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Residential Market Analysis Across the Urban-to-Rural Transect

## EXECUTIVE SUMMARY

### UPDATE

## RESIDENTIAL MARKET POTENTIAL

### Downtown Wichita

*City of Wichita, Sedgwick County, Kansas*

July, 2018

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This study re-evaluated the depth and breadth of the potential market for new rental and for-sale dwelling units, to be added through adaptive re-use of existing non-residential buildings and/or new construction, within Downtown Wichita, in the City of Wichita, Sedgwick County, Kansas. The original Downtown study was published in January, 2010, and first updated in June, 2014.

#### CONCLUSION OF THE ANALYSIS

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The analysis has determined that between 370 and 444 new rental and for-sale housing units could be absorbed within Downtown Wichita each year over the next five years, for a total of between 1,850 and 2,220 new units over five years.

#### SUMMARY OF FINDINGS

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- An average of 6,250 households, with incomes over \$35,000 per year, comprise the potential market for new and existing housing units in Downtown Wichita each year over the next five years, more than 30 percent higher than in 2014.
  - Focusing solely on the market for higher-density units, potential renters with annual incomes above \$35,000 and potential buyer households with annual incomes above \$50,000, an annual average of up to 3,827 households comprise the core market potential for new downtown housing over the next five years (an increase of nearly 29 percent over 2014).
  - The mix of households that comprise the potential market for new Downtown Wichita housing units is essentially the same as in 2014, as follows:
    - Younger singles and childless couples (74 percent, down slightly from 76 percent);
    - Empty nesters and retirees (17 percent, up slightly from 16 percent); and
    - Traditional and non-traditional families (nine percent, up from eight percent).
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- In Downtown Wichita, market propensities for higher-density urban housing is increasingly dominated by multi-family rental housing, now accounting for 79.6 percent (3,048 households) of target market propensities, compared to 50.6 percent in the 2010 study (1,270 households), and 65 percent in 2014 (1,930 households).
- The number of households with preferences for multi-family for-sale (condominium) units continues to decline (from 420 in 2014 to 367 households), and their share of the potential market continues to fall, from 14.1 percent in 2014 to 9.6 percent. Market preferences for single-family attached units is also dropping, from 620 households and a 20.9 percent market share in 2014 to 412 households and a 10.8 percent market share in 2018.
- Several new rental properties have entered the market since 2014: The Flats 324 Expansion (73 units), Pinnacle Lofts and Apartments (70 units), Broadway Autopark (44 units), Colorado Derby Lofts (106 units), Rock Island Lofts (eight units), The Douglas (240 units), 520 Commerce (24 units), and River Vista (203 units), an addition of 768 new rental units over four years to the Downtown housing stock.
- Based on the tenure preferences of draw area households and their income and financial capabilities, the optimum market position for 370 to 444 new rental and for-sale residential units that could currently be absorbed by the market each year over the next five to seven years is shown on the following table:

Rent, Price and Size Ranges  
 Newly-Created Housing (Adaptive Re-Use and New Construction)  
 Renter Households With Annual Incomes Above \$35,000  
 Buyer Households With Annual Incomes Above \$50,000  
 DOWNTOWN WICHITA  
*City of Wichita, Sedgwick County, Kansas,*

HOUSING TYPE	BASE RENT/PRICE RANGE	SIZE RANGE	BASE RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—79.6%			
Lofts	\$600–\$1,500/month	300–950 sf	\$1.58–\$2.00 psf
Apartments	\$900–\$1,700/month	500–1,000 sf	\$1.70–\$1.80 psf
Upscale Apartments	\$1,375–\$3,000/month	700–1,500 sf	\$1.76–\$2.00 psf

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HOUSING TYPE	BASE RENT/PRICE RANGE	SIZE RANGE	BASE RENT/PRICE PER SQ. FT.
FOR-SALE (MULTI-FAMILY)—9.6%			
Lofts	\$165,000–\$250,000	750–1,250 sf	\$200–\$220 psf
Upscale Condominiums	\$195,000–\$400,000	800–1,650 sf	\$225–\$244 psf
FOR-SALE (SINGLE-FAMILY ATTACHED)—10.8%			
Rowhouses	\$190,000–\$300,000	950–1,600 sf	\$188–\$200 psf
Townhouses	\$275,000–\$350,000	1,250–1,800 sf	\$194–\$220 psf

- Based on the mix of unit types, sizes, and rents/prices outlined in the optimum market position, the weighted average values for each of the housing types are:

Weighted Average Base Rents/Prices and Size Ranges  
 Renter Households With Annual Incomes Above \$35,000  
 Buyer Households With Annual Incomes Above \$50,000  
 DOWNTOWN WICHITA  
*City of Wichita, Sedgwick County, Kansas*

HOUSING TYPE	WEIGHTED AVERAGE BASE RENTS/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENTS/PRICES PER SQ. FT.
MULTI-FAMILY FOR-RENT			
Lofts	\$1,105	668 sf	\$1.66 psf
Apartments	\$1,265	725 sf	\$1.74 psf
Upscale Apartments	\$1,864	1,000 sf	\$1.86 psf
MULTI-FAMILY FOR-SALE			
Lofts	\$198,750	943 sf	\$211 psf
Upscale Condominiums	\$269,250	1,163 sf	\$232 psf
SINGLE-FAMILY ATTACHED FOR-SALE			
Rowhouses	\$253,000	1,315 sf	\$192 psf
Townhouses	\$315,500	1,505 sf	\$210 psf

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- Annual average absorption over the next five years within the Downtown is forecast as follows:

Annual Forecast Absorption  
 Renter Households With Annual Incomes Above \$35,000  
 Buyer Households With Annual Incomes Above \$50,000  
 DOWNTOWN WICHITA  
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HOUSING TYPE	NUMBER OF HOUSEHOLDS	ANNUAL UNITS ABSORBED	CAPTURE RATES
Multi-family for-rent	3,048	305 - 366	10 – 12%
Multi-family for-sale	367	31 - 37	8.5 – 10%
Single-family attached for-sale	<u>412</u>	<u>35 - 42</u>	8.5 – 10%
Total	3,827	370 - 444 units	

SOURCE: Zimmerman/Volk Associates, Inc., 2018.

- Based on these capture rates, Downtown Wichita should be able to absorb between 370 and 444 new rental and for-sale housing units per year each year over the next five years.





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### 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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