

Sent via e-mail

May 4, 2021

Mr. Blake Phelps
Economic Development Coordinator
City of Gulf Shores
PO Box 299
203 Clubhouse Drive, Suite B
Gulf Shores, AL 36542

2873.00

CC: Lee Jones

SUBJECT: Market Analysis for the City of Gulf Shores, AL

Blake and Lee,

It was great speaking with you about your cities interest in understanding the market potential for future development of various land uses through the City and within targeted development areas, such as the Medical Village.

As we understand it, your team would like to understand the market support for various land uses, as well as the likely development intensities of these uses, to aid in future land planning and zoning considerations within the community. Land uses to be examined include for-sale residential attached and detached, rental residential (to include senior housing), retail, office (to include medical office), and hospitality. Understanding demand and pricing metrics for these uses at a citywide level will be important to understand/plan for future growth, and additionally we will break these down into various market/planning areas within the city (with your help) to further understand micro trends and product type considerations.

Key Questions and Objectives

To the aforementioned opportunity, we believe there are four main questions that our market analysis efforts will need to answer; questions that will truly help define development opportunities for this effort and questions that will guide our efforts in assisting your team in this plan. These questions include:

Who are the market audiences fueling growth and demand in the area for these real estate products and how can future development best respond to their affordabilities, lifestyles, and expectations?

What is the depth of the market and demand potential for targeted uses in the greater competitive area (citywide) and at identified market/planning nodes?



What product types and market position best responds to market demand in light of existing and planned supply by land use?

What key economic development policies or strategies can be created to further potential market success that is in-line with the community desires?

Our objective in undertaking this engagement will be to understand the market audiences fueling demand for targeted residential and commercial products in the area--understanding their depth, preferences, and current options in the market--and identifying the types of future development that best responds to both market demand and competitive supply. The results of our efforts will be a series of recommendations that address:

- Overall level of opportunity within the community and within each targeted market/planning node;
- Mix of land uses by product type;
- Targeted market audiences for each land use type and key “selling” factors to each;
- Targeted positioning of the product types and key components in the market;
- Achievable sale prices, lease rates, rental rates, and ADRs by product type; and
- Key development parameters that can help maximize opportunities for success while minimizing potential pitfalls, such including:
 - Understanding supportable land values;
 - Major density thresholds based on construction types and land basis; and
 - Potential opportunities for mixed-uses and/or shared parking scenarios

Our key research, conclusions and recommendations will be provided to you in a package that is highly visual in nature and well-targeted for internal decision-making and third-party use.

Scope of Work

The following summarizes the scope of work we will undertake to complete these objectives.

1. Project Inception

In this initial portion of the engagement, we will meet with you and your team to:

- Confirm our goals and understanding of our objectives;
- Identify the target market/planning nodes for greater demand synthesis;
- Confirm timelines of both our efforts and existing developments occurring within the community; and
- Identify other key issues that are relevant to our research and analysis process.

We will then visit the community and place it in the physical context of the market, understanding how areas within it relate to demand sources and competitive supply, and assessing the strengths and challenges of various areas for the land uses being examined.

2. Answering the Major Questions

The bulk of our research and analysis efforts will be spent answering the four key questions identified.

Who are the market audiences fueling growth and demand in the area for these real estate products and how can future development best respond to their affordabilities, lifestyles, and expectations?

We always begin with understanding the market audiences driving demand for the key targeted land uses in the area and in potentially competitive locations; gaining knowledge not only to their demographics, and trends, but to their preferences, lifestyles, and affordabilities. To do this we will:

- Conduct interviews with area leasing agents, brokers, and hotel general managers to gain insights into who (tenant types or individual household types) is fueling demand for for-sale residential, retail, commercial, hospitality, and rental apartments in the community and its various market areas and understand the demographic compositions of those audiences and their key preferences and motivations relative to renting/purchasing real estate;
- Identify the Primary Market Area by land use, quantify and characterize the key market audiences therein in terms of their overall size, incomes, ages, household compositions, types and sizes of employers, and overall levels of historic, current and projected growth;
- Understand how existing supply may or may not effectively address these market audiences' needs and lifestyles.

What is the depth of the market and demand potential for targeted uses in the greater competitive area (citywide) and at identified market/planning nodes?

Upon understanding market audiences fueling demand these products, their demonstrated preferences and potential opportunities to respond to those audiences, we will focus on understanding depth for these real estate products in the market and within various market/planning nodes. To do this we will:

- Examine data for applicable areas to understand historic absorption of homes, retail, office space, rental apartments, hotel room night demand, current and historic vacancy rates, remaining units still in lease-up on the market, and achieved rent/lease rate growth. Relate these trends back to macro factors that impact demand, such as employment growth, aging and demographic shifts, consumer confidence, tourism, etc.
- Estimate demand potential for each use at a higher level initially and identify achievable capture rates in the locally competitive market and by area;
- Examine other planned and proposed additions to supply and understand their likely timing, size, etc.;
- Assume potential captures of citywide demand and its allocation by various market/planning nodes within the community based on competitive opportunities available in the market.

What product types and market position best responds to market demand in light of existing and planned supply by land use?

- Identify and survey key comparable and competitive for-sale residential, rental apartment communities, office, and retail properties in the market to understand target market demonstrated demand and preferences and how these competitive offerings respond to these audiences. Properties should be surveyed for:
 - Location
 - Size (units/SF/Rooms offered)

- Type of product offered
 - Market position
 - Audiences attracted
 - Vacancy/occupancy rates
 - Target market audience motivations and best-performing products
 - Unit types/mixes/space sizes/Room types offered
 - Prices/Rents/lease rates/ADRs achieved
 - Achieved absorption/lease-up pace
 - Amenities and features
 - Key leasing points
- Incorporate all of the above into a set of recommendations for the city, with more detailed recommendations being provided for recommended development products and nodes. These recommendations should address:
 - Overall level of opportunity by land use;
 - Type of opportunity by residential/retail/office product type, multifamily product, hospitality type, etc.;
 - Supportable square feet, rooms, and/or units;
 - Market positioning and achievable prices, rents /lease rates, ADRs;
 - Target market audiences and appropriate unit/tenant sizes/Room types;
 - Mix of land uses/product types supportable (including mix of residential units, square feet, room types, etc.) citywide and within the identified market/planning nodes; and
 - Overall development intensities/ densities, and other development parameters.

What key economic development policies or strategies can be created to further potential market success that is in-line with the community desires?

- Finally, building on all of the above, provide recommendations for key economic development policies or strategies that can ensure proper harnessing of the private market potential, while still balancing community needs/concerns.

3. Convey the Conclusions and Recommendations

Conduct a meeting with you and your team to review the key conclusions from our research and our recommendations for development, which will be provided in an exhibit package suitable for internal and third-party review.

Terms, Condition and Schedule

The professional fee for the engagement as outlined above is \$50,000, including expenses. Additional research and analysis, meetings, and other tasks not outlined above (but approved by client) will be billed on a time and expense basis. We request a 30% retainer prior to, or at the time of, engagement inception. An invoice will be forwarded to you upon execution of this agreement.

We estimate completion of this engagement within 8 weeks from your authorization.

We appreciate the opportunity to potentially work with your team and add value to this endeavor. Should you have any additional needs or clarifications, please do not hesitate to contact us at your convenience. We look forward to hearing from you in the very near future.



Sincerely,



Todd M. Noell, Principal



David S. Laube, Principal



Accepted and Agreed:

By: _____
Title: _____
Company: _____
Signature: _____
Date: _____

Invoicing

For each billing period, Noell Consulting Group will submit invoices to the Client for professional services and expenses. Amounts invoiced will be in proportion to the services performed during the preceding billing period. Amounts invoiced for reimbursable expenses, consultants' fees and additional services will be based on amounts incurred and services performed through the invoice date.

Payment should be sent to:

Todd M. Noell
Noell Consulting Group
130 Krog Street
Suite Z
Atlanta, Georgia 30307

Invoices are due and payable upon receipt. Interest, at the highest rate permitted under the applicable law, will accrue on all accounts not paid within thirty (30) days of the invoice receipt date and, in addition, Client shall be responsible for all costs and expenses, reasonable attorney's fees, and expenses incurred by Noell Consulting Group in connection with the collection of the overdue accounts of Client. Noell Consulting Group retains the right to suspend engagement efforts and to withhold delivery of the final report pending receipt of any overdue payments.



Acceptance and Expiration

Acceptance of this proposal-agreement is completed upon receipt of one executed copy of the proposal-agreement and the retainer fee specified (if any). If we are not in receipt of a fully executed copy within thirty (30) days from the date thereof, this proposal-agreement shall be of no further force and effect and shall be deemed withdrawn.

Successors and Assigns

This agreement will inure to the benefit of, and be binding on, the successors and assigns of the Client and Noell Consulting Group. However, neither party shall have the right to transfer or assign this agreement without the express written consent of the other party.

Entire Agreement

This letter agreement contains the entire agreement of the parties. No promises or agreements, oral or written, between the parties not contained in this agreement will be of any force or effect.

Amendment

No amendment to this agreement will be effective unless it is in writing and is signed by both parties.

Use of Documents

It is understood by the Consultant that the findings from this engagement ("Report") are the proprietary property of the Client and that for a period of one year, unless otherwise instructed by the Client and RTF in writing, the Consultant will not make these findings available to any other organization or individual without consent of the Client. It is also understood by the Consultant that the Client will likely present the results of this engagement in various documents, meetings, and reports and thus will likely abstract results from the larger report itself. In doing so, every effort should be made to remain true to the intent of the findings resulting from this engagement, and to note, where applicable, special stipulations or caveats that accompany particular findings.

Termination

Either the Consultant or the Client may terminate this Agreement by giving written notice at least three (3) days prior to the date of termination. In the event of such termination, Client shall pay Consultant for services and reimbursable expenses performed or incurred to the termination date, unless the termination is for cause of a failure on the Consultant's part.

Limiting Conditions

It is understood by the Client that the Consultant can make no guarantees regarding the recommendations resulting from this engagement. There are numerous factors that can impact the accuracy of these recommendations, many of which are outside of the control of the Consultant, including implementation and execution of development, marketing, design, etc.

Consultant recommendations are based on research and analysis conducted during the time of engagement. Real estate and economic markets are cyclical and highly dynamic and thus, recommendations provided in this engagement may be significantly impacted by changes occurring in the market since the time of study. Further, major shocks and changes to economic and real estate markets, particularly given the fluidity and volatility seen in



economic and housing markets today, cannot be fully predicted during the course of study. Economic downturns inevitably occur. Their impacts on the real estate market, their timing, and their depth cannot be accurately predicted. The client, therefore, should stay well attuned to changes occurring in the economic and real estate markets and understand how those changes may impact their project.

Finally, while every effort will be made to secure the best data, information, and knowledge to inform analysis, the Consultant cannot guarantee the accuracy of third party data and information sources.

To protect the Client, and to assure that the Consultant's research results will continue to be accepted as objective and impartial by the business community, it is understood that the Consultant's fee for the undertaking of this engagement is in no way dependent upon the specific conclusions reached or the nature of the advice given by Consultant in its Report to the Client.

Governing Law

The laws of Georgia will govern this agreement.