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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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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.