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Residential Market Analysis Across the Urban-to-Rural Transect

EXECUTIVE SUMMARY AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

Downtown Aurora *City of Aurora, Kane County, Illinois*

January, 2019

This study determined the market potential and optimum market position for newly-introduced rental and for-sale housing units that could be developed within Downtown Aurora, Illinois over the next five years.

SUMMARY OF FINDINGS

- Over the next five years, households moving to Downtown Aurora from outside the city represent over 63 percent of the market potential for new housing in the Downtown.
 - An annual average of 2,150 households with incomes above \$40,000 per year comprise the core market potential for new downtown housing over the next five years.
 - Those households include:
 - Younger singles and childless couples (65 percent);
 - Empty nesters and retirees (24 percent); and
 - Traditional and non-traditional families (11 percent).
 - The protracted ownership housing slump after the Great Recession has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households, yielding a higher share of consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical just five years ago.
 - In Downtown Aurora, multi-family rental housing accounts for 68 percent of target market propensities, multi-family for-sale units (condominiums) represents just over 12.3 percent of target market propensities, and single-family attached units (townhouses) comprise the remaining 19.7 percent.
 - Walkability is regarded as an important amenity by today's market, and Downtown Aurora has an overall Walk Score of 84, considered to be very walkable, where most errands can be
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An Analysis of Residential Market Potential
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accomplished on foot. Outside of Downtown, few areas have Walk Scores above 50, below which almost all errands require an automobile.

- Based on the tenure preferences and the income and financial capabilities of the draw area households, the optimum market position for newly-developed market-rate residential units is shown on the following table:

HOUSING TYPE	UNIT RENT/PRICE RANGE	UNIT SIZE RANGE	BASE RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT—68%			
Lofts	\$850 to \$1,500	350 to 850 sf	\$1.76 to \$2.43
Apartments	\$950 to \$2,250	450 to 1,350 sf	\$1.67 to \$2.11
MULTI-FAMILY FOR-SALE—12.3%			
Condominiums	\$125,000 to \$275,000	750 to 1,850 sf	\$149 to \$167
SINGLE-FAMILY ATTACHED FOR-SALE—19.7%			
Townhouses	\$195,000 to \$300,000	1,200 to 2,000 sf	\$150 to \$163

- A capture of between 10 to 15 percent of the annual potential market for new multi-family rentals, and between approximately five to 7.5 percent of the annual potential market for new multi-family and single-family attached for-sale units is achievable in Downtown Aurora and is forecast as follows:

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATES	ANNUAL UNITS ABSORBED
Multi-family for-rent	1,461	10 – 15%	164 - 200
Multi-family for-sale	264	5 – 7.5%	13 - 20
Single-family attached for-sale	<u>425</u>	5 – 7.5%	<u>21 - 32</u>
Total	2,150		198 – 252 units

Based on these capture rates, Downtown Aurora should be able to absorb between 198 and 252 new rental and for-sale housing units per year each year over the next five years, or a total of 990 to 1,260 units over the five year timeframe. It should be noted that buildings located in the Downtown will have a Walk Score of 80 or more, well above the level where walkability adds a premium to housing values.