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Research & Strategic Analysis

AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

The Loyola/Ramparts Corridor
The City of New Orleans, Louisiana

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This analysis has determined the market potential for new affordable as well as market-rate housing units within the Loyola/Ramparts Corridor, between Interstate 10 and Poydras Street in Planning District 1, City of New Orleans.

For the purposes of this analysis, market-rate is defined as affordable to households with incomes above 80 percent of the New Orleans/Metairie/Kenner Area Median Family Income (AMFI), which, in 2008, was \$59,800 for a family of four. Based on household size, the income limits to qualify for affordable housing would be \$33,500 for a one-person household; \$38,300 for a two-person household; \$43,050 for a three-person household; \$47,850 for a four-person household; and so on. However, this affordability standard does not apply to new construction, which is estimated by the New Orleans Redevelopment Authority to average \$250,000 per unit.

*Where does the potential market for new housing units
within the Loyola/Ramparts Corridor currently live?*

As derived from migration, mobility and target market analysis, the draw area distribution of market potential (those households with the potential to rent or purchase new housing units within the Loyola/Ramparts Corridor) is as follows:

Market Potential by Draw Area
THE LOYOLA/RAMPARTS CORRIDOR
City of New Orleans, Louisiana

City of New Orleans (Primary Draw Area):	59.1%
Jefferson, St. Tammany, St. Bernards Parishes (Regional Draw Area):	18.2%
East Baton Rouge Parish:	2.4%
Balance of Louisiana:	3.8%
Balance of US:	<u>16.5%</u>
Total:	100.0%

How many households are likely to move to the Loyola/Ramparts Corridor each year and who are they?

As derived by the target market methodology, up to 2,300 households represent the annual potential market for new mixed-income housing units that could be developed within the Loyola/Ramparts Corridor. These households comprise just under one percent of the approximately 23,200 households that represent the annual potential market for new and existing housing units in the City of New Orleans as a whole, a share of the market that is consistent with Zimmerman/Volk Associates' experience in other cities..

The household groups that comprise the potential market for new mixed-income housing units on the site are:

- Younger singles and childless couples (58 percent);
- Urban families (12 percent); and
- Empty nesters and retirees (30 percent).

What are their housing preferences?

Based on the tenure and housing preferences of the target households, the distribution of new mixed-income rental and for-sale housing types is as follows:

**Target Residential Mix: New Housing Units
By Income Levels and Financial Capabilities
THE LOYOLA/RAMPARTS CORRIDOR
*City of New Orleans, Louisiana***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (BMR*)	610	26.5%
Multi-family for-rent (market-rate†)	1,110	48.3%
Multi-family for-sale (BMR*)	160	6.9%
Multi-family for-sale (market-rate†)	<u>420</u>	<u>18.3%</u>
Total	2,300	100.0%

* BMR: Below Market-Rate.

† Market rate is defined as affordable to households with incomes above 80 percent of the New Orleans Area Median Family Income (AMI), as of March 2008, of \$59,800 for a family of four, adjusted for household size.

This market-driven mix includes approximately 75 percent rental housing units, and 25 percent for-sale housing units.

*How many new dwelling units
could be leased or sold within the area over the next five years?*

After more than 20 years' experience in scores of cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that those households that prefer new dwelling units comprise approximately 10 to 15 percent of the potential market, depending on housing type. (According to the National Association of Realtors, new housing units represent approximately 15 percent of all units sold nationally in a given year.) Based on a capture rate of 10 to 15 percent of the annual potential market for new housing units on the site, the Loyola/Ramparts Corridor could theoretically support up to 345 new units per year, as follows:

Annual Capture of Market Potential
THE LOYOLA/RAMPARTS CORRIDOR
City of New Orleans, Louisiana

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Multi-family for-rent (lofts/apartments, leaseholder)	1,720	15%	258
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	<u>580</u>	15%	<u>87</u>
Total	2,300		345 units

At these capture rates, absorption of up to 1,000 new dwelling units within the Loyola/Ramparts Corridor could be achieved within two to four years from commencement of marketing, depending on phasing and construction, and barring a long-term continuation of recessionary conditions in the national economy.

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 **target market capture rate** is a measure developed over nearly two decades of empirical, site-specific analysis that establishes the feasible percentages that can reasonably be applied to the potential market for each housing type.

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 **penetration rate** is largely an academic measure that establishes the percentage of households from within a defined area that must move to a housing project to achieve 100 percent occupancy.

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. The **traffic conversion rate** is a measure of the effectiveness of sales and leasing efforts.

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.

What is the market currently able to pay for the new units?

—Rental Distribution—

Based on the target household mix and the incomes and financial capabilities of the target households, the distribution by rent ranges of the 258 new rental units that could be absorbed each year over the next five years within the Loyola/Ramparts Corridor would be as follows:

Rental Apartment Distribution by Rent Range
THE LOYOLA/RAMPARTS CORRIDOR
City of New Orleans, Louisiana

MONTHLY RENT RANGE	UNITS PER YEAR	PERCENTAGE
\$500–\$750	48	18.6%
\$750–\$1,000	50	19.4%
\$1,000–\$1,250	34	13.2%
\$1,250–\$1,500	15	5.8%
\$1,500–\$1,750	26	10.1%
\$1,750–\$2,000	29	11.2%
\$2,000–\$2,250	34	13.2%
\$2,250 and up	<u>22</u>	<u>8.5%</u>
Total:	258	100.0%

—*For-Sale Distribution*—

Based on the target household mix and the incomes of the target households, the distribution by price range of the 87 new for-sale apartments that could be absorbed each year over the next five years within the Loyola/Ramparts Corridor would be as follows:

For-Sale Apartment Distribution by Price Range
THE LOYOLA/RAMPARTS CORRIDOR
City of New Orleans, Louisiana

PRICE RANGE	UNITS PER YEAR	PERCENTAGE
\$50,000–\$100,000	14	16.1%
\$100,000–\$150,000	10	11.5%
\$150,000–\$200,000	14	16.1%
\$200,000–\$250,000	19	21.8%
\$250,000–\$300,000	20	23.0%
\$300,000 and up	<u>10</u>	<u>11.5%</u>
Total:	87	100.0%

