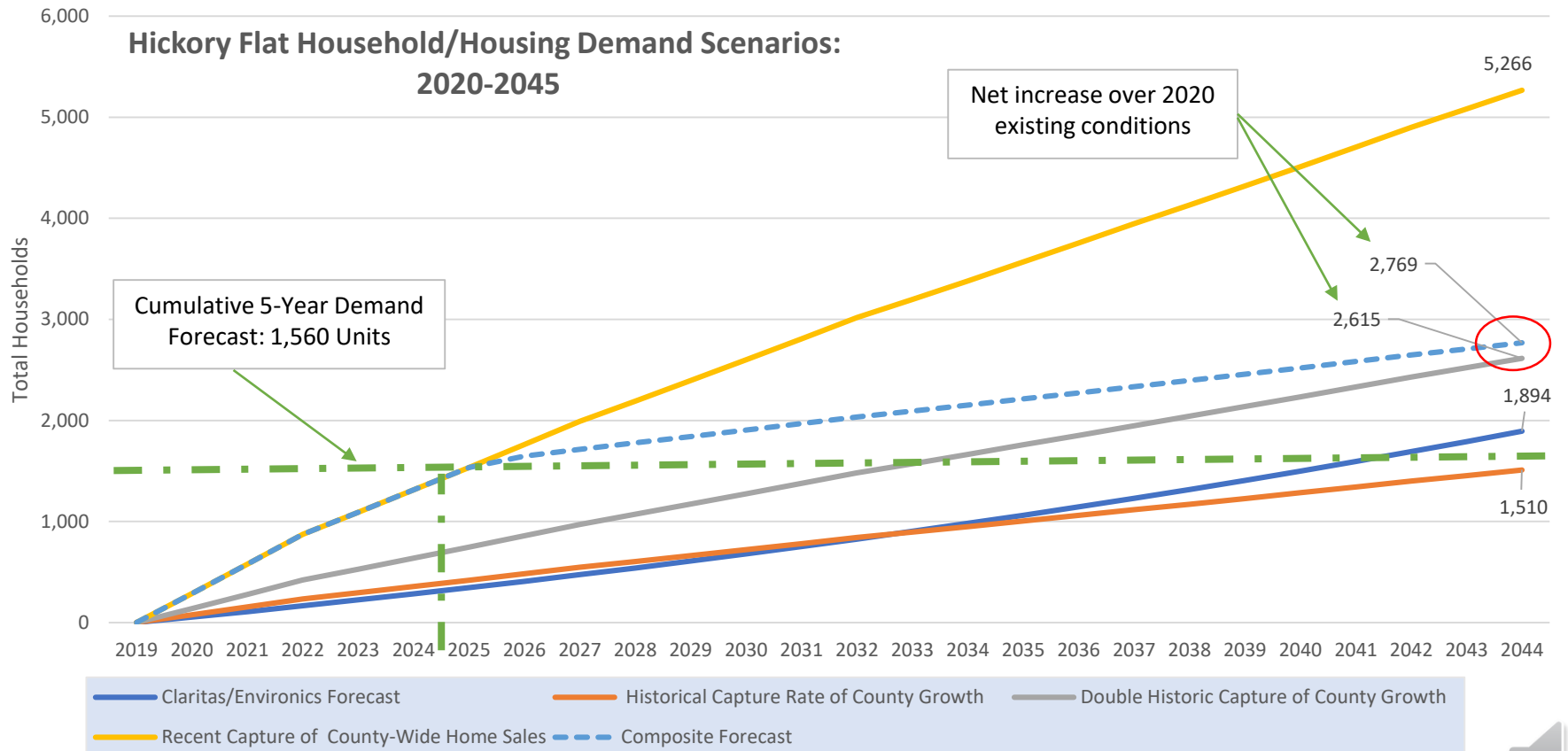


- Also important will be the types of housing desired by a rapidly increasing population in the 20 to 34 age group, who will begin to enter the for-sale market at the same time. **These patterns suggest that between 2025 and 2040, the market for new construction could slow and shift away from the types of SF detached subdivisions currently being developed and sold in large numbers in Hickory Flat and toward products that target the shifting housing preferences of those faster growing segments of the population. This process has already begun in Hickory Flat with the recent development of townhomes, age-restricted patio homes and nursing home/assisted living facilities.**

LONG TERM RESIDENTIAL DEMAND FORECAST

Implications for Hickory Flat

- We estimate that by early/mid 2020, the **Study Area is likely to have contained a household population closer to 5,650, in roughly 1,950 occupied units** (plus residents in nursing homes).
- BAG developed a “composite forecast” that incorporates the short-term housing demand forecast through 2025 and reduced growth rates thereafter as market preferences accelerate demand toward other housing types as reflected in the OPB population forecast. Under this scenario, the Study Area reaches a total population of just under 11,200 in 4,700 total households by 2045. This forecast would require the construction of roughly 2,770 net additional housing units over 25-years,

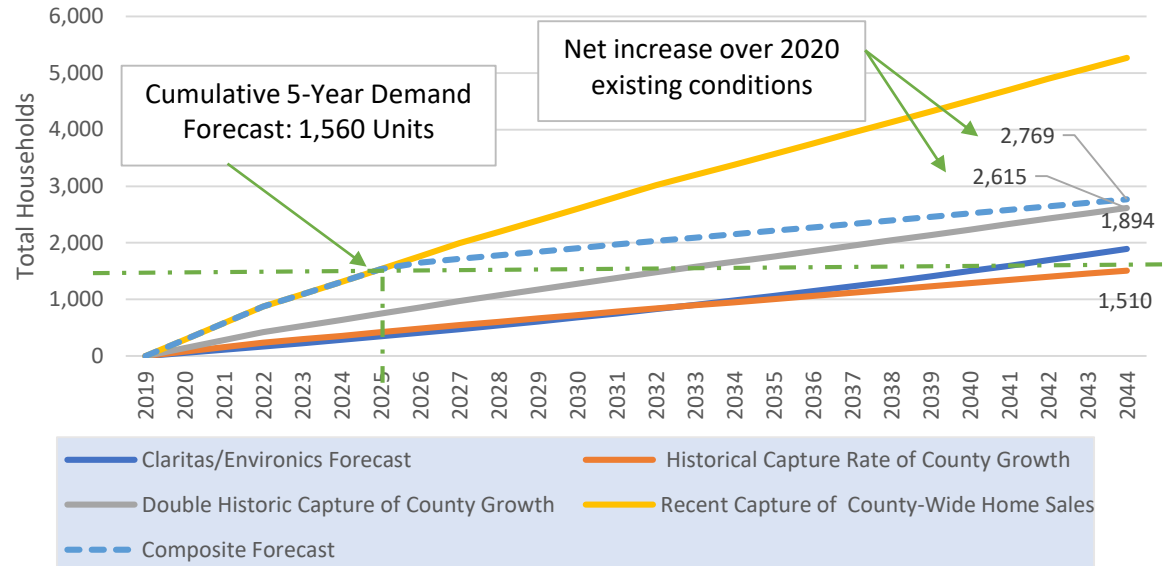


LONG TERM RESIDENTIAL DEMAND DRIVERS

Implications for Hickory Flat

- This graph estimates Hickory Flat’s potential long-term change in households under various assumed capture rates of OPB’s County-wide population (i.e. demand) forecast.
- Based on the preceding land use analysis, BAG estimates Hickory Flat had roughly 1,712 existing housing units in early 2019 and developed/sold approximately 330 new attached and detached units since. Adjusting for vacancy and related factors, we estimate that by early/mid 2020, the **Study Area is likely to contain a household population closer to 5,650, in roughly 1,950 occupied units** (plus residents in nursing homes).
- The Study Area has captured 2.2% of total County-wide population growth since 2000 and Envirionics Analytics forecast a household growth rate of about 2% annually over the next 5 years. As shown in the graph, extending those demand assumptions forward to 2045 shows a cumulative net gain of between 1,500 to 1,900 total households/housing units, roughly comparable to the “low” build out calculation of 1,585 units under current zoning. Virtually all demand could be met within BAG’s the five-year forecast, indicating that it may be overly conservative.
- Doubling the Study Area’s historic capture rate of County population would result in an increase of 2,600 households over 25 years, resulting in a total population of 10,900 people in nearly 4,600 households by 2045.

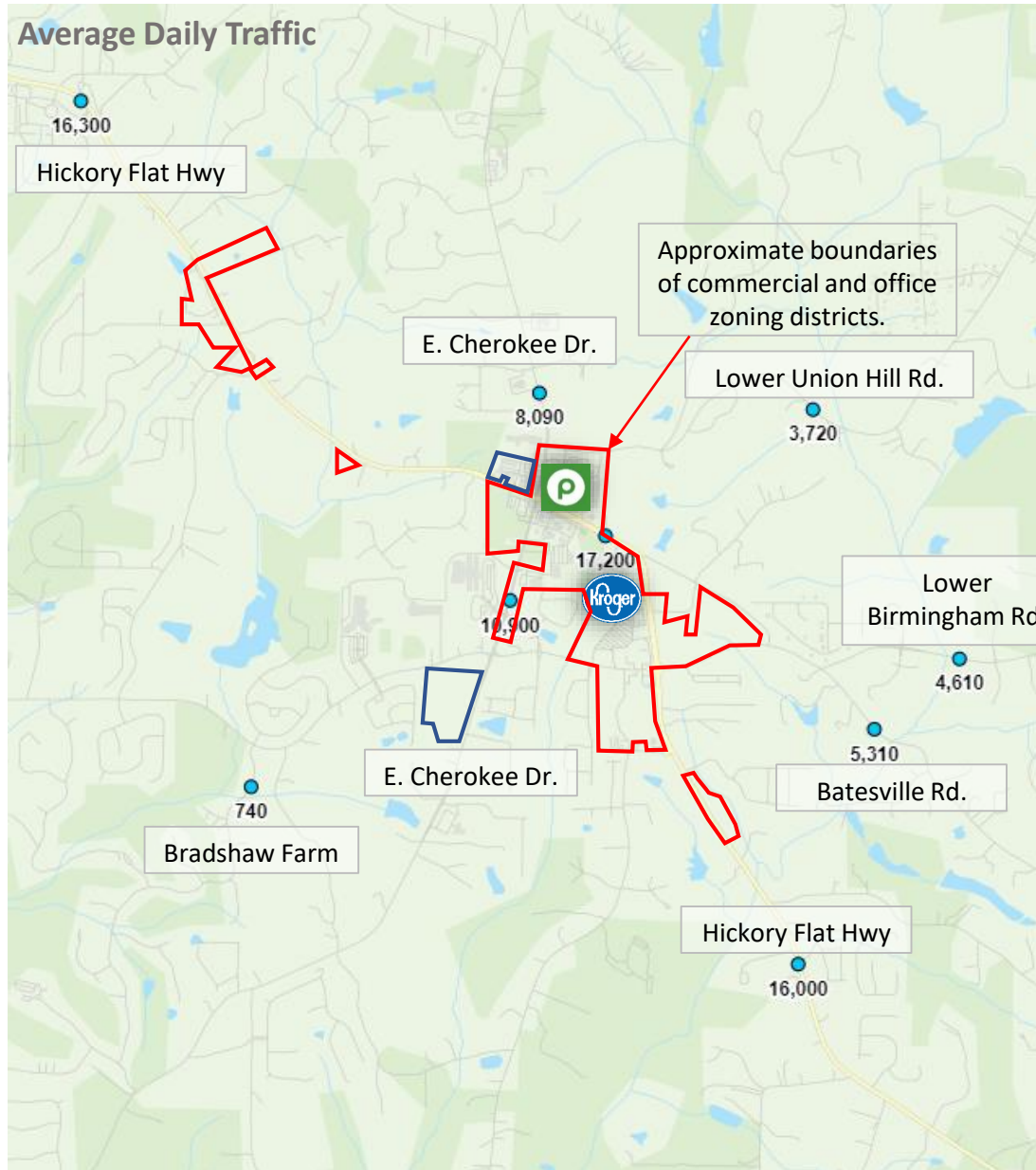
Hickory Flat Household/Housing Demand Scenarios: 2020-2045



- If the Study Area continued its recent capture rates of new housing indefinitely, households would more than double that net increase, resulting in a total population of more than 17,200 living in 7,235 households by 2045, well above capacity under the “high” build out scenario absent of allowing a substantial increase in housing density.
- Within these ranges, BAG developed a “composite forecast” that incorporates the short-term housing demand forecast through 2025 and reduced growth rates thereafter as market preferences accelerate demand toward other housing types as reflected in the OPB population forecast. Under this scenario, the Study Area reaches a total population of just under 11,200 in 4,700 total households by 2045. This forecast would require the construction of roughly 2,770 net additional housing units over 25-years, below the maximum number of units accommodated under the “high” build out scenario.

Nonresidential Market Forecast

NONRESIDENTIAL DEVELOPMENT POTENTIAL



- Without changing existing zoning, if built out to a similar density to existing commercial land uses, the **undeveloped commercially zoned land within the Study Area could physically accommodate 154,000 SF of additional building space in the County and roughly 100,000 SF in Holly Springs.**
- Our analysis of the “retail opportunity gap” in Hickory Flat indicates that current resident demand (sales leakage) exceeds existing supply in all major store categories, including grocery stores. **Excluding automotive and general merchandise, the existing population living in and near Hickory Flat make enough annual retail purchases to support an additional 450,000 SF of space, doubling the existing supply.**
- If short-term demand for additional housing delivers another 1,500 units by 2025, **Hickory Flat could potentially support a third supermarket anchored shopping center by the latter half of this decade.** However, unless additional land is made available through rezoning, there are no existing undeveloped commercial parcels large enough to accommodate another shopping center or supermarket.

Source: Georgia Dept. of Transportation

RECOMMENDATIONS AND CONCLUSIONS

- Land use decisions to be incorporated in an Area Plan for Hickory Flat will center on the degree to which residents and policy makers choose to accommodate future demand within Hickory Flat, versus offloading a percentage of that demand to other locations. In this context, BAG offers the following recommendations and conclusions.

1. **Based on the preceding analysis, we recommend that the Area Plan anticipate Hickory Flat's future population to range between 11,000 and 12,000 at build out. Accommodating this population results in 4,700 to 4,800 households and roughly 5,000 total housing units. This forecast requires the construction of roughly 2,800 to 2,900 net additional housing units over a maximum 25-year period.**
2. **We recommend moderating supply growth in the single- family detached sector in the short-term. Satisfying near-term demand for new homes and subdivision lots in Hickory Flat, assuming they could be delivered at appropriate price points, would require the development of more than 1,500 units and 600 acres over the next 5 years. Satisfying this demand would reach more than 50% of the Study Area's build-out population by mid-decade.** Even if this demand could be met, it may not be realistic or appropriate to expect an area containing less than 2% of the County's total land area, to continue capturing nearly 20% of County-wide demand for single family homes in the price ranges that have been successfully marketed in Hickory Flat over the past few years.

RECOMMENDATIONS AND CONCLUSIONS

- 3. Anticipate the nature of housing demand to continue to change over the long term.** As noted above, demand for single-family detached products targeting households with children is expected to moderate and begin to decline by 2030. Longer term, BAG expects that **the Study Area's changing demographics will accelerate the transition of demand for new home construction away from conventional subdivisions and toward more townhomes, ranch-style homes for active adults and other attached housing products targeting Millennials, active adults and the advanced elderly. We recommend that the County continue to encourage the diversification of for-sale housing products that has already begun in Hickory Flat.** Higher densities should be limited to areas that are closest to existing commercial nodes and services.
- 4. Eventually, Hickory Flat will need rental housing options.** While Hickory Flat is currently a secondary location for multi-family apartments, we believe **that rental market demand will emerge over time, particularly in the age restricted segment. Future consideration should be given to accommodating rental housing in limited locations** within the Study Area.

RECOMMENDATIONS AND CONCLUSIONS (Continued)

5. Hickory Flat's existing commercial node is not large enough and lacks available land capacity to meet the needs of a comparatively affluent and rapidly growing population. Hickory Flat's resident population already possesses enough purchasing power to support 450,000 SF more local retail and commercial (services) development than currently exists, before considering future demand created by adding another 2,800 to 2,900 households in the future. BAG estimates that vacant parcels within existing commercial zones in the County's portion of the Study Area could physically accommodate roughly 154,000 SF of additional commercial building space in small scattered locations. The configuration of these parcels suggests that most of this square footage would be more suitable for commercial or office space than retail uses. An available commercially zoned site in Holly Springs could potentially support another 100,000 SF shopping center, office/retail or mixed-use development, which is still 200,000 SF short of existing unmet demand. **Over the long term, consideration could be given to rezoning additional land for future commercial development either within the unincorporated County or the City of Holly Springs. If such action is taken, the City and County should coordinate planning to determine the most appropriate location to serve the Study Area population, while minimizing resulting congestion impacts.**

RECOMMENDATIONS AND CONCLUSIONS (Continued)

6. The market analysis findings broadly outline two possible long-term development scenarios for Hickory Flat.

- a. With a potential build out population of 11,000 to 12,000, Hickory Flat could become one of the largest “places” within Cherokee County. **The first scenario assumes that the City and County would undertake coordinated actions to create a mixed-use environment that accommodates a variety of housing products and demographic groups, served by adequate commercial land uses and supportive parks, services and other public amenities.** Under this scenario the center of Hickory Flat would acquire the characteristics and density of an identifiable place, while offering residents more options to acquire most basic goods and services locally. **The County and City could support “place making” through selective investment in signage, streetscapes, pedestrian amenities, pocket parks, trails and related improvements. Efforts to incentivize existing commercial development to expand in place and improve connectivity between commercial nodes would support this scenario.**
- b. An alternative “status quo” scenario could be designed to achieve a much lower build-out population than market demand supports. **This alternative would require the City and County to coordinate efforts to substantially reduce the Study Area’s capacity to accommodate more housing development by maintaining existing zoning, discouraging alternatives to single-family detached housing and keeping existing commercial zoning boundaries in place. Under this growth scenario, it may be possible to reduce the Study Area’s density at build-out from roughly 5,000 (supported by market forces) to a maximum of roughly 3,500 households.** Public investments under this scenario could shift away from the types of placemaking activities described above, toward more **investment in purchasing development rights, conservation easements or other tools to reduce the amount of land made available or future development.** Area residents would continue to patronize larger commercial nodes outside of the Study Area for most comparison shopping, entertainment and professional services.

Bleakly Advisory Group, Inc. is an Atlanta, Georgia based real estate and economic development consulting firm.

- Founded in 2001
- 10-member professional team

Our practice covers six areas in both public and private sectors:

- Market Analysis
- Real Estate Economics
- Development Consulting
- Financial Analysis
- Incentives & Public Finance
- Housing Analysis



Ken Bleakly, Founder
Geoff Koski, President
404.845.3350
www.bleaklyadvisory.com