Martha Jefferson Hospital Market Study

Market and Demand Analysis for Martha Jefferson Hospital Site
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II. Site Overview
III. Demographic & Economic Review
IV. Real Estate Markets Overview
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VI. Real Estate Land Use Type Assessment
Scope of Work

- Economics Research Associates (ERA) was retained by Martha Jefferson Hospital (MJH) to advise on the redevelopment potential for a 13.6 acre site in downtown Charlottesville, VA.

- The project consists of three primary tasks:
  1. Project Initiation
  2. Market Analysis for Key Land Uses (Residential, Hotel/Conference Center, Retail, Office, and Research & Development)
  3. Analysis of Redevelopment Opportunities—including analysis of potential disposition or development strategies

- This report details the findings of Tasks 2 and 3 and includes supportable demand for various land uses on the MJH site.

- ERA analyzed key demographic and economic data, existing real estate conditions, and current and expected future real estate trends and needs to arrive at recommended redevelopment program options for the MJH site.
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Site Location and Context
The Martha Jefferson site is located in downtown Charlottesville with good connections to the greater area.

Discussion
- The subject site is located in Downtown Charlottesville, in the Martha Jefferson neighborhood.
- It is approximately ½-mile from US 250, a major east-west connector.
- It is within ¼-mile walking distance of the Downtown pedestrian mall.
Existing Improvements
In addition to the main hospital building, Martha Jefferson’s downtown properties include a mix of older homes that have been converted to medical and professional office space.
Historic Resources
The Commonwealth of Virginia Department of Historic Resources recently included the Martha Jefferson neighborhood in the Virginia Landmarks register.

Discussion
- Preservation of the historic portion of the hospital, located at the corner of East High Street and Locust Avenue, will likely be encouraged by City officials and neighborhood residents.
- Neighborhood residents are also highly protective of homes currently used as office space on Locust and Lexington Avenues.
- Martha Jefferson Neighborhood Association is actively pursuing local historic designation status for the entire neighborhood.
- Adaptive re-use of old hospital building may present opportunity to leverage NTHP Historic Tax Credits as a potential redevelopment funding source.
- Other Martha Jefferson Hospital properties include older residential structures which have been adapted for hospital-related office uses.
Area Zoning
The MJH Hospital site runs along the High Street entrance corridor, a targeted area of mixed-use growth in the city’s 2007 Comprehensive Plan
### Existing Zoning of MJH Property

MJH site includes four zoning districts that allow various by-right land uses and levels of density. Parcels fronting East High Street are subject to Entrance Corridor design guidelines.

<table>
<thead>
<tr>
<th>District</th>
<th>Downtown North Corridor</th>
<th>High Street Corridor</th>
<th>District B-1</th>
<th>District R-1S</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Applicability to MJH Site</strong></td>
<td>Main hospital site &amp; majority of parcels fronting Lexington Ave</td>
<td>Four parcels fronting High Street</td>
<td>Parcels fronting Locust Ave &amp; 10th Street, including homes</td>
<td>One parcel fronting Lexington Ave, adjacent to main hospital site</td>
</tr>
<tr>
<td><strong>% of Ttl MJH Land Area</strong></td>
<td>60.3%</td>
<td>7.7%</td>
<td>30.9%</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Description</strong></td>
<td>Encompasses much of C'Ville's historic center. Encourages mixed-use and pedestrian activity.</td>
<td>Section of High Street encouraging medical offices and related services.</td>
<td>Commercial district intended to provide jobs, services, and economic development opportunities</td>
<td>Low-density residential neighborhoods w/ small lot development</td>
</tr>
<tr>
<td><strong>Mixed-use allowed?</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Permitted Residential Density</strong></td>
<td>64 du/ac (up to 87 du/ac with special use permit)</td>
<td>21 du/ac (up to 87 du/ac with special use permit)</td>
<td>21 du/ac (up to 87 du/ac with special use permit)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Maximum Height</strong></td>
<td>Up to 5 stories (not exceeding 60 ft.)</td>
<td>Up to 2 stories (not exceeding 35 ft.)</td>
<td>Up to 45 ft.</td>
<td>Up to 35 ft.</td>
</tr>
<tr>
<td><strong>Notable by-right uses</strong></td>
<td>All types of residential; retail; food service; hospitality; office; tech-based biz; lab research; indoor/outdoor rec; health care; artist space; schools; transit facility</td>
<td>SF detached &amp; attached; retail; food service; hospitality; office; lab research; health care; artist space; schools; transit facility</td>
<td>All types of residential; retail; hospitality; office; artist space; schools; transit facility</td>
<td>SF detached; schools; outdoor recreation</td>
</tr>
</tbody>
</table>
2006 Martha Jefferson Neighborhood Plan
Neighbors might be uneasy in regard to what will happen with the MJH site, but they have indicated support for mixed-use, pedestrian-friendly development

- Participants in the Neighborhood Design Day remarked on several issues and desires, including:
  - A grocery store and coffee shop on High Street/Market Street
  - Smaller scale developments with multiple developers on hospital site
  - Interest in historic preservation
  - Public parks and open space
  - Parking should be adequate in new development
  - Pedestrian safety/access and alternatives to driving
  - Traffic calming
  - Appreciation of diversity of housing
  - Integrated high-density housing/mixed-use on main corridors
  - Sustainable building

- The Neighborhood Plan and several of its themes were incorporated into the City’s 2007 Comprehensive Plan
2007 Comprehensive Plan
The City’s Comprehensive Plan calls for mixed use development throughout the High Street corridor; actual implementation will hinge on successful MJH transition

- 2025 Land Use Plan designates the surrounding area as “Office”
- Single-use zoning regulations would make mixed-use development difficult in the Martha Jefferson area
- The East High Street corridor, east of the Hospital site, became a mixed-use corridor in the 2003 Zoning Ordinance, but the plan notes that new development is not following these guidelines and recommends that the zoning ordinance be reexamined.
- The sanitary sewer system servicing the Hospital site was called a priority area for evaluation and possible reconstruction due to impending developments and the age of the system.
- Goals and objectives that specifically mention the Hospital site are to evaluate creation of a historic district and to continue meetings with Hospital committee for a smooth transition.
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Charlottesville is the core to a strong regional economy, with historically low rates of unemployment and substantial growth in the government and professional services sectors.

**Discussion**

- Historic unemployment rates in Charlottesville are well below national average and on par with the State of Virginia. This trend should continue as UVA remains a stabilizing force and the city continues to add new jobs.

- Between 2000 and 2006, the Charlottesville MSA added over 10,200 non-agricultural jobs. Many of these jobs were in the public sector (4,900, or 48%), which includes jobs affiliated with the University of Virginia, local government, county government, and federal government.

- Future job growth will be closely tied to UVA and its medical center, both in terms of direct employment and affiliated service providers. For example, UVA Foundation research park facilities have been successful in attracting tech-oriented firms from Northern Virginia. Federal government is following suit, with the 2010 expansion of the US Army's National Ground Intelligence Center expected to add 800 new jobs in Albemarle County’s US 29 North Corridor.

- According to a Virginia Commonwealth University study, the City of Charlottesville is home to 270 high-tech firms, employing 3,000 workers with average annual wages of $65,000. The city accounts for approximately 42% of high-tech employment in the greater metropolitan area.

- Limited modern office supply in and around downtown Charlottesville has driven many private sector firms to more suburban locales, including the Pantops area and elsewhere in Albemarle County.

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**Annual Unemployment Rate, 1996-2006**

**Charlottesville MSA Employment Change by Sector, 2000-2006**

- **Government**: 4.9
- **Professional Services**: 2.1
- **Leisure & Hospitality**: 1.6
- **Trade, Transportation, & Utilities**: 0.7

**Source**: United States Department of Labor, Bureau of Labor Statistics; ERA 2007

ERA No: 17463 – Martha Jefferson Hospital Site Demand Analysis
Strong job growth coupled with significant multifamily residential permitting point to Charlottesville’s transformation from college town to true mixed-use urban center.

- As in many areas, the suburban areas of Charlottesville (outside the city) have experienced more dramatic residential growth in predominantly single-family residences.
- In the last five years, there has been renewed interest in developing residential within the City of Charlottesville, especially multifamily product.
- Charlottesville has also increased its share of total housing permits in the MSA in the last five years.
Migration Data
Because of the high quality of life and presence of UVA, the Charlottesville metro attracts households from across the county and internationally.

The Charlottesville MSA has had a total net outward migration of 65 households from 2000 to 2006.

However, the pattern varies from year to year. Data from 2005-2006 indicated a net in-migration, which was also the case from 1999-2002.

Top 5 VA Inflow Markets

<table>
<thead>
<tr>
<th>County (rank)</th>
<th>Avg Ann’l Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albemarle County (1)</td>
<td>595</td>
</tr>
<tr>
<td>Fairfax County (2)</td>
<td>58</td>
</tr>
<tr>
<td>Fluvanna County (3)</td>
<td>51</td>
</tr>
<tr>
<td>Arlington County (4)</td>
<td>35</td>
</tr>
<tr>
<td>Richmond County (5)</td>
<td>28</td>
</tr>
</tbody>
</table>

Top 5 VA Outflow Markets

<table>
<thead>
<tr>
<th>County (rank)</th>
<th>Avg Ann’l Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albemarle County (1)</td>
<td>716</td>
</tr>
<tr>
<td>Fluvanna County (2)</td>
<td>78</td>
</tr>
<tr>
<td>Fairfax County (3)</td>
<td>60</td>
</tr>
<tr>
<td>Arlington County (5)</td>
<td>39</td>
</tr>
<tr>
<td>Greene County (6)</td>
<td>38</td>
</tr>
</tbody>
</table>

Top 5 Non-VA Inflow Markets

<table>
<thead>
<tr>
<th>County (rank)</th>
<th>Avg Ann’l Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington, DC (T9)</td>
<td>18</td>
</tr>
<tr>
<td>New York County, NY (12)</td>
<td>17</td>
</tr>
<tr>
<td>Middlesex County, MA (14)</td>
<td>14</td>
</tr>
<tr>
<td>Cook County, IL (16)</td>
<td>13</td>
</tr>
<tr>
<td>Los Angeles County, CA (20)</td>
<td>8</td>
</tr>
</tbody>
</table>

Top 5 Non-VA Outflow Markets

<table>
<thead>
<tr>
<th>County (rank)</th>
<th>Avg Ann’l Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York County, NY (4)</td>
<td>44</td>
</tr>
<tr>
<td>Washington, DC (9)</td>
<td>29</td>
</tr>
<tr>
<td>Montgomery Co., MD (13)</td>
<td>20</td>
</tr>
<tr>
<td>Middlesex County, MA (16)</td>
<td>16</td>
</tr>
<tr>
<td>Cook County, IL (17)</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Internal Revenue Service; ERA 2007
Near-term household growth in Charlottesville and Albemarle County will be led by the formation of high-income households across all age levels. Accommodating future growth will require diversity in local housing options and access to services.

**Discussion**

- The City of Charlottesville and Albemarle County are expected to add 3,600 new households between 2007 to 2012. However, the data obscure the fact that the forecast modest growth includes a significant loss of less affluent households, and the addition of over 3,500 new households with annual income between $50,000 and $100,000, and another 2,200 households with annual income in excess of $100,000.

- Life events influencing household formation in the area include:
  - Divorce creating two households out of one
  - Marriage creating one household out of two
  - Regional, national, and international relocation creating new households in general
  - Downsizing from a single-family home to two or more residences in multiple markets
  - UVA professors and staff seeking “in-town” lifestyle
  - Seniors “aging in place”

- Charlottesville will need to provide more owner-occupied housing to compete with Albemarle County in attracting more affluent residents.

**Change in Charlottesville & Albemarle Households by Age & Income, 2007-2012**

**Tenure of Occupied Housing Units**

- City of Charlottesville, 2007
- Albemarle County, 2007

Source: ESRI Business Analyst; ERA 2007
Tourism sector is also a key component of the Charlottesville area economy. Monticello, Blue Ridge Parkway, Shenandoah National Park, and Historic Downtown Charlottesville are popular draws for visitors from across the eastern seaboard.

- Visitor Profile information was collected by the Virginia Tourism Corporation. The data provided for Charlottesville is from 347 Virginia travelers who also traveled to Charlottesville.
- With “visiting family and friends” a popular reason for traveling to Charlottesville, only half of area visitors stay in hotels, motels, or bed and breakfasts.
- The average travel party passing through Charlottesville spends an average of $587, of which 75 percent is spent on lodging, food, and shopping.
- Charlottesville area visitors tend to be older (median age 54), childless couples with relatively high household incomes (60% >$50k).
- The Charlottesville area tourism industry generates over $47 million in annual local and state tax revenue.

### Visitor Spending Total and by Category, 2003-2004

<table>
<thead>
<tr>
<th>Category</th>
<th>Mean Spending Per Travel Party</th>
<th>Mean Spending Per Person</th>
<th>Mean Spending Per Day</th>
<th>Mean Spending Per Person Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping</td>
<td>23%</td>
<td>148</td>
<td>113</td>
<td>30</td>
</tr>
<tr>
<td>Lodging</td>
<td>26%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food</td>
<td>25%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gas</td>
<td>9%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adm/Ent</td>
<td>10%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Purpose of Trip, 2003-2004</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visiting Family &amp; Friends/Personal Trip</td>
<td>45.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacation/Other Pleasure Travel</td>
<td>31.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference/Convention</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Answer</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Repeat Visitation, 2003-2004

- First-time Virginia Visitor in 3 yrs 8%
- Repeat Visitor 89%
A national housing boom, favorable local economic conditions, policy initiatives favoring infill development, and a renewed interest in urban living has provided impetus for significant residential expansion in the City of Charlottesville. Increased land values and consumer preferences have led to many downtown developers adopting a mixed-use model.

**Discussion**

- As land near UVA becomes increasingly scarce, other C'Ville neighborhoods will have to adapt to higher-density development in order to accommodate future growth.
- The Greater Downtown area is slated for significant near-term growth, with projects comprising 500 housing units currently planned for the Martha Jefferson and North Downtown neighborhoods.
- Zoning allows 9-story residential towers (up to 200 DU/acre w/ special permit) on West Main and Market St. – benefits projects such as Waterhouse, First & Main, CSX Coal Tower, & redevelopment of the Market St. parking lot.
New residential projects in the City of Charlottesville will also face competition from neighborhood-scale developments in Albemarle County that include significant retail programs, with one employing a “green/sustainable” marketing strategy.

**BELVEDERE**
- 2.5 miles to the northwest of Downtown Charlottesville
- 207-acre, LEED ND – Pilot Neighborhood comprising 700 housing units (200 multifamily); 65,000 SF of “Class A” office, and 20,000 SF of neighborhood retail
- Townhouse and single-family floor plans will be significantly smaller than traditional Charlottesville area homes, but still command prices starting in the mid $300k’s

**BISCUIT RUN**
- 2.8 miles to the southeast of Downtown Charlottesville
- 3,500 homes and 150,000 SF of commercial space on 900 acres
- 7- to 15-year build-out schedule
During the past five years, the Charlottesville area has enjoyed a robust housing market with increasing sales volumes and rapidly escalating prices. While the local market is resilient, it is not immune to recent macro-level trends, as evidenced by a slower sales pace and longer listing periods as of Q3 2007.

Discussion

- Like most areas in the Mid-Atlantic region, the Charlottesville housing market peaked in 2005, when 4,665 homes were sold in the City of Charlottesville and five surrounding counties. As of Q3 2007, 2,884 homes have been sold in the region, 638 fewer homes (18%) than were sold in 2006 during the same period.

- Since 2002, Albemarle County and the City of Charlottesville have accounted for approximately 55% of the region’s total home sales. The city and county share increased slightly above historic norms in 2006 due to a high number of new condominium and townhouse sales.

- The downturn in the for-sale housing market has hit the City of Charlottesville the hardest, where attached homes and multifamily product account for a greater share of sales. As of Q3 2007, overall home sales are down 25% as compared to Q3 2006. Meanwhile, townhouse and condominium sales have declined by over 41% during the same period.

- Based on data from the past six years, new homes tend to represent between 15% and 20% of total sales transactions in the Charlottesville region. This is a typical ratio observed in most housing markets.

- While data does not exist comparing new sales to resales in the condominium market, it is fair to assume that a much higher share of multifamily transactions consist of new product given a historic lack of inventory.
The densification of the City of Charlottesville has had a noticeable impact on local home values. More condominiums and townhouses were sold in Charlottesville in 2006 than at any time in city history. Approximately 85 percent of these units were rental conversions that command lower price points by offering smaller floor plans and starter home finishes.

In 2006, condominium and townhouse sales accounted for nearly 50% of total sales in Charlottesville, and 40% of total sales in Albemarle County, respectively. Historically, attached and multifamily product accounted for 20% to 30% of total sales, indicating a broader market shift toward low-maintenance, in-town living.

Market values for all types of homes have demonstrated tremendous growth over the last six last years, with the median sales price in the Charlottesville region increasing at compound annual rate of 9.8% for the period between Q3 2002 and Q3 2007. The City of Charlottesville reported even stronger pricing growth, as the median sales price increased at a compound annual rate of over 12%.

A greater share of condominium sales in 2006 tempered pricing growth in Charlottesville, as smaller multifamily units tend to sell for less than single-family homes. Meanwhile, average per square foot pricing increased to $205 in 2006, $5 higher than in 2005.

With the median price of a home in Charlottesville increasing by over $125,00 in five years, the city is at risk of losing its appeal as an affordable place to live, as well as pricing out service workers and public servants that help sustain the local economy.

Source: Charlottesville Area Association of Realtors; ERA 2007
Several approaches to multifamily condominium development have emerged in the Charlottesville/Albemarle market, some have been better-received than others. In addition to unit pricing, “New Construction vs. Conversion” and “Downtown vs. Suburban” appear to be the differentiating factors.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Type</th>
<th>Location</th>
<th>Flrs</th>
<th>Ttl Units</th>
<th>Units Sold</th>
<th>% Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CITY OF CHARLOTTESVILLE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Barringer</td>
<td>New</td>
<td>University of Virginia</td>
<td>5</td>
<td>50</td>
<td>30</td>
<td>60%</td>
</tr>
<tr>
<td>The Randolph</td>
<td>New</td>
<td>Martha Jefferson</td>
<td>5</td>
<td>27</td>
<td>18</td>
<td>67%</td>
</tr>
<tr>
<td>Walker Square</td>
<td>Conversion</td>
<td>West Main /Downtown</td>
<td>4</td>
<td>230</td>
<td>69</td>
<td>30%</td>
</tr>
<tr>
<td><strong>ALBEMARLE COUNTY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White Gables Pavilion</td>
<td>New</td>
<td>West of UVA</td>
<td>4</td>
<td>76</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Glenwood Station</td>
<td>New</td>
<td>US 29 North corridor</td>
<td>4</td>
<td>28</td>
<td>12</td>
<td>43%</td>
</tr>
<tr>
<td>Riverbend</td>
<td>Conversion</td>
<td>Pantops</td>
<td>4</td>
<td>125</td>
<td>76</td>
<td>61%</td>
</tr>
</tbody>
</table>

Source: Charlottesville Area Association of Realtors; Jim Duncan, RealCentralVA.com; Individual Properties; ERA 2007
While the condominium market has slowed significantly over the past 12 months, there is a lack of new construction inventory in the <$350k range. Some conversion units are available at this price level, but demand for what many view to be inferior product is all but gone. Future opportunity also exists for smaller high-end projects (<50 units @ $400 to $425 PSF) within walking distance of downtown.

**Discussion**

- Few well-sited properties in downtown Charlottesville have been able to command per square foot prices near $450 per SF, most notably: The Barringer; Courthouse Square; and Holsinger. Projects that just began marketing will also target lofty per SF sale prices, including Waterhouse Tower and The Gleason, among others.

- Rapidly increasing development costs require higher per SF prices in order for projects to “pencil,” but it is unclear if $450 per SF+ is a sustainable price point in the near-term. The only exception would be projects within close proximity to UVA, such as The Barringer.

- Existing Charlottesville residents are not buying at higher-end price points, but rather gravitate toward smaller and more affordable units (e.g., < 925 SF 1-bedrooms & <1,200 SF 2-bedrooms).

- Much of the high-end demand originates with households relocating to Charlottesville from more expensive real estate markets, and to some extent downsizing couples from Albemarle County. These empty nesters and retirees are typically looking for units with at least 1,800 SF.

- Absorption rates of 4 to 6 units per month have forced many developers to rethink the size of their projects.

- Due to the rolling terrain of the Blue Ridge Mountains, vertical multifamily projects command 4% to 5% per floor price premiums.

- Consumers expect a parking space to be included in the purchase price of a unit. City code requires at least one parking space per two dwelling units, but most projects offer more.

**Average Sale Price vs. Price per SF, as of Q3 2007**

Source: Charlottesville Area Association of Realtors; Jim Duncan, RealCentralVA.com; Individual Properties; ERA 2007
Rental units are in high demand in Charlottesville due to the transient nature of many city residents, particularly students and young professionals. Demand is strongest for properties located near UVA and within walking distance to the Downtown Mall. Low vacancy and strong annual rent growth (4.5% per annum) point to a healthy market.

### Discussion

- Student housing and downtown units are quickly absorbed (10 to 15 units per month), leading to waiting lists and building expansions.
- A significant disparity exists in product type and rents between downtown and nearby residential areas, such as Belmont.
- Downtown condo developments have experienced absorption rates below desired levels, prompting some to rent units.
- New, non-student rental development is concentrated in the Pantops area and to the north in the Route 29 corridor.

### Charlottesville MSA: Unit Size & Rent Details, as of Q2 2007

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Avg. Rent</th>
<th>Avg. SF</th>
<th>Avg. Rent PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio/Efficiency</td>
<td>$646</td>
<td>359</td>
<td>$1.80</td>
</tr>
<tr>
<td>One Bedroom</td>
<td>$838</td>
<td>734</td>
<td>$1.14</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>$927</td>
<td>954</td>
<td>$0.97</td>
</tr>
<tr>
<td>Three Bedroom</td>
<td>$1,126</td>
<td>1,287</td>
<td>$0.88</td>
</tr>
</tbody>
</table>

### Charlottesville MSA: Asking Rent & Vacancy Rate by Age of Property

- **Before 1970:** $827, 7.7%
- **1970-1979:** $855, 5.6%
- **1980-1989:** $909, 5.1%
- **1990-1999:** $940, 3.5%
- **After 1999:** $1,050, 3.9%

Source: REIS; ERA, 2007

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ERI No: 17463 – Martha Jefferson Hospital Site Demand Analysis
Charlottesville is a prime market for senior housing due to its demographics, amenities, and general quality of life. Martha Jefferson neighborhood offers the best of both worlds – it’s within walking/transit distance to the Downtown Mall and quieter than the area around UVA.

- Charlottesville’s senior population is projected to increase by over 24,000 by 2030, indicating substantial future demand for senior housing.

- Adult children account for 90% of senior home sales, indicating the desire of Charlottesville residents to have their elderly parents nearby.

- As age increases, national data indicate a greater proportion of seniors choosing to live in independent living facilities and senior apartments.

- CCRC model for senior living is generally obsolete - Mixed-use developments, incorporating an appropriate cohort of senior housing along with intergenerational and workforce housing, represent a growing trend towards involving seniors in the surrounding community.

- Integrated services and commercial amenities, such as adult day care, lifelong learning associations, grocery stores, and swimming pools, can further increase quality of life for seniors.

### Charlottesville MSA: 55+ Population, 1990-2030

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>27,665</td>
</tr>
<tr>
<td>2000</td>
<td>36,646</td>
</tr>
<tr>
<td>2005</td>
<td>42,675</td>
</tr>
<tr>
<td>2007</td>
<td>44,918</td>
</tr>
<tr>
<td>2010</td>
<td>48,368</td>
</tr>
<tr>
<td>2015</td>
<td>54,877</td>
</tr>
<tr>
<td>2020</td>
<td>61,057</td>
</tr>
<tr>
<td>2025</td>
<td>65,464</td>
</tr>
<tr>
<td>2030</td>
<td>69,006</td>
</tr>
</tbody>
</table>

### Proportion of U.S. Senior Households by Housing Type, 2000

- **Equity-Based**: 5%
- **Subsidized**: 5%
- **Market Rate**: 80%
- **Owns**: 5%
- **Rents**: 5%
- **Moved Out**: 5%
Senior housing – either rental or equity-based – could accelerate build-out of a mixed-use, mixed-income residential project at the Martha Jefferson Hospital site by penetrating a broader consumer base.

**Discussion**

- Senior housing, including independent living, assisted living, and continuing care retirement communities, exist in the area but none has been developed downtown.
- Within two miles of downtown, in 2004 96% of senior units were occupied, increasing slight to 96.3% by 2006.
- New units are generally quickly absorbed and several senior communities in Charlottesville, including Arbor Crest, have waiting lists for units.
- Equity-based communities, primarily of the active adult type, make up the largest segment of the Charlottesville senior housing market with 1,122 total units (average buy-in close to $350,000).
- Market rate senior rental projects tend to target residents reporting incomes at 150% of AMI with monthly rents ranging from $1,200 to $1,800.
- Some projects have been marketed in DC and NYC.

### Charlottesville Age-Qualified Senior Housing Developments

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Units</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four Seasons Charlottesville</td>
<td>65 Deane Rd</td>
<td>535</td>
<td>Equity-Based</td>
</tr>
<tr>
<td>Westminster Canterbury</td>
<td>250 Pantops Mountain Road</td>
<td>325</td>
<td>Equity-Based</td>
</tr>
<tr>
<td>The Colonnades</td>
<td>2600 Barracks Road</td>
<td>262</td>
<td>Equity-Based</td>
</tr>
<tr>
<td>Our Lady of Peace</td>
<td>751 Hillsdale Drive</td>
<td>156</td>
<td>Subsidized</td>
</tr>
<tr>
<td>Crescent Halls</td>
<td>500 South First Street</td>
<td>105</td>
<td>Subsidized</td>
</tr>
<tr>
<td>Woods Edge Apartments</td>
<td>829 Mallside Forest Court</td>
<td>97</td>
<td>Subsidized</td>
</tr>
<tr>
<td>Park View Apartments</td>
<td>210 South Pantops Road</td>
<td>90</td>
<td>Subsidized</td>
</tr>
<tr>
<td>Jefferson Heights</td>
<td>1550 Pantops Mountain Place</td>
<td>85</td>
<td>Market Rate</td>
</tr>
<tr>
<td>Arbor Crest</td>
<td>101 Arbor Crest Drive</td>
<td>70</td>
<td>Market Rate</td>
</tr>
<tr>
<td>Rosewood Village</td>
<td>500 Greenbrier Drive</td>
<td>66</td>
<td>Market Rate</td>
</tr>
<tr>
<td>Martha Jefferson House</td>
<td>1600 Gordon Avenue</td>
<td>53</td>
<td>Market Rate</td>
</tr>
<tr>
<td>Riverdale</td>
<td>1329 Riverdale Drive</td>
<td>24</td>
<td>Market Rate</td>
</tr>
</tbody>
</table>

### Charlottesville MSA: % Change in 55+ HHs by Income, 2007-2012

- `< $15k: -20.0%`<br>- `$15k - $24k: -9.4%`<br>- `$25k - $34k: -12.0%`<br>- `$35k - $49k: -11.9%`<br>- `$50k - $75k: -14.2%`<br>- `$75k - $99k: -14.2%`<br>- `$100k - $149k: -70.0%`<br>- `$150k - $249k: -47.0%`<br>- `$250k - $499k: -46.6%`<br>- `$500k +: 119.4%`

Source: ESRI Business Analyst; ERA, 2007
Hotel room night demand in and around Downtown Charlottesville is primarily driven by UVA activities, such as on-campus conferences, football games, graduation, etc. In addition to weddings and other life events, UVA also generates significant demand for event and meeting space.

### Competitive Upscale, Full-Service Hotel Supply within Close Proximity to Downtown Charlottesville

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Date Open</th>
<th>Rooms</th>
<th>Meeting Space (SF)</th>
<th>Service Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omni Charlottesville Hotel</td>
<td>Jun 1985</td>
<td>208</td>
<td>8,420</td>
<td>Upper Upscale</td>
</tr>
<tr>
<td>Doubletree Charlottesville</td>
<td>Jun 1985</td>
<td>240</td>
<td>16,000</td>
<td>Upper Upscale</td>
</tr>
<tr>
<td>The Boars Head Inn</td>
<td>Apr 1964</td>
<td>170</td>
<td>11,000</td>
<td>Indep Upper</td>
</tr>
<tr>
<td>Courtyard Charlottesville North</td>
<td>Jan 1989</td>
<td>150</td>
<td>N/A</td>
<td>Upscale</td>
</tr>
<tr>
<td>Courtyard Charlottesville - UVA Med Ctr</td>
<td>Jul 2000</td>
<td>137</td>
<td>N/A</td>
<td>Upscale</td>
</tr>
<tr>
<td>Hilton Garden Inn Charlottesville</td>
<td>Oct 2006</td>
<td>124</td>
<td>N/A</td>
<td>Upscale</td>
</tr>
</tbody>
</table>

**Discussion**

- The Charlottesville area hospitality market offers 28 lodging facilities, comprising 3,130 rooms.
- There are six upscale hotels within close proximity to Downtown Charlottesville with 1,029 rooms, including the UVA-affiliated Boars Head Inn. The 124-room Hilton Garden Inn, located in the Peter Jefferson Place business park near the new MJH campus, is the area’s newest upscale property.
- According to the Charlottesville CVB, the area contains over 48,000 square feet of marketable event/meeting space, of which over 70% is located in three hotels shown above.
- The Boars Head Inn is currently expanding its meeting space by 5,600 SF, creating a new ballroom and breakout space.
- According to the UVA Foundation (manager of The Boars Head Inn), events requiring more than 5,000 SF are infrequent. Building new space to accommodate larger groups would not be economically feasible.

Source: Smith Travel Research; Charlottesville CVB; ERA, 2007

### Charlottesville Hotel Market, Total Rooms by Service Level

- **Upper Upscale**: 14%
- **Mid w/o F&B**: 18%
- **Economy**: 18%
- **Upscale**: 17%
- **Independent**: 17%
- **Mid w/ F&B**: 16%

**3,130 Rooms**
Operating trends at area upscale hotels indicate a very healthy market at this service level. However, there are no apparent new demand drivers in the marketplace, and plans already exist for a 9-story, high-end hotel at the Boxer Learning site on the Downtown Mall.

Discussion

- Smith Travel Research provides aggregated operating data for five of the six upscale properties in the Charlottesville area (Hilton Garden Inn is too new to be included in the set of hotels).
- Room night demand is highest in late spring and summer months, as well as in October when UVA has its annual homecoming football game.
- The market recovered well following the downturn in the travel industry in late 2001 and 2002. Average daily room rates (ADR) increased at a compound annual rate of nearly 5% between 2002 and 2006, ending last year at $118. The Boar’s Head Inn leads area hotels, with an ADR close to $170 per night.
- Occupancy rates also improved during this period, reaching 74% in 2006. A combination of steady room rate growth and increased occupancy generated over $87 in revenue per available room (RevPAR).
- Between 2001 and 2006, the competitive set reported an average annual occupancy rate of approximately 70%, indicating a relatively stable market.
- More recent trends indicate that the local upscale hotel market has tempered some since 2006. While ADR is up 7% as of Q3 2007, overall room night demand has decreased by 4%. The slight downturn began in summer of 2006, and has yet to turn around.

Source: Smith Travel Research; ERA, 2007
Discussion

- While taxable sales numbers do not include sales for non-taxable merchandise, they provide an order-of-magnitude understanding of the retail market and Charlottesville’s competitiveness with neighboring Albemarle County.
- Retail is a following use. As Albemarle County experiences residential growth, it attracts more commercial development – most notably in the Route 29 corridor.
- Charlottesville has several large retail developments and has maintained its share of the sales. It is still a magnet for area spending.
- Charlottesville has a larger percentage of its taxable sales in food and drink when compared to Albemarle County and the State of Virginia as a whole, indicating its position as a hub for restaurants and nightlife.

Annual Taxable Sales, 1996 to 2006

- Charlottesville has maintained its share of the sales.
- It is still a magnet for area spending.
- Charlottesville has a larger percentage of its taxable sales in food and drink when compared to Albemarle County and the State of Virginia as a whole, indicating its position as a hub for restaurants and nightlife.

Source: Virginia Department of Taxation; ERA, 2007
Retail Supply
Most shopping center space in the metro area is found in Albemarle County. Public officials and commercial brokers are concerned that Route 29 is becoming “over retailed.”

Discussion

- Development is proposed for several large retail and mixed-use projects, including Ablemarle Place, NorthPointe, Hollymead, and Merchants Walk
- The closest full-service grocery option for Downtown residents is the Food Lion at the Pantops Shopping Center
- The nearby Downtown Mall is a popular eating and drinking destination, with 105,500 SF of numerous restaurants and bars. Another 425,000 SF of retail exists on the Mall, including anchors such as the ice rink and the historic Paramount Theater

Charlottesville MSA
Total Shopping Center Space by County

<table>
<thead>
<tr>
<th>County</th>
<th>GLA (sf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albemarle</td>
<td>2,174,251</td>
</tr>
<tr>
<td>Charlottesville</td>
<td>935,410</td>
</tr>
<tr>
<td>Fluvanna</td>
<td>39,050</td>
</tr>
<tr>
<td>Greene</td>
<td>35,000</td>
</tr>
<tr>
<td>Nelson</td>
<td>42,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,226,211</strong></td>
</tr>
</tbody>
</table>

Source: ESRI Business Analyst; CoStar Property; Economics Research Associates, 2007

Existing Regional Shopping Centers

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Location</th>
<th>GLA (sf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charlottesville Fashion Square</td>
<td>1600 E Rio Rd</td>
<td>Ablemarle County</td>
<td>571,886</td>
</tr>
<tr>
<td>Barracks Road Shopping Center</td>
<td>1117 Emmet St</td>
<td>Charlottesville</td>
<td>482,811</td>
</tr>
<tr>
<td>Hollymead Town Center</td>
<td>3284-3296 Seminole Trl</td>
<td>Ablemarle County</td>
<td>305,451</td>
</tr>
<tr>
<td>Rio Hill Shopping Center</td>
<td>1850 Rio Hill Ctr</td>
<td>Ablemarle County</td>
<td>288,000</td>
</tr>
</tbody>
</table>
“Class A” office development has followed the migratory patterns of the regional labor force, with most new commercial growth occurring in Albemarle County. Despite this trend, downtown remains a viable office submarket, attracting creative services firms and professional service providers that value proximity to a concentrated resident base.

Discussion

- There are no comprehensive data sources available for the Charlottesville office market. However, ERA was able to assess the commercial market utilizing a combination of national and local resources. The data utilized includes a sample of properties and is not comprehensive.

- CoStar, a national commercial real estate data provider, includes over 1.38 million SF of office spaces in its database for the Charlottesville and Albemarle County market.

- According to CoStar, most office buildings in the Charlottesville are considered “Class B” properties.

- In new development, CoStar lists two proposed or under construction “Class A” projects in Albemarle County.
  - Peter Jefferson Place VII: A proposed 3-story, 70,000 SF office building being developed by Pavilion Properties.
  - A 8,400 square foot building at 1010 Gardens Boulevard. Rent is listed as $22 per SF.

- The Downtown Charlottesville office market consists mostly of historic buildings with unique floor plans that appeal to specific tenant types, e.g., start-up companies, design firms, and other creative businesses. Downtown’s plentiful dining and entertainment options are a major draw for these firms.

- With improved connections to the Downtown Mall, MJH could be a viable commercial office site.

### City and Albemarle Co. Office Space by Class

- **A** 62%
- **B** 28%
- **C** 10%

#### Peter Jefferson Place
- **Albemarle County**
  - (Pantops area)
- - $18 to 24 per SF

#### 609 East Market Street
- **City of Charlottesville**
  - (Downtown)
- - $13 per SF

#### 123 East Main Street
- **City of Charlottesville**
  - (Downtown)
- - $18 per SF

Source: Costar; ERA, 2007
While the limited amount of new construction in the Downtown Charlottesville submarket has performed well, office vacancy rates are high relative to the regional market, reflecting tenant preference for more modern space in suburban office parks.

- Data collected by local real estate professionals at The Appraisal Group cover a sample of properties within the Charlottesville area, but it may not fully reflect all local office conditions.
- The sample typically includes the same properties—though properties can be removed because they have become predominantly single-tenant or because they are non-responsive to their surveys.
- In their 2007 market report, the Appraisal Group includes 3.7 million square feet of office space. 31% of that space is in the Downtown/UVA area.
- In 2007, Downtown/UVA space had the highest vacancy rate at 11.5%. This marks an improvement from 2006 when submarket vacancy was nearly 16%.
- The Appraisal Group reports that “Class A” space is leasing for up to $25.00 per SF. Meanwhile, office condominium space in the West Main Street corridor sells in the $275 to $285 per SF range.

### Charlottesville Area Historic Vacancy Rates

![Bar chart showing historic vacancy rates from 1999 to 2007](chart1.png)

### Downtown/UVA Historic Vacancy Rates

![Bar chart showing historic vacancy rates from 1999 to 2007](chart2.png)
Rather than locate in commercial office buildings, firms engaged in the research & development business favor large-scale research parks, such as those managed by the UVA Foundation.

**FONTAINE PARK**
- 54-acre campus, adjacent to University & Rte 29 in Albemarle County
- Started in 1994
- Zoned as “Commercial Office”
- 495,000 SF of office; labs; R&D; medical/pharmaceutical; and service retail
- 7 buildings w/ 410,000 SF completed
- Typical building size of 45,000 SF to 75,000 SF
- Remaining program currently under construction

**UVA RESEARCH PARK AT NORTH FORK**
- 562-acre campus, located 8 miles north of downtown, adjacent to airport & Rte 29
- Started in 1994
- Zoned as “Planned Development- Industrial Park”
- 3 million+ SF of office; labs; R&D; medical/pharmaceutical; light industrial; residential; hospitality; and service retail
- 7 buildings w/ 401,000 SF completed
- Typical building size of 25,000 SF to 80,000 SF
- Full build-out in 30+ years
Linkages with UVA and proximity to the Northern Virginia Technology Corridor make Charlottesville an attractive location for developing and marketing new technology. Expansion capacity at UVA North Fork suggests that existing parks are likely to accommodate future R&D space demand.

Discussion

- Connection to university programs is a prerequisite for UVA Foundation park tenants – as is the case for most R&D parks elsewhere in Virginia and nationwide – with most tenants representing the medical and defense sectors (many of which have been priced out of the Northern Virginia marketplace).
- While most R&D campuses tend to follow a low-density, horizontal development model, UVA Foundation engaged Duany Plater-Zyberk to develop a TND-style master plan for the UVA Research Park, including housing geared toward employees of park tenants and an expansive outdoor amenity package.
- UVA Foundation parks offer built-to-suit office and lab space, achieving annual rents ranging from $20 to $26 per SF (full service), or close to twice the asking rate for office space in downtown Charlottesville.
- Some start-up technology firms have chosen to locate downtown because of lower rents and proximity to food and entertainment.
- Land values in higher-density locations make downtown R&D development a non-starter.
- Wet labs and other types of sensitive research facilities are prohibitively expensive to build (up to $1,000 per SF), and almost always require some form of public subsidy (e.g., free land).
- Requires modern utility infrastructure, including state-of-the-art fiber optic lines, and high-capacity water and sewer.

New construction at Fontaine Park

Open space at UVA North Fork campus
Table of Contents

I. Scope of Work
II. Site Overview
III. Demographic & Economic Review
IV. Real Estate Markets Overview
V. Real Estate Demand Analysis
VI. Real Estate Land Use Type Assessment
Several key development assumptions informed the following demand and programming analyses

### Market Assumptions

- Timeframe of the analysis (redevelopment of MJH site starting in 2012) at the latter end of reliable projection period, therefore site potentials should be revisited to take into consideration likely changes to market conditions.
- There will be competition/market momentum from several large-scale, mixed-use projects within close proximity to the site (e.g. Coal Tower, Waterhouse, Water Street parking lot redevelopment, TND projects in Albemarle County, Pantops area commercial development, etc.)
- Multifamily housing is the primary redevelopment opportunity for the MJH site, including adaptive reuse of the original historic hospital building fronting Locust Avenue.
- Office program may include R&D tenants engaged in desk research, but prohibitively expensive construction costs, high land values in the downtown area, and development capacity at UVA-operated research parks indicate limited market support for downtown laboratory space.
- A combination of limited new demand drivers and near-term competitive supply in the downtown development pipeline rule out potential for a joint hotel-conference facility.

### Physical Program & Land Use Assumptions

- Primary focus is on the opportunity for the MJH site, but only within the context of a broader redevelopment plan that integrates adjacent parcels and surrounding neighborhood and enhances connection to Downtown Mall.
- Homes lining Locust Avenue renovated during comprehensive site redevelopment and sold as individual residences.
- No major design or cost constraints impeding adaptive reuse of existing hospital core structure.
- Non-anchor retail and personal services, located at the base of mixed-use buildings, line High Street and Lexington Avenue commercial corridors.
- Demand projections consider a “what if?” redevelopment scenario – consolidated parcels, implementation of downtown transit corridor connection, and historic preservation restrictions concerning houses.
- Preservation of the older houses may require a density shift within the MJH site to achieve by-right densities.
Multifamily Residential Demand Model

To estimate residential demand, total households are filtered by several criteria to identify target households, which are then refined by location and product preference capture rates.

1. Total Households
   - Total Households derived from new households moving to region and annual turnover of existing residents

2. Household Characteristics Filters
   - Total Households filtered by select criteria to determine total annual target households

3. Market & Product Refinement
   - Estimated annual project demand estimated based on a submarket capture rate, propensity for new construction, and project capture rates.
**Annual Target Demand – For-Sale Units**

Total households, new and from turnover, are filtered by demographic and lifestyle characteristics to derive annual target households for “downtown” residential product.

<table>
<thead>
<tr>
<th></th>
<th>Existing Charlottesville &amp; Albemarle County Households</th>
<th>In-Migrating Households (Regional &amp; National)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Households</td>
<td>53,954</td>
<td>5,002</td>
</tr>
<tr>
<td>% Living in Traditional Housing</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>% Own Home</td>
<td>61%</td>
<td>69%</td>
</tr>
<tr>
<td>% Move to/within C'ville or Albemarle</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Propensity for Neighborhood/Location</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>Propensity for Multifamily Product</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Plus: Renter Conversions</strong></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Total Annual Demand (new &amp; existing units)</td>
<td>77</td>
<td>105</td>
</tr>
</tbody>
</table>

**Source:** IRS Statistics of Income; US Census Bureau; ESRI Business Analyst; Charlottesville Area Association of Realtors; ERA, 2007

**ERA No:** 17463 – Martha Jefferson Hospital Site Demand Analysis
**Annual Target Demand – Rental Units**

Total households, new and from turnover, are filtered by demographic and lifestyle characteristics to derive annual target households for “downtown” residential product.

<table>
<thead>
<tr>
<th></th>
<th>Existing Charlottesville &amp; Albemarle County Households</th>
<th>In-Migrating Households (Regional &amp; National)</th>
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</thead>
<tbody>
<tr>
<td>Total Households</td>
<td>53,954</td>
<td>5,002</td>
</tr>
<tr>
<td>% Living in Traditional Housing</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td></td>
<td>51,701</td>
<td>4,816</td>
</tr>
<tr>
<td>% Rent Home</td>
<td>39%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>20,394</td>
<td>1,525</td>
</tr>
<tr>
<td>% Move to/within C'ville or Albemarle</td>
<td>12%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>2,442</td>
<td>1,525</td>
</tr>
<tr>
<td>Propensity for Neighborhood/Location</td>
<td>63%</td>
<td>64%</td>
</tr>
<tr>
<td></td>
<td>1,530</td>
<td>971</td>
</tr>
<tr>
<td>Propensity for Multifamily Product</td>
<td>66%</td>
<td>62%</td>
</tr>
<tr>
<td></td>
<td>1,011</td>
<td>602</td>
</tr>
<tr>
<td>Less: Renter Conversions</td>
<td>58</td>
<td>13</td>
</tr>
<tr>
<td>Total Annual Demand (new &amp; existing units)</td>
<td>953</td>
<td>589</td>
</tr>
</tbody>
</table>

Annual target demand adjusted to reflect turnover of competitive units in existing supply (assumes 38% turnover of 2,567 units in mod- to – high density bldgs).

*Source: IRS Statistics of Income; US Census Bureau; ESRI Business Analyst; Charlottesville Area Association of Realtors; ERA, 2007*
Multifamily Residential Demand Profile – Charlottesville & Albemarle County

Providing a mix of rental and ownership opportunities at the MJH site will accelerate absorption of a high-density residential program by capturing demand from diverse consumer market segments.

**Geographic Source Markets**
- In-Migration 58%
- C'ville Area 42%

**Lifestyle Segmentation**
- University-Related 7%
- Families w/ Kids 13%
- Empty Nesters/Retirees 20%
- Young Singles & Couples 60%

**Income Served (2007 AMI = $66.8k)**
- > Area Median Income 49%
- <= Area Median Income 51%

**Geographic Source Markets**
- In-Migration 38%
- C'ville Area 62%

**Lifestyle Segmentation**
- University-Related 29%
- Families w/Kids 16%
- Empty Nesters/Retirees 10%
- Young Singles & Couples 45%

**Income Served (2007 AMI = $66.8k)**
- > Area Median Income 30%
- <= Area Median Income 70%
Annual Absorption Potential
Assuming a diverse product mix that appeals to a broad range of household types at a range of price points, the MJH site could potentially absorb 108 - 130 housing units annually.

The total target market (demand for multifamily housing in C’ville & Albemarle County) is refined by the projected annual capture rate of the MJH site.

The MJH site could capture a percentage of the overall market, estimated at 30 – 35% of for-sale demand and 10 – 12% of rental demand, based on its competitive position and supply.

The project could also capture a potential investor/second home market estimate at 10% of total demand for for-sale units.

Target Market Unit Demand
182 units (MF For-Sale)
597 units (MF Rental)

Site Capture
30 - 35% (MF For-Sale)
8 – 10% (MF Rental)

Potential Investor
10%
(For-Sale Only)

Estimated Annual MJH Site Demand
60 - 70 units (For-Sale)
48 – 60 units (Rental)
Retail Demand – Consumer Trade Areas
Support for retail at the Martha Jefferson site will come from on-site residents and employees, as well as existing residents living within an approximate 10-min drive of the site.

Retail Trade Areas

- Trade areas are determined by a store or shopping center’s ability to attract customers from varying distances, and are also influenced by competitive businesses vying for the same customers. Depending on the type of merchandise or service provided, two stores located adjacent to each other can have very different trade areas.

- ERA drew 3 different trade areas:
  - Local Residents: This trade area encompasses the immediate neighborhood and those within walking distance to the site. Because of the convenience of the site to these customers, it can expect the greatest support from these customers.
  - Trade Area 1: This is an area approximating a 3-minute drive and is drawn with consideration of existing competitive shopping locations (Rt. 29 and Pantops) as well as psychological and geographic barriers. The majority of the site’s sales will come from these customers’ expenditures.
  - Trade Area 2: A 10-minute drive. The site will receive the least amount of customers from this trade area.
Primary and Secondary Retail Market Detail

- Though the population of the area immediately around the subject site is expected to grow, the greatest growth on a percentage basis is expected to occur in the Secondary Trade Area.
- By 2012, the income range with the greatest share of households in the area immediately around the subject site is expected to be $100,000-$149,999. The second highest concentration is expected to be in the $50,000-$74,999 range — which is also the category with the highest share of households in the Primary and Secondary Trade Areas.
- In the immediate area, the $150,000-$199,999 range is expected to grow by 53% between 2007 and 2012. The $100,000-$149,999 range is expected to experience a 48% increase.
- All three areas report high median household incomes, which are expected to grow at a rate approximating historic inflation (3%). The median household incomes, however, do not represent the buying power of the areas as well as the number of households by income range, because of the large percentage of students in the area.

### Trade Area Demographic Profile

#### Population

<table>
<thead>
<tr>
<th>Geography</th>
<th>2007</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Residents</td>
<td>1,369</td>
<td>1,379</td>
</tr>
<tr>
<td>Primary Trade Area</td>
<td>18,034</td>
<td>18,225</td>
</tr>
<tr>
<td>Secondary Trade Area</td>
<td>77,178</td>
<td>80,190</td>
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</table>

#### CAGR Abs Change

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Local Residents</td>
<td>0.1%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Primary Trade Area</td>
<td>0.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Secondary Trade Area</td>
<td>0.8%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

#### Households

<table>
<thead>
<tr>
<th>Geography</th>
<th>2007</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Residents</td>
<td>726</td>
<td>740</td>
</tr>
<tr>
<td>Primary Trade Area</td>
<td>8,287</td>
<td>8,465</td>
</tr>
<tr>
<td>Secondary Trade Area</td>
<td>31,709</td>
<td>33,302</td>
</tr>
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</table>

#### CAGR Abs Change

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Local Residents</td>
<td>0.4%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Primary Trade Area</td>
<td>0.4%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Secondary Trade Area</td>
<td>1.0%</td>
<td>5.0%</td>
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</table>

### Median Household Income

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>Local</td>
<td>$47,692</td>
<td>$55,927</td>
</tr>
<tr>
<td>Primary Trade Area</td>
<td>$38,477</td>
<td>$44,503</td>
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<tr>
<td>Secondary Trade Area</td>
<td>$46,693</td>
<td>$54,299</td>
</tr>
</tbody>
</table>

Source: ESRI Business Analyst; ERA 2007

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ERA No: 17463 – Martha Jefferson Hospital Site Demand Analysis 43
Discussion

- The area immediately surrounding the subject site spends more on average per household than the other two areas. The Primary Trade Area’s lower per-household expenditures is most likely due to the large percentage of students.
- All three areas spend the majority of their retail expenditures—just over 50 percent—in food and drink, both at and away from home.
Capture of Retail Demand

Capture rates are applied to total market expenditures to estimate potential expenditures at the proposed site.

Program 1

Potential Supportable Sales by Market

- Capture rates vary by store type.
- For convenience-related retail—supermarkets, drugstores, and quick service restaurants—geographic proximity is important, and those customers living or working close by will spend a larger percentage of their available retail expenditures on site than will those living further away.
- Full-service restaurants typically have the ability to draw from a larger region because people will travel to go to a quality restaurant. Clusters of eating and drinking establishments act as a draw and anchor—as in the Downtown.
- However, there is also a large amount of competitive full-service establishments nearby and in the region. Attracting patrons to a full-service restaurant at this untested location in the Downtown area would require strong positioning and capitalizing on a concept unique in the market.

<table>
<thead>
<tr>
<th>2012 Subject Site Potential Supportable Sales by Store Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Type</td>
</tr>
<tr>
<td>Supermarket</td>
</tr>
<tr>
<td>Drug Store</td>
</tr>
<tr>
<td>Full-Service Restaurant</td>
</tr>
<tr>
<td>Limited-Service Restaurant</td>
</tr>
</tbody>
</table>

Discussion

- 2012 expenditures are based upon 2007 per household retail expenditures and the expected growth in households.
- Capture rates vary by store type.
- ERA tested two programs. Program 1 assumes that the retail is to be provided primarily as a supplemental use and amenity for other uses on site. Program 2 has a greater potential to capture retail expenditures and assumes that a more substantial retail program can be accommodated.

Program 2

Potential Supportable Sales by Market

- A supermarket/grocery appears to have the greatest potential for capturing sales in both scenarios. The lack of quality options within the Downtown area means that a grocery on the subject site could expect greater support from Downtown residents.
Site Retail Demand
The project site can support 17,000-23,400 square feet in a more limited retail program and 54,700-75,600 square feet in an expanded retail program that includes a full-service grocer.

Discussion
- The main opportunity on the subject site is for a grocery store. The size depends on positioning and the ability to attract a quality tenant with the right kind of space and other necessary amenities (parking, signage). The first program would provide for an “enhanced convenience” store—a neighborhood market that may offer a better selection than a typical convenience store but is not a full-service grocery. The second program would provide for a full-service grocery.
- The amount of supportable square footage is dependant upon the sales productivity of the space.
- The type of retail affects the sales per square foot, but the average ranges are from $350-550. Rent is a function of sales typically 6 - 8% of sales.
- Newly built retail space typically requires higher sales per square foot than older spaces (such as in the Downtown).
- New projects or tenants in the market will influence the supportable SF.
- The SF of retail type does not indicate number of stores; stores size varies. In Neighborhood Shopping Centers across the US, median stores sizes are:
  - Convenience Stores: 1,200
  - Gourmet Grocery: 9,900
  - Supermarkets: range from 25,000-60,000. Median 38,500
  - Drugstores: 10,000
  - Restaurants 3,000 – 6,000+ SF
  - Quick Service food 1,200 – 5,000 SF
  - Coffee: 1,600
Multiple factors will ultimately affect the supportable square feet and success of the retail center over the long-term

Factors Affecting Store Supportable Square Feet

17,100 SF  46,400 SF  75,600 SF

- Well-formed Merchandise Mix
- Incorporation of Other Uses
- Higher Store Productivity

The success and appeal of a retail center is directly linked to its merchandise mix and its function as a destination.

Incorporating other uses and programs may limit retail space, but complement overall project.

The trade areas are capable of spending a certain amount. If more $$ are spent in one store less $$ will be spent elsewhere.

Factors Affecting Store Productivity

Low Sales / SF  High Sales / SF

- Location, Design, & Configuration
- Stores Cater to Market Characteristics
- Type of Store

A store’s size, placement with the center, interior and storefront design are part of total appeal for customers.

Price-points and merchandise should accurately reflect the demographics and lifestyle characteristics of the customers.

Merchandise quality (expensive), quantity (inexpensive), and mark-up, as well as store size, influence retailers’ profitability (Sales / SF).
Commercial Office Demand Model

Charlottesville is the center of an economically diverse region, home to many industry sectors that are the traditional drivers for office space demand.

- As of 2006, approximately 152,000 people worked in the Piedmont Workforce Investment Area.
- Charlottesville, the economic center of the Piedmont WIA, accounts for 25% of the region’s total employment.
- Industry sectors that generate the most office demand, such as Information, Finance, Professional Services, and Health Care, have a greater concentration in Charlottesville than non-office using sectors.
- In order to retain these sectors, Charlottesville requires a more modern inventory of office space to compete with business park developments in Albemarle County.

Source: Virginia Employment Commission, ERA 2007
Future office demand is directly related to employment growth in Charlottesville and the Piedmont Workforce Investment Area, which is expected to add over 20,500 new jobs between 2004 and 2014.

**Fast Growth Sectors**
- Professional, Scientific, and Technical Services
- Health Care and Social Assistance
- Administrative and Support and Waste Management and Remediation
- Other Services (Except Government)
- Management of Companies and Enterprises

**Discussion**
- Fast growth sectors reflect business types already concentrated in Charlottesville, making the city an attractive location for future expansion due to economies of scale through existing services.
- On an absolute basis, education and health care are projected to experience the most significant employment gains. However, not all workers in these sectors require office space to perform their jobs.
- Although public sector employment projections are not available from the Virginia Employment Commission, it is fair to assume some government-based growth due to increased public service demand generated by rapidly increasing population, as well as an expanded presence of National Intelligence operations.

Source: Virginia Employment Commission, ERA 2007

ERA No: 17463 – Martha Jefferson Hospital Site Demand Analysis
Employment Growth and Office Demand
Each industry sector employs persons in office environments; therefore, increased job growth translates into additional demand for office space.

Discussion
- According to the Virginia Employment Commission, over 20,500 new jobs will be created in the Piedmont Workforce Investment Area between 2004 and 2014.
- Approximately 41% of these jobs will require the use of office space. Office using employment varies by sector, from as low as 4% in the Food Service industry, and up to 90% in the Professional, Technical, and Scientific Services.
- The typical amount of office space occupied by a single employee ranges from 200 to 300 SF GBA. This includes building area dedicated to desk space, circulation, lobbies, mechanical rooms and elevators.
- Based on projected office using employment and estimated occupied space per employee, new workers in the Piedmont Workforce Investment Area will require 2.1 million SF of office space.
- While it is anticipated that a small share of this demand will be accommodated by existing vacant office space, most firms will gravitate toward newer buildings with modern floor layouts and services.
Capture of Office Demand
Charlottesville will likely capture 599,000 SF of future Piedmont Workforce Area office demand. The site could have the potential to capture 30-35 percent of this demand.

**Regional Demand = 2.1 million SF**

**Piedmont Workforce Area**

**Charlottesville**

**Martha Jefferson Site**

Charlottesville Share of office growth, based on the City of Charlottesville’s current share of total employment in the Piedmont Workforce Area (~25%)

Because of the site’s downtown location, it could expect to capture between 25% and 30% of Charlottesville’s total demand in the next 7 years.

**Estimated MJH Site Capture**

**175,000-205,000 SF**

<table>
<thead>
<tr>
<th>2011-2014</th>
<th>2014 &gt;</th>
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<tbody>
<tr>
<td>53k to 62k SF (1st phase)</td>
<td>122k to 143k SF (multiple phases)</td>
</tr>
</tbody>
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I. Scope of Work
II. Site Overview
III. Demographic & Economic Review
IV. Real Estate Markets Overview
V. Real Estate Demand Analysis
VI. Real Estate Land Use Type Assessment
## Land Use Screening: Residential

<table>
<thead>
<tr>
<th>Factor</th>
<th>Discussion</th>
</tr>
</thead>
</table>
| **Demand Drivers/ Market Conditions** | ◢ Charlottesville, with its university-related amenities and a lower cost of living relative to other east coast markets, should enjoy a quick recovery from the recent downturn in national and regional housing markets. However, buyers and sellers will approach the market more cautiously than during the recent “boom years” – expect more moderate home value appreciation and slightly lower annual sales volumes.  
 ◢ A large student population keeps vacancy rates low and rents stable. Recent condo conversions have added further pressure to an already tight market, but many of these units are returning to the rental inventory as investors rent out units.  
 ◢ An aging population seeking a more walkable urban lifestyle is expected to be a major source of housing demand  
 ◢ While downtown is best suited for mixed-use, high-density development, “in town” projects will compete with TND-style developments in suburban Albemarle County |
| **Economic Development Opportunities** | ◢ In recent years, both owning and renting in the Charlottesville area has become increasingly expensive for long-time residents. More moderately priced housing opportunities at the MJH site, and elsewhere in Charlottesville, will allow the city to retain more of its service-oriented workforce and maintain its reputation as an affordable town with “big city” amenities. |
| **Market Opportunities & Constraints** | ◢ Housing of various tenures, densities, target consumer segments, and price points represent the primary market-based redevelopment opportunities for the MJH site  
 ◢ Rental and for-sale townhouses can serve as a transition from the historic single family homes on Locust Avenue, to more moderate- and high-density development along High Street and Lexington Avenue  
 ◢ Mix of moderately-priced (absolute price of <$350k) and higher-end ($425+ PSF) condominium units - including equity-based senior housing – should be built closer to High Street in mixed-use buildings containing ground floor retail and services  
 ◢ While rental market is strong, current rents only support new multifamily construction near UVA campus |
| **Physical & Locational Characteristics** | ◢ The MJH site is perfectly situated at the easternmost end of the Downtown Mall, adjacent to an established residential neighborhood. Pedestrian and transit linkages to downtown and UVA will enhance the site’s marketability by improving access to entertainment and dining options.  
 ◢ Adjacency to a low-density residential neighborhood dictates the need for a well-designed redevelopment program of a scale that respects surrounding land uses by incorporating appropriate density transitions and building heights. |
| **Neighborhood Identity/ Community Goals** | ◢ Historic homes on Locust Avenue can be retained without severe negative impact to redevelopment economics; however, other redevelopment of homes on the site should strongly be considered by the City to realize demographic & long-term goals outlined in the 2007 Comprehensive Plan  
 ◢ Opportunity to collaborate with local Charlottesville organizations (e.g., Jefferson Area Board for Aging) interested in the MJH site |
| **Martha Jefferson Hospital Goals**    | ◢ Owner-occupied housing presents opportunity for outright land disposition, whereas rental housing can be developed under a ground lease agreement, providing an annual revenue source for MJH Foundation  
 ◢ Senior-oriented and/or workforce housing will generate goodwill in the community by serving the needs of existing residents |
## Land Use Screening: Hotel/Conference Facility

<table>
<thead>
<tr>
<th>Factor</th>
<th>Discussion</th>
</tr>
</thead>
</table>
| **Demand Drivers/Market Conditions** | ➢ Charlottesville area visitation is primarily driven by UVA-related activities, personal trips to visit friends and family, and leisure trips to the Blue Ridge Mountains and local historic sites  
➤ Operating performance at full-service properties has steadily improved since 2001, with YTD (as of Q3 2007) occupancy reaching 73% and average daily rates of $125  
➤ Near-term room night demand growth suggests that proposed hotels in the Charlottesville development pipeline will be sufficient to accommodate future hospitality needs  
➤ UVA is the primary driver for meeting and event space – ballroom expansion currently underway at Boar’s Head Inn will adequately serve the market |
| **Economic Development Opportunities** | ➢ If local officials prioritize the development of the meeting and convention industry, the MJH site would be an ideal location for a joint hotel/conference facility, with meeting and event visitors generating business for dining and entertainment establishments on the Downtown Mall. |
| **Market Opportunities & Constraints** | ➢ Limited near-term opportunity for a privately financed hotel/conference facility at the MJH site. Whereas a publicly financed facility would negatively impact operating performance at existing area hotels.  
➤ Redevelopment of the MJH site with commercial office as the primary land use could potentially support a small limited-service hotel once the office program has been fully built out. This assumes that the firms occupying space at the redeveloped site generate business outside the Charlottesville area. |
| **Physical & Locational Characteristics** | ➢ Proximity to dining and entertainment options on the Downtown Mall appeals to both business and leisure travelers  
➤ Current zoning does not allow for a full-service hotel, only bed and breakfast-style accommodations |
| **Neighborhood Identity/Community Goals** | ➢ Inconsistent with vision presented in MJH Neighborhood Plan and the 2007 Comprehensive Plan  
➤ While CVB promotes downtown Charlottesville, the bureau’s objective is to promote tourism throughout the region – limited marketing dollars need to be spent wisely |
| **Martha Jefferson Hospital Goals** | ➢ If a hotel is developed on-site, a ground lease tied to performance of the property is the greatest opportunity for MJH to capture potential value |
## Land Use Screening: Retail

<table>
<thead>
<tr>
<th>Factor</th>
<th>Discussion</th>
</tr>
</thead>
</table>
| **Demand Drivers/Market Conditions** | ➢ A rapidly growing downtown population demands better access to day-to-day goods and services, particularly grocery stores and other convenience establishments  
➢ Entertainment activities and numerous bars and restaurants attract heavy foot traffic to the Downtown Mall – improved pedestrian access and an appropriate tenant mix would enhance the MJH site’s ability to capture a small share of this market’s retail expenditure  
➢ Market competition is concentrated in Albemarle County, where retail offerings are expected to increase substantially in coming years as the Pantops and Route 29 corridor are built-out |
| **Economic Development Opportunities** | ➢ An expanded retail program at the MJH site will allow the City of Charlottesville to recapture retail spending dollars leaking to competitive shopping districts in Albemarle County. |
| **Market Opportunities & Constraints** | ➢ Primary opportunity is for convenience retail serving on-site and neighborhood residents, including those living in the MJH neighborhood and downtown. An office-oriented program at the MJH site would support a greater concentration of limited-service food operators than a redevelopment plan primarily focused on housing  
➢ MJH property west of Lexington Avenue, between Market Street and High Street, is an ideal location for either a neighborhood food market (e.g., Trader Joe’s) or a full-service grocery  
➢ Retail and personal services should be integrated on the ground floor of mixed-use buildings lining High Street, and to a lesser extent, Lexington Avenue. An attractive streetscape, appropriate signage, and ample sidewalk space for circulation and outdoor seating will further enhance a mixed-use retail program.  
➢ Due to market competition and site constraints, opportunity for comparison shopping is limited  
➢ Full-service supermarket not allowed under current zoning of MJH property – a limitation that should be relatively easy to overcome |
| **Physical & Locational Characteristics** | ➢ MJH site benefits from a densely populated retail trade area that includes much of the new multifamily development occurring in and around the Downtown Mall  
➢ While parking requirements may limit the overall site’s retail development potential, the sloping topography of the MJH site – especially the area between Market Street and High Street – presents an opportunity for the construction of two-floor parking decks that can also provide a platform for other vertical development. |
| **Neighborhood Identity/Community Goals** | ➢ Community expressed desire for full-service grocery store, coffee shops, and other food service providers on Market and High Streets in the 2006 Martha Jefferson Neighborhood Plan |
| **Martha Jefferson Hospital Goals** | ➢ Revenue potential from ground lease or land sale will be determined by disposition strategy for residential uses in mixed-use buildings  
➢ National supermarket chains often prefer to build and own their stores, presenting an opportunity for an outright land sale |
# Land Use Screening: Office

<table>
<thead>
<tr>
<th>Factor</th>
<th>Discussion</th>
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</table>
| **Demand Drivers/Market Conditions** | - Projected job growth indicates future expansion in office-using industries, such as the professional services and healthcare sectors  
- Office supply in downtown Charlottesville is predominantly concentrated in older buildings located on blocks surrounding the pedestrian mall. Affordable rents, in the $13 to $20 per SF range, attract small professional services firms and start-up internet technology companies.  
- Office condominiums – selling in the $275 to $300 per SF range – would appeal to small firms seeking real estate equity and opportunities to invest in the City of Charlottesville  
- Larger firms capable of paying higher rents have been lured to Albemarle County by more modern “Class A” office space. Medical office users have followed suit, due in large part to Martha Jefferson’s relocation to the Pantops area. |
| **Economic Development Opportunities** | - Developing a significant office program at the MJH site presents a major opportunity for the City of Charlottesville to stimulate job growth and compete with Albemarle County for existing and new business expansion. A redevelopment strategy that focuses on economic development may come at the expense of real estate development economics, as lower office rents may be required in the near term to lure firms to the site. |
| **Market Opportunities & Constraints** | - Alternative approaches to on-site office development include: a large-scale commercial office program comprising around 200,000 SF (maximizes economic development potential); a smaller office condominium program offering 15,000 to 20,000 SF of space marketed to small professional services firms, such as lawyers, financial advisors, accountants, graphic design, etc.  
- In the first alternative, speculative and/or built-to-suit office is the leading land use in the site redevelopment plan. A scaled back residential program serves as a buffer between MJH neighborhood to the east of the site, and higher-density development closer to High Street and Lexington Avenue. Retail is incorporated on the ground floor of mixed-use office buildings, focusing on a mix of quick service food operators and personal services catering to on-site employees. Assuming limited design and cost constraints, the core structure of the existing hospital building could be preserved for adaptive reuse.  
- In the second alternative, residential is the leading land use in the site redevelopment plan. Office condominium space can be provided in a multiple formats, including: a traditional multi-floor office building; townhome-style live/work units; and on the ground floor of mixed-use residential condo buildings. |
| **Physical & Locational Characteristics** | - Office workers value proximity to the many restaurants located on the Downtown Mall  
- Integrating a significant concentration of commercial office into a primarily residential neighborhood will require an appropriate transition in terms of density and land use at the MJH site. |
| **Neighborhood Identity/Community Goals** | - Office use consistent with land use shown in 2007 Comprehensive Plan for the Martha Jefferson neighborhood  
- Retaining and adding new jobs is a primary objective for the City of Charlottesville Office of Economic Development |
| **Martha Jefferson Hospital Goals** | - Opportunity for both ground lease and outright land sale |
## Land Use Screening: Research & Development

<table>
<thead>
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<th>Factor</th>
<th>Discussion</th>
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</table>
| **Demand Drivers/ Market Conditions** | ➢ While linkages with UVA have allowed the Charlottesville area to attract tech firms relocating from Northern Virginia and generate its own share of start-ups, the local high-tech sector remains relatively small – there are an estimated 11,700 tech jobs in Charlottesville area, as compared to over 283,000 in Northern Virginia  
➢ Office and lab space in UVA Foundation research parks command annual rents in the $20 to $26 per SF range, well above asking rents for outmoded office space in downtown Charlottesville  
➢ UVA Foundation research parks have sufficient development capacity to accommodate both near and long term R&D demand |
| **Economic Development Opportunities** | ➢ On average, high-tech firms in the Charlottesville area pay average annual wages of nearly $65,000, or two-thirds higher than the average wage of $39,000 for all industry sectors. Attracting R&D firms to the City of Charlottesville will not only generate high-paying jobs, but also a range support positions for area residents at all skill levels. |
| **Market Opportunities & Constraints** | ➢ Some start-up technology firms have chosen to locate downtown because of lower rents and proximity to food and entertainment – these firms also seek out lower rents in the (<$15 per SF)  
➢ Land values in higher-density locations make downtown R&D development difficult – most research parks follow a more horizontal development model  
➢ R&D firms able to afford higher rents benefit from economies of scale and collaborative opportunities at UVA Foundation research parks  
➢ Wet labs and other types of sensitive research facilities are prohibitively expensive to build (up to $1,000 per SF, as compared to $160 per SF for conventional office space), and almost always require some form of public subsidy (e.g., free land)  
➢ Office program may include R&D tenants engaged in desk research, but prohibitively expensive construction costs, high land values in the downtown area, and development capacity at UVA-operated research parks indicate limited market support for downtown laboratory space |
| **Physical & Locational Characteristics** | ➢ Currently unknown whether MJH site has sufficient access to required utility infrastructure, including state-of-the-art fiber optic lines, and high-capacity water and sewer  
➢ While Duany Plater-Zyberk designed UVA North Fork as a "ground up" mixed-use research park, the MJH site benefits from proximity to an existing mix of retail and residential uses |
| **Neighborhood Identity/ Community Goals** | ➢ Inconsistent with vision presented in MJH Neighborhood Plan and the 2007 Comprehensive Plan  
➢ Diverts tech investment from established UVA foundation research parks |
| **Martha Jefferson Hospital Goals** | ➢ Limited opportunity for redevelopment value capture, as R&D facilities tend to be heavily subsidized by universities and other partner organizations  
➢ The only potential buyer/ground lessee, the UVA Foundation, has sufficient land at the North Fork research park to accommodate future development |