AN ANALYSIS

of

RESIDENTIAL MARKET POTENTIAL

for

The Northeast Indiana Region
(Excluding Allen County)

Adams, DeKalb, Huntington, Kosciusko, LaGrange, Noble,
Steuben, Wabash, Wells, and Whitley Counties, Indiana

March, 2019

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Residential Market Analysis Across the Urban-to-Rural Transect

STUDY CONTENTS

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INTRODUCTION

The analysis to determine the market potential for new and existing housing units within the Northeast Indiana region included: delineation of the draw areas; determination of the depth of the potential market for new housing in the region; determination of the target households and the target residential mix corresponding to the housing preferences of the target households; and the optimum market position for new affordable and market-rate residential units in the region.

For the purposes of this analysis, the Northeast Indiana Region includes Adams, DeKalb, Huntington, Kosciusko, LaGrange, Noble, Steuben, Wabash, Wells, and Whitley Counties, but not Allen County, which has been excluded because it is the home of Fort Wayne, the second-largest city in the State of Indiana, and therefore a market unto itself.

The depth and breadth of the potential market for new and existing housing units within the Northeast Indiana region have been derived from the housing preferences and financial capacities of the draw area households, identified through Zimmerman/Volk Associates' proprietary target market methodology and extensive experience with urban development and redevelopment.

SUMMARY OF FINDINGS

—THE DRAW AREAS—

Where are the potential renters and buyers of new and existing housing units in the Northeast Indiana region likely to move from?

Analysis of migration, mobility, demographic and lifestyle characteristics of households currently living within defined draw areas is integral to the determination of the depth and breadth of the potential market for new housing within the Northeast Indiana region.

Taxpayer migration data obtained from the Internal Revenue Service provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move within or to the 10 counties of the Northeast Indiana region. These data are maintained at the county and "county equivalent" level by the Internal Revenue Service and provide a clear representation of mobility patterns. The IRS migration data have been supplemented by migration and mobility data for each of the counties from the 2017 American Community Survey, which also measures population mobility.

Nationally, one lingering consequence of the Great Recession (officially December, 2007 through June, 2009) has been a considerable reduction in mobility. Based on the ACS data, the Northeast Indiana region—where 14 percent of the region's population either moved within or to the region between 2016 and 2017—has a mobility rate comparable to that of the nation.

Based on the IRS migration data for each of the counties of the region, then, the draw areas for the Northeast Indiana region have been delineated as follows:

- The internal draw area, by county: covering households who currently live in one of the counties in the region and with the potential to move within that same county.
- The regional draw area: covering households who currently live in one of the counties in the region with the potential to move across county borders within the region.
- The Allen and Elkhart draw area: covering households with the potential to move to the region from Allen and Elkhart Counties.

- The national draw area: covering households with the potential to move to the Northeast Indiana region from all other U.S. counties.

The distribution of the draw areas as a percentage of the annual potential market for new and existing housing units in the Northeast Indiana region is shown on the following table:

Annual Average Market Potential by Draw Area
The Northeast Indiana Region

Households Moving Within Each of the 10 Counties:	60.5%
Households Moving Across the 10-County Borders:	10.6%
Households Moving From Allen and Elkhart Counties:	9.7%
Households Moving From the Balance of the U.S.:	19.2%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2019.

—AVERAGE ANNUAL MARKET POTENTIAL FOR THE NORTHEAST INDIANA REGION—

How many households have the potential to move within or to the Northeast Indiana region each year over the next five years?

As determined by the target market methodology, which accounts for household mobility within each of the 10 counties, as well as migration and mobility patterns for households currently living in all other counties, an annual average of 20,890 households represent the potential market for new and existing housing units within the Northeast Indiana region each year over the next five years.

What are their housing preferences in aggregate?

The tenure and housing preferences of those 20,890 draw area households are shown on the following table (*see also* Table 1 *following the text*):

Average Annual Market Potential by Tenure/Housing Type Propensities
The Northeast Indiana Region

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	10,810	51.7%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	558	2.7%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	1,223	5.9%
Single-family detached for-sale (houses, fee-simple ownership)	8,299	39.7%
Total	20,890	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2019.

The 20,890 households that represent the potential market for new and existing rental and for-sale housing units in the Northeast Indiana region have been segmented by income, based on the lowest median family income (AMI) for a family of four for a county within the region, which, as determined by the U.S. Department of Housing and Urban Development (HUD) in 2018, was $56,000 in Wabash County. The HUD income limits are used here since they are the benchmark numbers in common usage for determining housing affordability. The median family incomes of the other nine counties in the region included in this analysis range from $56,900 in LaGrange County to $65,600 in Wells and Whitley Counties, which are part of the Fort Wayne MSA. The HUD income limits for Wabash County are shown on the following table:

Fiscal Year 2018 Income Limits
Wabash County, Indiana

NUMBER OF PERSONS IN HOUSEHOLD	EXTREMELY LOW 30% OF MEDIAN	VERY LOW 50% OF MEDIAN	LOW 80% OF MEDIAN
One	$12,850	$21,350	$34,200
Two	$16,460	$24,400	$39,050
Three	$20,780	$27,450	$43,950
Four	$25,100	$30,500	$48,800
Five	$29,420	$32,950	$52,750
Six	$33,740	$35,400	$56,650
Seven	$37,850	$37,850	$60,550
Eight	$40,300	$40,300	$64,450

SOURCE: U.S. Department of Housing and Urban Development.

Calculations of affordability have been made using the Wabash County income limits.

- Households with incomes below 30 percent AMI (the majority of these households can only afford public housing or older, often substandard existing units);
- Households with incomes between 30 and 50 percent of AMI (these households can only afford existing housing, both rental and ownership);
- Households with incomes between 50 and 80 percent of AMI (these households typically qualify for new low-income tax credit rental housing or subsidized ownership housing);
- Households with incomes between 80 and 100 percent AMI (in many cities and towns, these households qualify for market-rate rentals or lower-priced for-sale housing units); and
- Households with incomes above 100 percent AMI (these households typically have sufficient incomes to rent or purchase market-rate housing).

The segmentation by income of the 20,890 target households, derived from the HUD income limits for Wabash County and combined with their tenure and housing type propensities, are detailed on the table following this page.

Tenure/Housing Type Propensities by Income
Annual Average Market Potential For New and Existing Housing Units
The Northeast Indiana Region

HOUSING TYPE	HOUSEHOLDS NUMBER	HOUSEHOLDS PERCENT
Multi-family for-rent (lofts/apartments, leaseholder)		
< 30% AMI	2,030	9.7%
30% to 50% AMI	1,036	5.0%
50% to 80% AMI	1,877	9.0%
80% to 100% AMI	991	4.7%
> 100% AMI	4,876	23.3%
Multi-family for-rent total	10,810	51.7%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)		
< 30% AMI	78	0.4%
30% to 50% AMI	37	0.2%
50% to 80% AMI	86	0.4%
80% to 100% AMI	48	0.2%
> 100% AMI	309	1.5%
Multi-family for-sale total	558	2.7%
Single-family attached for-sale (townhouses, fee-simple ownership)		
< 30% AMI	176	0.9%
30% to 50% AMI	88	0.4%
50% to 80% AMI	195	0.9%
80% to 100% AMI	114	0.6%
> 100% AMI	650	3.1%
Single-family attached for-sale total	1,223	5.9%
Single-family detached for-sale (urban houses, fee-simple ownership)		
< 30% AMI	1,155	5.5%
30% to 50% AMI	579	2.8%
50% to 80% AMI	1,280	6.1%
80% to 100% AMI	772	3.7%
> 100% AMI	4,513	21.6%
Single-family detached for-sale total	8,299	39.7%
Grand Total	20,890	100.0%

NOTE: For fiscal year 2018, the Wabash County median family income for a family of four is $56,000, the benchmark for calculating the income limits which are being utilized in this analysis.

SOURCE: Zimmerman/Volk Associates, Inc., 2019.

Summarizing the incomes and financial capabilities of the 20,890 target households, then, 16.5 percent (3,439 households) have incomes below 30 percent of the AMI; 8.3 percent (1,740 households) between 30 and 50 percent AMI; 16.5 percent (3,438 households) between 50 and 80 percent AMI; 9.2 percent (1,925 households) between 80 and 100 percent AMI; and 49.5 percent (10,348 households) above 100 percent AMI.

—TARGET MARKETS—

Who are the households that represent the potential market for new and existing housing units within the Northeast Indiana region?

As determined by the target market analysis, then, the general market segments, by lifestage and housing type, that represent the potential market for new and existing housing units in the Northeast Indiana region include (*see also* Table 2 *through* 6 *following the text*):

- Traditional and non-traditional family households—45.2 percent;
- Younger singles and childless couples—31.3 percent; and
- Empty nesters and retirees—23.5 percent).

At over 45 percent, traditional and non-traditional families make up the largest share of the market for new and existing housing units in the Northeast Indiana region. The families that represent this potential market are equally likely to be non-traditional (*e.g.*, single parents or unrelated couples of the same sex with one or more children, adults caring for younger siblings, to grandparents with custody of grandchildren) as traditional families (married couples with children). In general, the family households have considerably higher incomes than the younger households.

Approximately 17.3 percent of the family households have incomes below 30 percent AMI, 5.3 percent between 30 and 50 percent AMI, 16.7 percent between 50 and 80 percent AMI, and 60.7 percent at 80 percent AMI and higher. The incomes of the family households generally range from less than $21,000 per year (below 30 percent AMI for a three-person household) to $52,750 per year or more (above 80 percent AMI for a five-person household).

More than 64 percent of the traditional and non-traditional family households that represent the potential market for new and existing housing units in the Northeast Indiana region would be moving from one unit to another within their home counties; 11.8 percent would be moving from one county to another in the region; 8.5 percent would be moving to one of the 10 counties in the region from Elkhart or Allen Counties; and the remaining 15.3 percent would be moving from elsewhere in the U.S. outside of the Northeast Indiana region.

Just over 31 percent of the market is composed of younger singles and couples. Due to a combination of economic issues—most notably stagnating wages, lack of mortgage down-payment funds, and high student debt—as well as lifestyle preferences, a higher percentage of Millennial households, even the most well-off, are choosing to be renters than was typical in predecessor generations at the same age.

Approximately 18.7 percent of the younger households have incomes below 30 percent AMI, 12.3 percent have incomes ranging between 30 and 50 percent AMI, 17.5 percent earn between 50 and 80 percent of the AMI, and the remaining 51.5 percent have annual incomes of 80 percent of the AMI and up. The incomes of younger singles and couples generally range from less than $13,000 per year (below 30 percent AMI for a single-person household) to $39,050 per year or more (above 80 percent AMI for a two-person household).

Approximately 52 percent of the younger single- and two-person households would be moving to a different unit in their home counties, nine percent would be moving from one county to another county in the region, 12.8 percent would be moving from either Elkhart or Allen Counties, and the remaining 26 percent would be moving to the region from elsewhere in the country, primarily other counties in Indiana and the Midwest.

The smallest general market segment consists of older households (empty nesters and retirees) who account for 23.5 percent of the market for new and existing housing units in the Northeast Indiana region. Many of these older households are among the more affluent households in the region; heads of these households are still working in professional and executive positions or are business owners. There are also a significant number of older households who are struggling to pay rents on incomes derived from Social Security payments and minimal savings. Like the Millennials, a growing number of empty-nest households are choosing to rent rather than buy as they approach retirement; they prefer the flexibility of renting and appreciate the relative liquidity of the proceeds from a house sale when those proceeds are not reinvested in real estate.

In general, the older singles and couples have higher annual incomes than the family households. Just under 12 percent have incomes that fall below 30 percent AMI, 8.9 percent between 30 and 50 percent AMI, 14.5 percent between 50 and 80 percent AMI, and 64.8 percent earn more than 80 percent of the AMI.

Nearly 64 percent of the older singles and couples would be moving from one unit to another from their home county, 10.5 percent would be moving to another county in the region, 7.7 percent would be moving to the region from either Elkhart or Allen Counties, and the remaining 17.8 percent would be moving to the region from elsewhere in the country, primarily other counties in Indiana and the Midwest.

—INCOME-BASED RENTS AND PRICES: THE NORTHEAST INDIANA REGION—

What is the market currently able to pay to rent or purchase new dwelling units in the Northeast Indiana region?

As noted above under AVERAGE ANNUAL MARKET POTENTIAL FOR THE NORTHEAST INDIANA REGION, an annual average of 20,890 traditional and non-traditional families, younger singles and couples, and empty nesters and retirees of all incomes represent the potential market for new and existing housing units in the Northeast Indiana region each year over the next five years.

The rents and price points for the market-rate component of new housing units that could be developed in the region are derived from the income and equity levels of potential renter and buyer households with annual incomes at or above 100 percent AMI, or from $42,700 or more for a single-person household to $61,000 or more for a four-person household. A total of 10,348 households comprise this segment of the market (4,876 households with preferences for rental units, 309 households with preferences to purchase condominiums, 650 households with preferences to purchase townhouses, and 4,513 households with preferences to purchase single-family detached houses).

Households with incomes between 80 and 100 percent of the AMI comprise the market for workforce housing units. These households have incomes ranging between $34,200 and $42,700 for a single-person household, to $48,800 and $61,000 for a four-person household. A total of 1,925 households comprise this segment of the market (991 households with preferences for rental units, 48 households with preferences to purchase condominiums, 114 households with preferences to purchase townhouses, and 772 households with preferences to purchase single-family detached houses).

Households with incomes between 30 and 80 percent of the AMI comprise the market for affordable housing units, with incomes at 50 to 60 percent of the AMI typically qualifying for low-income housing tax credit units. These households have incomes ranging between $12,850 and $34,200 for a single-person household, to $25,100 and $48,800 for a four-person household. A total of 5,178 households comprise this segment of the market (2,913 households with preferences for rental units, 123 households with preferences to purchase condominiums, 283 households with preferences to purchase townhouses, and 1,859 households with preferences to purchase single-family detached houses).

In general, households with annual incomes at or below 30 percent AMI qualify for Section Eight vouchers and low-income housing tax-credit rental units, and their rents are usually limited to no more than 30 percent of their annual incomes. These household income ranges are below $12,850 for a single-person household to below $25,100 for a four-person household. New housing for this income group is therefore outside the scope of this analysis.

Because of the lack of programs designed to promote construction of ownership housing priced at levels affordable to households with incomes below 80 percent of the AMI, as well as the very high direct subsidies required for a significant number of those households to enable them to purchase new housing, unit pricing for ownership housing for households with incomes below 80 percent of the AMI has also not been included in this analysis. Because of the very small potential market for new condominiums, and the continuing financing constraints facing both developers and potential condominium buyers, this housing type has also not been included.

The analysis that follows therefore covers the annual average 8,780 households with incomes above 30 percent of the AMI with preferences for new rental housing units and the annual average 6,049 households with incomes above 80 percent of the AMI with preferences for new townhouses and single-family detached houses in the Northeast Indiana region.

The resulting distribution of rental and for-sale housing types, based on the target household propensities, is shown on the table following this page (*see again* Table 1).

Average Annual Potential Market for Housing Units
The Northeast Indiana Region

HOUSING TYPE	HOUSEHOLDS NUMBER	HOUSEHOLDS PERCENT
Multi-family for-rent	8,780	59.2%
30% to 50% AMI	1,036	7.0%
50% to 80% AMI	1,877	12.6%
80% to 100% AMI	991	6.7%
> 100% AMI	4,876	32.9%
Single-family attached for-sale	764	5.2%
80% to 100% AMI	114	0.8%
> 100% AMI	650	4.4%
Single-family detached for-sale	5,285	35.6%
80% to 100% AMI	772	5.2%
> 100% AMI	4,513	30.4%
Total	14,829	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2019.

The rent ranges detailed on the following table were determined by calculating a monthly rental payment including utilities at approximately 30 percent of the annual gross income of the 8,780 renter households with incomes above 30 percent of the AMI. (Although it is quite possible that many households will pay 40 percent or more of their annual gross incomes in rent, HUD recommends that a tenant pay no more than 30 percent of gross income for rent *including* utilities.)

For the for-sale units, the price ranges were determined by assuming a down payment of 10 percent, and an interest rate of four percent, and then calculating monthly mortgage payments, including taxes and utilities, that would not exceed 30 percent of the annual gross income of the target households. The challenge for many households who would prefer to buy would be saving the down payment. The availability of zero down-payment mortgages would allow more households to become homeowners.

Based on the tenure and housing preferences of the target households, then, and their financial capabilities, the range of rents and prices for newly-developed residential units in the Northeast Indiana region that could be sustained by the consumer housing market is as follows (*see also* Table 7 *following the text*):

Income-Based Rents and Prices
The Northeast Indiana Region

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT—			
Apartments 30% to 50% AMI	$450–$875/month	450–1,100 sf	$0.75–$1.17 psf
Apartments 50% to 80% AMI	$525–$1,300/month	450–1,200 sf	$0.73–$1.89 psf
Apartments Over Retail 80% AMI and up	$700–$1,350/month	450–1,000 sf	$1.35–$1.56 psf
Apartments 100% AMI and up	$1,050–$1,850/month	550–1,500 sf	$1.23–$1.91 psf
SINGLE-FAMILY ATTACHED FOR-SALE—			
Townhouses 80% AMI and up	$165,000–$245,000	1,100–1,750 sf	$140–$150 psf
SINGLE-FAMILY DETACHED FOR-SALE—			
Houses 80% AMI and up	$195,000–$275,000	1,200–1,750 sf	$157–$163 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2019.

Rents and prices are in year 2019 dollars, are exclusive of consumer options and upgrades, and cover a broad range of rents and prices for newly-developed housing units currently sustainable by the market in the Northeast Indiana region. In particular, a significant number of the proposed rents are designed to correspond to the annual incomes of entry- and lower-level workers in the manufacturing industry, where hourly wages for those workers range between $13 and $20 an hour.

Development of residential units on the upper floors of the buildings along the principle downtown streets in the dozens of small cities and towns through the Northeast Indiana region should be strongly encouraged and should continue until there are no buildings remaining with vacant upper floors. In total, these upper-floor units could provide a substantial number of the dwelling units required to house an influx of manufacturing employment.

Several American cities have held workshops or seminars to assist building owners with the process of residential conversion, which can be complicated even for skilled developers. Because these units are all adaptive re-use, they will be most attractive to the market as hard or soft lofts, with unit sizes comparable to those outlined in Table 7. Although the internal configuration of the existing buildings can have significant impact on the size of the units created, wherever possible, smaller units (at comparatively lower rents and prices) should be the goal.

If so desired, the Northeast Indiana Regional Partnership could establish an upper-floor conversion pilot program and accept applications for technical assistance from building owners. If possible, the Partnership could offer a development incentive in the form of grants based on the square footage of the upper floor spaces proposed for redevelopment or financing to building owners and developers undertaking such redevelopment. An on-staff or consulting architect could serve as an advisor to the developers of the first conversions.

The upper-floor conversion program will have multiple community benefits. These units are likely to attract households who would choose to live downtown if that option existed; these units are likely to provide more affordable housing options for younger singles and couples; the residents of the new downtown units will help revitalize the downtowns as there will be more people frequenting the downtown shopping, entertainment, dining, and amenities.

Developable parcels and/or publicly-owned land located in close proximity to the many downtowns located throughout the region should be identified as potential redevelopment sites. If large enough, they could provide a variety of housing types, including both rental and for-sale, thereby attracting a broader range of the potential market.

—MARKET CAPTURE—

After more than 31 years' experience in scores of markets across the country, and in the context of the target market methodology, new multi-family rental development within the Northeast Indiana region should be able to achieve an annual capture of 20 to 25 percent of the annual average number of potential renters of all incomes each year over the next five years.

New for-sale single-family attached (townhouses) should also be able to achieve an annual capture of 20 to 25 percent of the annual average number of potential buyers of townhouses with incomes over 80 percent of the AMI each year over the next five years.

New for-sale single-family detached houses should be able to achieve an annual capture of 10 to 15 percent of the annual average number of potential buyers with incomes over 80 percent of the AMI each year over the next five years.

Based on a 20 to 25 percent capture of the annual potential rental and townhouse market, and a 10 to 15 percent capture of the annual potential market for new for-sale single-family houses, the Northeast Indiana region, excluding Allen County, could potentially absorb between 2,437 and 3,179 new rental and for-sale housing units each year over the next five years, as shown on the following table:

Annual Capture of Market Potential
The Northeast Indiana Region

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Multi-Family For-Rent	8,780	20 – 25%	1,755 – 2,195
Apartments 30% to 50% AMI	1,036		207 – 259
Apartments 50% to 80% AMI	1,877		375 – 469
Apts. over Retail 80% AMI and up	1,991		398 – 498
Apartments 100% AMI and up	3,876		775 – 969
Single-Family Attached For-Sale 80% and up AMI	764	20 – 25%	153 – 191
Single-Family Detached For-Sale 80% and up AMI	5,285	10 – 15%	529 – 793
Total	14,829		2,437 – 3,179

SOURCE: Zimmerman/Volk Associates, Inc., 2019.

Over five years, and barring the occurrence of a housing or economic recession over the study period, the Northern Indiana region could potentially absorb 8,775 to 10,975 new mixed-income rental units, 765 to 955 new townhouses, and 2,645 to 3,965 new detached houses—a total of 12,185 to 15,895 new housing units.

Potential absorption by individual county in the region is detailed on Table 8, and has been calculated based on each county's share of the total number of households in the 10-county region.

These capture rates are within the target market methodology's parameters of feasibility.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

MULTI-FAMILY BUILDING AND UNIT TYPES

—MULTI-FAMILY BUILDINGS—

Appropriate multi-family building types in the Northeast Indiana region include:

- Mansion Apartment Building: A two- to three-story flexible-use structure with a street façade resembling a large detached or attached house (hence, "mansion"). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

  Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives.

  Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Amendments Act and the Americans with Disabilities Act.

- Courtyard Apartment Building: In new construction, a pedestrian-oriented building of three or more stories, sometimes combined with non-residential uses on the ground floor, that encloses an interior space that provides parking on at least three sides. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.

- Loft Apartment Building: Either adaptive re-use of older warehouse or manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version typically has double-loaded corridors.

- Mixed-Use Building: A pedestrian-oriented building, either attached or free-standing, with apartments and/or offices over flexible ground floor uses that can range from retail to office to residential.

—MULTI-FAMILY UNIT TYPES—

- Microunits: Several cities across the country are changing minimum unit size requirements as part of a strategy to attract young knowledge workers with contemporary yet affordable units. Millennial knowledge workers have responded positively to efficiency units as small as 220 square feet, often leasing out new microunit projects within a matter of days.

- Soft Lofts: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of hard lofts, such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.

- Apartments: More conventionally-finished single-level units, typically with completely-partitioned rooms. Finishes and fixtures—trim, interior doors, kitchens and baths are often fitted out with higher-end finishes and fixtures than in lofts.

- Apartments Above Retail: Adaptive re-use of vacant or under-utilized upper floors in main street buildings. Units can be configured as apartment flats with completely-partitioned rooms, as "soft lofts" with open floorplans but with sleeping areas partitioned from the main living area, or as "hard lofts" with open floorplans with only bathrooms completely partitioned. Either loft type would contain exposed systems, such as HVAC ductwork and sprinkler piping, and structural elements such as brick walls. Parking should be provided behind the building.

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Table 1

Annual Market Potential For New And Existing Housing Units

Distribution Of Annual Average Number Of Draw Area Households With The Potential
To Move Within/To The Northeast Indiana Region Each Year Over The Next Five Years
Based On Housing Preferences And Income Levels

The Northeast Indiana Region

Adams, Huntington, Kosciusko, Wabash, Wells,
DeKalb, LaGrange, Noble, Steuben, and Whitley Counties, Indiana

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Adams, Huntington, Kosciusko, Wabash, and Wells Counties, Indiana;
DeKalb, LaGrange, Noble, Steuben, and Whitley Counties, Indiana;
Allen and Elkhart Counties, Indiana; and Balance of the United States
Draw Areas

Annual Number Of Households With The Potential To Rent/Purchase Within The Northeast Indiana Region	20,890

Annual Market Potential

	Below 30% AMI	*30% to 50% AMI*	*50% to 80% AMI*	*80% to 100% AMI*	*Above 100% AMI*	*Subtotal*
Multi-Family For-Rent:	2,030	1,036	1,877	991	4,876	**10,810**
Multi-Family For-Sale:	78	37	86	48	309	**558**
Single-Family Attached For-Sale:	176	88	195	114	650	**1,223**
Single-Family Detached For-Sale:	1,155	579	1,280	772	4,513	**8,299**
Total:	**3,439**	**1,740**	**3,438**	**1,925**	**10,348**	**20,890**
Percent:	**16.5%**	**8.3%**	**16.5%**	**9.2%**	**49.5%**	**100.0%**

Note: For fiscal year 2018, the lowest Median Family Income for a county within the region was Wabash County, IN at $56,000 for a family of four.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 2

Annual Market Potential By Lifestage And Income Range

Distribution Of Annual Average Number Of Draw Area Households With The Potential
To Move Within/To The Northeast Indiana Region Each Year Over The Next Five Years
Based On Housing Preferences And Income Levels

The Northeast Indiana Region

Adams, Huntington, Kosciusko, Wabash, Wells,
DeKalb, LaGrange, Noble, Steuben, and Whitley Counties, Indiana

	Total	*Below 30% AMI*	*30% to 50% AMI*	*50% to 80% AMI*	*80% to 100% AMI*	*Above 100% AMI*
Number of Households:	**20,890**	**3,439**	**1,740**	**3,438**	**1,925**	**10,348**
Empty Nesters & Retirees	23.5%	16.9%	25.1%	20.7%	22.2%	26.6%
Traditional & Non-Traditional Families	45.2%	47.5%	28.8%	45.9%	47.4%	46.5%
Younger Singles & Couples	31.3%	35.6%	46.1%	33.4%	30.4%	26.9%
	100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Note: For fiscal year 2018, the lowest Median Family Income for a county within the region was Wabash County, IN at $56,000 for a family of four.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 3

Target Groups For New Multi-Family For Rent
The Northeast Indiana Region
Adams, Huntington, Kosciusko, Wabash, Wells,
DeKalb, LaGrange, Noble, Steuben, and Whitley Counties, Indiana

	. . . . . Number of Households						
Empty Nesters & Retirees**	*0% to 30% AMI†*	*30% to 50% AMI†*	*50% to 80% AMI†*	*80% to 100% AMI†*	*Above 100% AMI†*	*Total*	*Percent of Total*
Subtotal:	256	184	287	165	938	1,830	16.9%
	14.0%	10.1%	15.7%	9.0%	51.2%	100.0%	
Traditional & Non-Traditional Families††							
Subtotal:	798	235	726	394	1,914	4,067	37.6%
	19.6%	5.8%	17.9%	9.7%	47.0%	100.0%	
Younger Singles & Couples**							
Subtotal:	976	617	864	432	2,024	4,913	45.5%
	19.9%	12.6%	17.6%	8.8%	41.1%	100.0%	
Total Households:	**2,030**	**1,036**	**1,877**	**991**	**4,876**	**10,810**	**100.0%**
Percent of Total:	**18.8%**	**9.6%**	**17.4%**	**9.2%**	**45.0%**	**100.0%**	

† For fiscal year 2018, the lowest Median Family Income for a county within the region was Wabash County, IN at $56,000 for a family of four.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 4

Target Groups For New Multi-Family For Sale
The Northeast Indiana Region
Adams, Huntington, Kosciusko, Wabash, Wells,
DeKalb, LaGrange, Noble, Steuben, and Whitley Counties, Indiana

	. . . . . *Number of Households*						
Empty Nesters & Retirees**	*0% to 30% AMI†*	*30% to 50% AMI†*	*50% to 80% AMI†*	*80% to 100% AMI†*	*Above 100% AMI†*	*Total*	*Percent of Total*
Subtotal:	18	14	23	13	89	157	28.1%
	11.5%	8.9%	14.6%	8.3%	56.7%	100.0%	
Traditional & Non-Traditional Families††							
Subtotal:	43	11	44	25	158	281	50.4%
	15.3%	3.9%	15.7%	8.9%	56.2%	100.0%	
Younger Singles & Couples**							
Subtotal:	17	12	19	10	62	120	21.5%
	14.2%	10.0%	15.8%	8.3%	51.7%	100.0%	
Total Households:	**78**	**37**	**86**	**48**	**309**	**558**	100.0%
Percent of Total:	**14.0%**	**6.6%**	**15.4%**	**8.6%**	**55.4%**	**100.0%**	

† For fiscal year 2018, the lowest Median Family Income for a county within the region was Wabash County, IN at $56,000 for a family of four.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 5

Target Groups For New Single-Family Attached For Sale
The Northeast Indiana Region
Adams, Huntington, Kosciusko, Wabash, Wells,
DeKalb, LaGrange, Noble, Steuben, and Whitley Counties, Indiana

	. . . . . *Number of Households*						
Empty Nesters & Retirees**	*0% to 30% AMI†*	*30% to 50% AMI†*	*50% to 80% AMI†*	*80% to 100% AMI†*	*Above 100% AMI†*	*Total*	*Percent of Total*
Subtotal:	35	28	49	29	190	331	27.1%
	10.6%	8.5%	14.8%	8.8%	57.4%	100.0%	
Traditional & Non-Traditional Families††							
Subtotal:	102	32	102	62	342	640	52.3%
	15.9%	5.0%	15.9%	9.7%	53.4%	100.0%	
Younger Singles & Couples**							
Subtotal:	39	28	44	23	118	252	20.6%
	15.5%	11.1%	17.5%	9.1%	46.8%	100.0%	
Total Households:	**176**	**88**	**195**	**114**	**650**	**1,223**	100.0%
Percent of Total:	**14.4%**	**7.2%**	**15.9%**	**9.3%**	**53.1%**	**100.0%**	

† For fiscal year 2018, the lowest Median Family Income for a county within the region was Wabash County, IN at $56,000 for a family of four.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 6

Target Groups For New Single-Family Detached For Sale
The Northeast Indiana Region
Adams, Huntington, Kosciusko, Wabash, Wells,
DeKalb, LaGrange, Noble, Steuben, and Whitley Counties, Indiana

. . . . . Number of Households . . . . .

Empty Nesters & Retirees**	*0% to 30% AMI†*	*30% to 50% AMI†*	*50% to 80% AMI†*	*80% to 100% AMI†*	*Above 100% AMI†*	*Total*	*Percent of Total*
Subtotal:	271	210	352	219	1,535	2,587	31.2%
	10.5%	8.1%	13.6%	8.5%	59.3%	100.0%	
Traditional & Non-Traditional Families††							
Subtotal:	680	223	707	432	2,400	4,442	53.6%
	15.3%	5.0%	15.9%	9.7%	54.0%	100.0%	
Younger Singles & Couples**							
Subtotal:	194	146	221	121	578	1,260	15.2%
	15.4%	11.6%	17.5%	9.6%	45.9%	100.0%	
Total Households:	**1,145**	**579**	**1,280**	**772**	**4,513**	**8,289**	100.0%
Percent of Total:	**13.8%**	**7.0%**	**15.4%**	**9.3%**	**54.4%**	**100.0%**	

† For fiscal year 2018, the lowest Median Family Income for a county within the region was Wabash County, IN at $56,000 for a family of four.

** Predominantly one- and two-person households.
†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Income-Based Rents and Prices
The Northeast Indiana Region
March, 2019

Percent of Households Number	*Housing Type*	*Unit Configuration*	*Base Rent/Price Range*	*Unit Size Range*	*Base Rent/Price Per Sq. Ft.*	*Annual Market Capture*	
59.2%	**Multi-Family For-Rent**					**1,755**	**to 2,195**
1,036	Apartments	Studio/1ba	$450 to $525	450	$1.00 to $1.17	207	259
	{HHs w/ incomes betw/ 30 - 50% AMI	1br/1ba	$500 to $600	600	$0.83 to $1.00		
		2br/1ba	$625 to $750	750	$0.83 to $1.00		
		3br/1.5ba	$825 to $875	1,100	$0.75 to $0.80		
1,877	Apartments	Studio/1ba	$525 to $850	450	$1.17 to $1.89	375	469
	{HHs w/ incomes betw/ 50 - 80% AMI	1br/1ba	$600 to $975	600	$1.00 to $1.63		
		2br/1ba	$800 to $1,150	800	$1.00 to $1.44		
		3br/1.5ba	$875 to $1,300	1,200	$0.73 to $1.08		
1,991	Apts. Over Retail	Studio/1ba	$700	450	$1.56	398	498
	{HHs w/ incomes	1br/1ba	$900	600	$1.50		
	above 50% AMI	2br/1ba	$1,100	800	$1.38		
		2br/2ba	$1,350	1,000	$1.35		
3,876	Apartments	Studio/1ba	$1,050	550	$1.91	775	969
	{HHs w/ incomes	1br/1ba	$1,300	750	$1.73		
	above 100% AMI	2br/2ba	$1,550	1,000	$1.55		
		3br/2ba	$1,850	1,500	$1.23		

NOTE: Base prices are in year 2019 dollars, and do not include options or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Income-Based Rents and Prices
The Northeast Indiana Region
March, 2019

Percent of Households Number	*Housing Type*	*Unit Configuration*	*Base Rent/Price Range*	*Unit Size Range*	*Base Rent/Price Per Sq. Ft.*	*Annual Market Capture*
5.2%	**Single-Family Attached For-Sale**					**153 to 191**
764	Townhouses	2br/1.5ba	$165,000	1,100	$150	
	{HHs w/ incomes	2br/2.5ba	$200,000	1,350	$148	
	above 80% AMI	2br/2.5ba/study	$220,000	1,550	$142	
		3br/2.5ba	$245,000	1,750	$140	
35.6%	**Single-Family Detached For-Sale**					**529 to 793**
5,285	Houses	2br/2.5ba	$195,000	1,200	$163	
	{HHs w/ incomes	3br/2ba	$225,000	1,400	$161	
	above 80% AMI	3br/2.5ba	$260,000	1,650	$158	
		4br/2.5ba	$275,000	1,750	$157	
100.0%						**2,437 to 3,179** du per year
14,829	**Target Households**					

NOTE: Base prices are in year 2019 dollars, and do not include options or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Table 8

Absorption Forecasts by County

The Northeast Indiana Region (excluding Allen County)

March, 2019

County	Percentage Of Total *	Rentals 20% Capture		Rentals 25% Capture	Townhouses 20% Capture		Townhouses 25% Capture	Single-Family 10% Capture		Single-Family 15% Capture
Adams	8.1%	143	to	178	12	to	16	43	to	64
DeKalb	10.7%	187	to	234	16	to	20	56	to	85
Huntington	9.1%	160	to	200	14	to	17	48	to	72
Kosciusko	19.8%	348	to	435	30	to	38	105	to	157
LaGrange	8.0%	140	to	175	12	to	15	42	to	63
Noble	11.4%	200	to	250	17	to	22	60	to	90
Steuben	8.9%	156	to	195	14	to	17	47	to	71
Wabash	8.0%	140	to	175	12	to	15	42	to	63
Wells	7.3%	128	to	160	11	to	14	39	to	58
Whitley	8.7%	153	to	192	13	to	17	46	to	69
	100.0%	1,755	to	2,195	153	to	191	529	to	793
		dwelling units			dwelling units			dwelling units		

County	Annual Average Absorption		
Adams	198	to	258
DeKalb	260	to	339
Huntington	222	to	290
Kosciusko	483	to	630
LaGrange	194	to	253
Noble	278	to	362
Steuben	217	to	283
Wabash	195	to	254
Wells	177	to	232
Whitley	213	to	278
Total	2,437	to	3,179
	dwelling units		

* County households as a share of 10-county total.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

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Residential Market Analysis Across the Urban-to-Rural Transect

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the proprietary residential target market methodology™ employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.

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Residential Market Analysis Across the Urban-to-Rural Transect