

Downtown Housing Opportunities

Summarized by Regina Gullicksrud and Bill Ryan*

A healthy downtown residential district generates a constant flow of foot traffic to support nearby retailers, services, restaurants and other businesses. The concentrated mix of retail, office, and entertainment typical of a downtown puts residents within walking distance of most daily activities. Living downtown is particularly attractive to many who work downtown. By incorporating a higher density of residents in the downtown mix, the amount of activity increases. This in turn creates an even more vibrant desirable downtown economy.

As the dynamics of the population change, different types of housing units are needed. Also, as householders progress through time, or a 'life-cycle', their individual housing needs also change. For example, the composition of the household will change as children move out. In addition to a smaller household after children move out, individuals retire. This often results in the increase of demand for condominiums and high-end rental units. Finally, household income levels change with time. Income levels will determine the type of housing demanded. All of these factors create movement within the housing market.

The housing industry will have to cater to an increasing range of needs and preferences as demographic changes occur at both the national and community level. Listed below are the needs and preferences of specific market segments as they relate to downtown housing. These segments need to be analyzed in relation to community demographic data as part of a market analysis. Those segments which are growing in your community and are most inclined toward downtown living (downtown workers, singles and couples without children) should be included in your assessment of downtown housing opportunities.

Householders less than 24 Years Old - A number of these householders are upwardly mobile professionals with high household incomes. Some may be employed in the downtown area. Others include college students (married and single) attending nearby campuses. Many householders less than 24 years old are in the rental market, or just moving on to homeownership. There are

many aspects of downtown living that would be attractive to this group. They are willing to trade space for convenience and the diverse neighborhood character. Additionally, this group is much more flexible in terms of location, as they are technically savvy and often have the option to work from home. Downtown apartments on upper floors over retail, and live-work units are likely to be attractive to the householders less than 24 years old. Downtown workers in this segment are key prospects for downtown housing. This substantial market segment is just beginning to make its presence felt in the residential market, and downtown has a lot of the amenities they are looking for in a community.

Householders 24-35 Years Old - These householders have long escaped the attention of the real estate industry. Members of this generation are more likely to be individualistic, driven professionals that work long hours, have significant disposable incomes, and are focused on lifestyle choices. Furthermore, they express a strong inclination towards home ownership. One clear trend among this age group across the country is their willingness to sacrifice space for convenience. They prefer live-work units, flats and condominiums in infill locations close to work and services. Location is clearly an important factor in their decision to rent or own a home. Essentially they want their daily needs met a short distance from their doorstep. Householders 24-35 years old that have yet to start families and enjoy the urban atmosphere, convenience and entertainment are often interested in downtown housing. This is especially true for those who work downtown.



Householders 36-55 Years Old – This group has been the defining market segment for over half a century. As they get older they are expected to redefine what are considered typical preferences for the empty-nester/retiree age group. Additionally, they don't see themselves as 'older' until their upper 70's, and will not make lifestyle or housing choices that appear geared towards old age or slowing down. This group appears much more predisposed towards convenience and an urban lifestyle, with more compact living quarters, than previous generations. A growing number of 36-55 year old householders are looking for the flexibility and cultural offerings of a city center. Householders 36-55 years old are more likely to own than to rent, though there will be some demand for rentals from those who want the option to move away if the lifestyle does not suit their needs. Many will require spaciousness or the illusion thereof, state-of-the-art home amenities, and nearby recreation. A downtown that puts daily activities within walking distance ensures a greater level of independence as they get older. Furthermore, historic downtowns that offer civic and cultural amenities, and opportunities to engage in community activities will be especially attractive to this market. Again, downtown workers in this segment are key prospects for downtown housing.

Householders 56-69 Years Old – These householders are a group whose children have typically moved out of their home. As a result, they live in a home that is too big for their needs and are looking to downsize. In addition, they often do not care to deal with the maintenance of a home as they age. People in this segment are moving towards retirement and are looking for a sense of community with ample entertainment options to fill their free time. In addition, they typically have high disposable income now that they do not have children to support. Downtown condominium units have been popular among householders 56-69 years old because they are able to walk to coffee shops, restaurants, stores, the library, theaters or the civic center. Overall, this group is looking for a place where they are able to enjoy life (and more leisure time) without dealing with the maintenance of their homes. Because this is a large segment, a modest percentage of householders 56-69 years old moving downtown would add significant demand for downtown housing.

Householders 70+ Years Old – This group can be segmented into independent elderly and needy elderly. The independent elderly are, "disproportionately married couples in good health and with middle-class incomes," while the needy elderly are generally over 75 years of age, many have lower incomes and depend on assistance from family members. These groups are less likely to live in large cities or suburbs. Rather, many prefer non-

metropolitan areas such as small towns and retirement destinations. Retirement housing options reflect a hierarchy of needs. They include active adult units (targeted to independent older residents), congregate care (limited assistance with transportation or meals), assisted living (for more frail elderly), nursing homes, and continuing care retirement communities (mixture of senior housing types). Rental retirement housing demand will increase as the householders of the area age. Depending on income levels, retirement households will also increase the demand for condominiums.

There are various types of housing options that can serve the diverse downtown housing market. These options typically involve utilization of existing buildings, as well as infill projects that create higher density residential neighborhoods. Best practices in downtown housing include rental and owner-occupied units with rents and prices that serve all segments of the market. General categories of downtown housing that exist in small cities include: upper-floor units, townhouses, apartment or condominium building, live/work units, and loft units. The process of incorporating housing into the downtown mix will involve an assessment of demand and supply within each housing-type category.

Sources:

Rodd, Katie and Emma Tyaransen "Housing Gen-Xers" in Urban Land Magazine. March 2001.
 Stauffer, David. "Market Diaspora" in Urban Land Magazine. January 2003.

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Additional Resources

Downtown and Business District Market Analysis Toolbox
Section 13. Evaluating Residential Opportunities
<http://www.uwex.edu/ces/cced/dma/13.html>

Guides for Developing a Community Housing Plan
 To assist in the preparation of a more comprehensive housing analysis for your entire community, the following on-line resources are available.

Building Our Future: A Guide to Community Visioning, Chapter 5 – Housing
 by Gary Green, Anna Haines and Stephen Halebsky, University of Wisconsin-Extension Publication G3708
<http://cecommerce.uwex.edu/pdfs/G3708.PDF>

Housing Wisconsin: A Guide to Preparing the Housing Element of a Local Comprehensive Plan, Second Edition, by Brian W. Ohm, John Merrill, Joni M. Herren and Erich Schmidtke
http://www.doa.state.wi.us/dir/documents/housing_guide_2.pdf