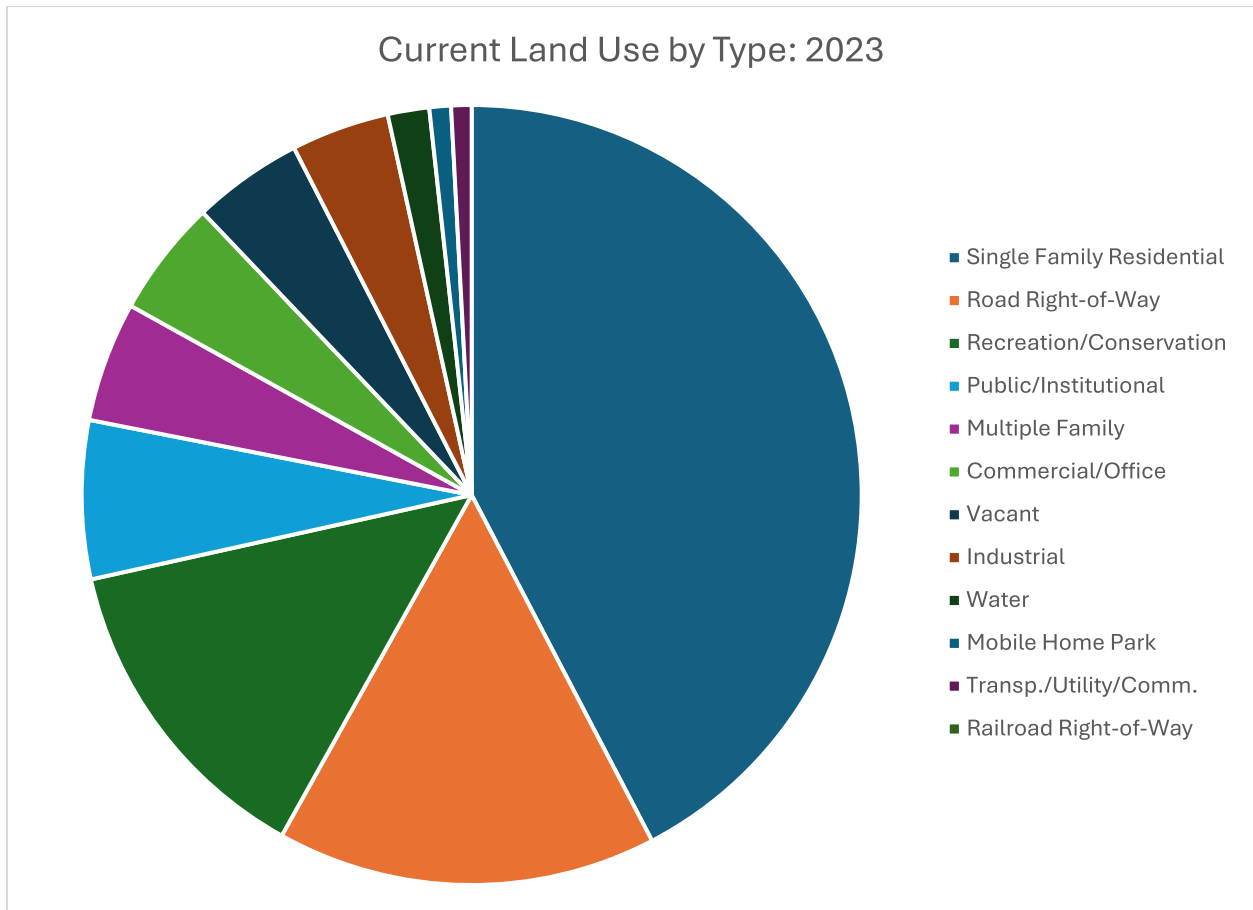


# Master Plan Market Study Summary

## Impact of Land Use on the Local Economy in Rochester Hills

Residential development (building homes of all types) is often the biggest factor in how land is used in a community. It can change the area over time. In Rochester Hills, the predominant land use type is single family residential, comprising 42% of the land area in the city. Roads serving these residential areas and through traffic comprise nearly 16% of the city's land area. The third highest category of land use is recreation and conservation, with 13% of the city's land area so designated.



### Factors Affecting Development

Many things can influence the type of development that occurs, both inside and outside a community. These include:

- **External Factors:** Things happening everywhere, like changes in the economy or technology.
- **Internal Factors:** Things that are specific to Oakland County and Rochester Hills, like local laws or the availability of land, as well as growth in neighboring communities.

It's important to look at what the market has been doing and will likely do in the future. Communities are always changing, and change can create new opportunities.

## Research and Analysis

The Chesapeake Group conducted research for this report, including:

- Studying building permits for new homes
- Looking at how the housing market is doing now and anticipating the future
- Understanding the needs of people living in the area
- Analyzing the current situation for businesses and services

The opportunities included in this report are based on what people want and need, not on how much land is available or what the zoning rules are. Rochester Hills might be able to have more or fewer homes and businesses than this report suggests.

## Over 1,500 New Households Forecasted for Rochester Hills

The number of households in the City of Rochester Hills is projected to grow between 1,500 and 2,500 over the next ten years. This estimate is consistent with SEMCOG community forecasts for population and household growth in the city.

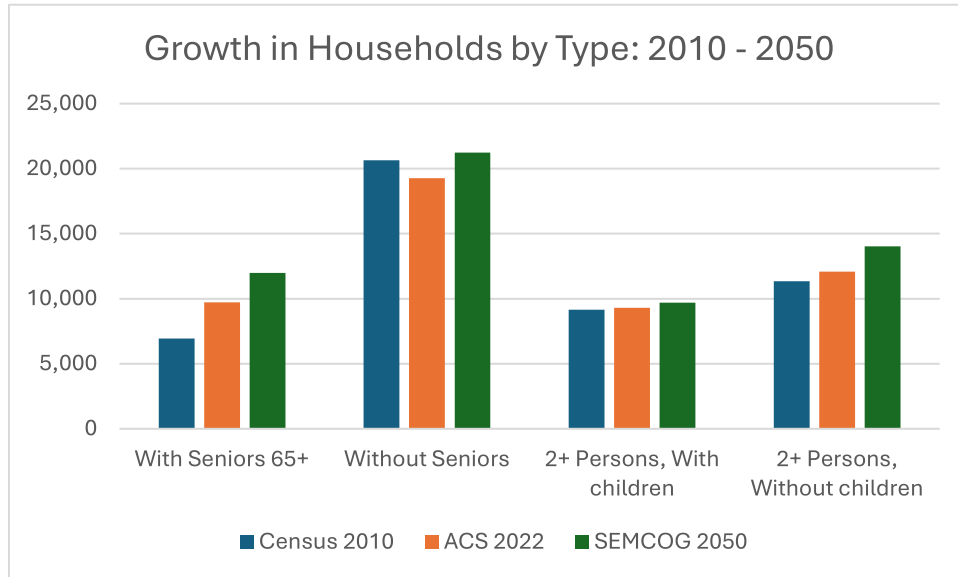
A significant focus will be on creating smaller units to meet the changing needs of current residents and new internally generated households.

This forecast is based on the following:

- **Historical permit patterns and market share.** Rochester Hills makes up approximately 6% of Oakland County's overall population. Consistent with that, residential building permits in the city have been nearly 6% of the County's total for the past twenty years.
  - In both Oakland County and the City of Rochester Hills, the percentage of single-family (around 80-85%) to multi-family housing permits (around 15-20%) has also been fairly consistent.
- **Likelihood of moving.** The survey conducted as part of the market study shows:
  - The City has a high length of tenure for residents: about 46% of households have lived in their homes for over twenty years. About 20% have lived in their homes for four years or less.
  - 25% of respondent households will move from their homes in the next five years.
  - An additional one-fourth (28%) indicated they may move in the next five years.
  - About one-half of all households will likely relocate or consider relocating in the near future.
  - About one half of those who are likely to move or may move feel the move will be outside of the Rochester Hills area.
- **Internally generated new households.** There are generally three market generators for new housing in jurisdictions like Rochester Hills. These are internal movements of current residents to different homes, the internal generation of new households that results from the independence of youth raised by current residents or changes in household structure through divorce or other factors, and external movement or relocation of households from other communities.

- About 10% of the current households have one person who will create a new household in the next five to six years. About 5% have more than one person who will generate demand for additional housing.
- About 15% of Rochester Hills households may spin off an additional household in the next few to ten years.
- **Income levels and affordability of the new housing.** Rochester Hills is an affluent community, with 22% of the households having a median household income of \$200,000 or more.
  - The average household income of respondents was \$155,957. The average is typically higher than the median and a better predictor of spending.
  - At the other end of the income spectrum, 20% of households have an annual household income below \$50,000.
  - **Younger households are impacted by housing affordability and availability.** Younger households, especially those where the primary income earner is relatively new to the workforce, often have lower average incomes. The gap between younger household incomes and homes that are affordable is widening. This could mean that new households created from existing households (children growing into adults) may have to look elsewhere for homes.
  - **Older households impact and are impacted by housing affordability and availability.** Aging in place often means modification to homes that comes with costs. Additionally, if many homeowners choose to remain in their homes, there may be fewer homes available for sale or rent, which can drive up home prices. Aging residents who wish to downsize to smaller homes may need to relocate to areas with lower costs of living or more amenities suited to their needs. This can lead to increased demand for smaller housing units and potentially decrease demand for larger family homes.
- **The desire for smaller housing units.** The survey shows the following:
  - Two-thirds of those who will or may move and will stay local will seek smaller homes than those currently occupied – and would like a primary bedroom on the first floor.
  - About 21% seek two bedrooms, while nearly 40% would like more than two bedrooms.

**Age composition of households.** The residents of Rochester Hills are aging. Between 2010 and 2022, the number of households with seniors over age 65 increased 40%, while those without seniors decreased 6.7%. The number of two-person households with children increased 1.7%, while two person households without children increased by 6.4%. With the number of households projected to continue growing, those aging households and those without children will continue to grow into 2050.



- **The desire for walkability.** As has been heard throughout the planning process to date, the residents of the City of Rochester Hills would like the city to be more walkable. This is consistent with a National Association of Realtors report in 2023 that noted nearly 80% of the people they surveyed say that being within an easy walk of shops and parks is very/somewhat important.
- **Competitive positioning.** Rochester Hills is a desirable community for its schools, parks, and overall high quality of life. To keep existing residents – younger and older – means ensuring housing is available for these future households.
  - Between 340 and 500 units of the anticipated needed housing would be one-bedroom, creating opportunities for start-up households, small Gen Y, Gen Z, Gen Alpha, and senior households. These units could be detached units ranging in scale from 800 to 1,100 square feet or attached units.
  - Other units would be primarily two bedrooms with 1,200 and 1,400 square feet of space. At least one bedroom should be on the first floor or accessible without the use of stairs.

### Potential for 485,000 Square Feet of Retail Goods and Related Services Space

Anticipated growth in households over the next ten years brings with it demand for retail goods and related services spaces. This may be filled by currently vacant space and infill space. Rochester Hills market-generated sales are expected to grow by 2034 by \$1.58 billion from \$6.04 billion in 2024. Corresponding supportable space will grow from 18.9 million square feet by about 485,000 square feet to 19.4 million square feet in 2034.

- Rochester Hills residents alone currently support about 1.9 million square feet of food and beverage space in all locations, including those outside of Rochester Hills.

- Rochester Hills residents will support an additional 50,000 square feet of food and beverage space in the next ten years.
- Rochester Hills resident demand is sufficient to fill vacant spaces and support additional commercial space.
- This growth is not related to a growth in consumer incomes.

Projected growth falls into the following categories:

Category	2024	2034	Avg Change 2024-34	Avg Change in feet 2024-2034
Eat/Drink	\$817,611,000	\$838,945,000	\$213,338,000	50,710
General Merchandise	\$771,115,000	\$791,235,000	\$201,206,000	119,221
Food	\$598,414,000	\$774,506,000	\$196,952,000	31,279
Transportation	\$604,453,000	\$620,224,000	\$157,719,000	51,606
Drugstore	\$561,579,000	\$576,232,000	\$146,532,000	14,342
Vehicle Service	\$496,967,000	\$509,935,000	\$129,673,000	31,517
Hardware	\$535,614,000	\$487,629,000	\$124,001,000	50,449
Apparel	\$471,606,000	\$482,052,000	\$122,583,000	33,955
Furniture	\$341,778,000	\$254,038,000	\$64,600,000	14,844
Miscellaneous <sup>1</sup>	\$839,350,000	\$861,251,000	\$219,011,000	87,319
<b>TOTAL</b>	<b>\$6,038,487,000</b>	<b>\$6,196,047,000</b>	<b>\$1,575,616,000</b>	<b>485,242</b>

## Identifying Growth Opportunities for Office Space

Understanding key trends, consumer and employer demand, and economic development opportunities is essential for long-range planning. By anticipating future needs, the city can make informed decisions that foster growth, create jobs, and improve overall quality of life. Accelerated by the COVID pandemic, the office market is evolving. Even with remote work becoming more common, Rochester Hills has a growing demand for office space to accommodate its expanding population and service needs. By understanding these trends and opportunities, the community can position itself for successful growth.

### Key Trends:

- **Hybrid Work:** The popularity of working remotely or a mix of in-office and remote work is changing office space needs.
- **Shorter Leases:** Tenants are seeking flexibility with shorter lease terms.
- **Outdated Buildings:** Many existing office buildings are not well-suited for modern workstyles.
- **Space Reduction:** Companies are requiring less square footage per employee due to factors like virtual meetings and digitalization.
- **Landlord Challenges:** Landlords face difficulties in justifying the cost of renovations when rental rates may not cover the investment.

<sup>1</sup> Miscellaneous includes things like personal services, bookstores, bowling, tobacco dealer, medical labs, florists/nurseries, laundry/dry cleaning, optical shops, printing, paper products, gifts/card/novelties, etc.

## Consumer/Employer Demand

- **Population Growth:** Increasing households in Rochester Hills are driving demand for office space.
- **Employment Opportunities:** New residents need local services and employment, which requires office space.
- **Projected Demand:** Approximately 300,000 square feet of office space is expected to be marketable in the next decade. This number includes “work from home” and shared workspaces as home-based offices will continue to be a significant source of new office space.
- **New Spaces:** This increased demand could lead to both filling vacant spaces and constructing new buildings.

## Economic Development Opportunities for Rochester Hills

- **Market Penetration:** This means attracting a larger share of the businesses that are looking for office space to Rochester Hills.
- **Synergy:** This means creating a situation where businesses can help each other – or bringing together businesses that complement each other, like a coffee shop and a co-working space.
- **Niches and Clusters:** This means creating specialized areas for specific types of businesses. For example, you could develop a tech hub where many tech companies are located, or a medical district where healthcare providers are concentrated.
- **Mixed-Use Development:** This means combining different types of uses in one building or area. This could include office space for businesses and working professionals, along with residential units and/or retail or other space.

## Continuing Demand for Industrial/Flex Space

Rochester Hills is known for its quality office and industrial-related development. It is home to both national and regional corporate interests. A few of those include:

- FANUC America is an automation and robotics company, providing manufacturers with robotics, CNC systems and factory automation solutions.
- Corporate Dining Concepts.
- Weathershield (Corporate Office).
- Brixmor
- SLPT Automotive provides advanced powertrain system solutions.

The City of Rochester Hills obtained the following office space information from CoStar Realty Information, Inc., for 2024.

- 2.1 million square feet exist.
- No new space is under construction.

- About 70,000 square feet was rented/leased this past year.
- The vacancy rate is 8.1%.
- The asking price for rent is \$22.52 per square foot.

The local, regional, and national multi-tenant office markets have undergone significant changes, resulting in increased vacancy rates. Hybrid work arrangements and other factors are likely to persist, making new investments in multi-tenant office space less appealing. New office space in new developments is primarily expected for medical or healthcare uses, such as outpatient centers and rehabilitation facilities. Expansion of medical space depends largely on the policies of major institutions.

The flex-space market in Rochester Hills is currently the most robust. Often used for industrial, warehousing, and office activities, this market is anticipated to remain strong for the next five to ten years.

The City of Rochester Hills obtained the following industrial and flex space information from CoStar Realty Information, Inc., for 2024.

- There is roughly 8.3 million square feet of space.
- The vacancy rate is very low, at about 2.7 %.
- The average asking price rent is \$9.79 per square foot
- There are about 277 buildings in the inventory.