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Residential Market Analysis Across the Urban-to-Rural Transect

EXECUTIVE SUMMARY
AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

Downtown Hammond
City of Hammond, Lake County, Indiana

July, 2019

This study determined the optimum market position for newly-introduced rental and for-sale housing units that could be developed within Downtown Hammond, including the adjacent neighborhood of Jacob Square, in the City of Hammond, Indiana over the next five years.

SUMMARY OF FINDINGS

- Over the next five years, households with the potential to move to Downtown Hammond from outside the city represent 63 percent of the market potential for new housing in the Downtown.
 - An annual average of 839 households with incomes above \$30,000 per year comprise the core market potential for new downtown housing over the next five years. An additional 152 households represent the market potential for new single-family detached housing in Jacob Square and the edge blocks of Downtown.
 - Those households include:
 - Younger singles and childless couples (62 percent);
 - Empty nesters and retirees (27 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 Hammond, multi-family rental housing accounts for 85 percent of target market propensities, multi-family for-sale units (condominiums) represents 5.7 percent of target market propensities, and single-family attached units (townhouses) comprise the remaining 9.3 percent.
 - Walkability is regarded as an important amenity by today's market, and the Douglas Pointe Apartments, located in Downtown Hammond, has Walk Score of 67, considered to be
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somewhat walkable, where some errands can be 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 residential units that could be developed in Downtown Hammond 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—85%			
Lofts	\$675 to \$1,150	350 to 800 sf	\$1.44 to \$1.93
Apartments	\$900 to \$1,950	550 to 1,300 sf	\$1.50 to \$1.64
MULTI-FAMILY FOR-SALE—5.7%			
Condominiums	\$135,000 to \$260,000	750 to 1,650 sf	\$158 to \$180
SINGLE-FAMILY ATTACHED FOR-SALE—9.3%			
Townhouses	\$185,000 to \$285,000	1,000 to 1,750 sf	\$163 to \$185

- Based on the tenure preferences and the income and financial capabilities of the draw area households, the optimum market position for newly-developed residential units that could be developed in Jacob Square and the edge blocks of Downtown 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—59.5%			
Apartments	\$800 to \$1,300	600 to 1,000 sf	\$1.30 to \$1.33
SINGLE-FAMILY ATTACHED FOR-SALE—13.7%			
Triplexes/Rowhouses	\$125,000 to \$160,000	950 to 1,250 sf	\$128 to \$132
Duplexes/Townhouses	\$180,000 to \$225,000	1,300 to 1,700 sf	\$132 to \$138
SINGLE-FAMILY DETACHED FOR-SALE—26.8%			
Cottages/Bungalows	\$145,000 to \$195,000	1,000 to 1,350 sf	\$144 to \$145
Urban Houses	\$210,000 to \$250,000	1,450 to 1,750 sf	\$143 to \$145

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- A capture of between 12.5 to 20 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 housing units, both multi-family rental and for-sale and single-family attached for-sale, could be achievable in Downtown Hammond and is forecast as follows:

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATES	ANNUAL UNITS ABSORBED
Multi-family for-rent: Lofts	375	15 – 20%	56 - 75
Multi-family for-rent: Apartments	338	12.5 – 15%	42 - 51
Multi-family for-sale: Condominiums	48	15 – 20%	7 - 10
Single-family attached for-sale: THs	<u>78</u>	12.5 – 15%	<u>10 - 12</u>
Total	839		115 – 148 units

Based on these capture rates, Downtown Hammond should be able to absorb between 115 and 148 new rental and for-sale housing units per year each year over the next five years, or a total of 575 to 740 units over the five-year timeframe.

A capture of between 12.5 to 15 percent of the annual potential market for new rental units and new single-family attached units, and a capture of five to eight percent of the annual potential market for new urban single-family detached houses, could be achievable in Jacob Square and the edge blocks of Downtown, as follows:

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATES	ANNUAL UNITS ABSORBED
Multi-family for-rent	338	12.5 – 15%	42 - 50
Single-family attached for-sale:	78	12.5 – 15%	10 - 12
Single-family detached for-sale	<u>152</u>	5 – 8%	<u>8 - 13</u>
Total	568		60 – 75 units

Based on these capture rates, Jacob Square should be able to absorb between 60 and 75 new rental and for-sale housing units per year each year over the next five years, or a total of 300 to 375 units over the five-year timeframe.

