Preparing or Supervising a Housing Market Analysis

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This is one in a series of papers in the general housing area. Papers in this series include:

"Preparing or Supervising a Housing Market Analysis" (EC–415)
"Characteristics of Indiana's Mobile Home Residents" (EC–416)
"Mobile Homes, Taxes, and Your Community" (EC–417)
"Implications of Planning and Zoning as They Relate to Housing" (EC–418)

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PREPARING OR SUPERVISING A HOUSING MARKET ANALYSIS

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A housing market analysis is a study of the housing of a particular area including an assessment of the housing available, quality and condition of housing, and present and projected housing needs. Such information is useful to builders, financial institutions, and others concerned with local housing conditions or interested in local economic trends and conditions.

This paper is intended to help local people prepare an analysis or determine what should be included in a housing market analysis prepared by professionals. Part I is a suggested outline for a housing market analysis. Part II is a general, but brief, description of the major elements of a housing market analysis. Part III is an example of a housing market analysis of a rural area that was prepared for Jefferson County, Indiana. This analysis is not complete and is intended only as an illustration. A study of a large metropolitan area would require even more extensive study of the population, work force, employment, and market demands.

If a marketing analysis is to be objective, statements of opinion or judgment should be identified as such and separated from statements of fact. The factual framework should be based on the best information available from local, state, and national data sources.
U. S. census data is the primary source of information in preparing a housing market analysis. The information on general population and housing characteristics is particularly useful. The "Indiana Fact Book" published by the Indiana Department of Commerce has much useful data. Employment Security has information on wages and employment, much of which is summarized in Purdue University Extension Circular 310. The local Chamber of Commerce and local builders can often provide information needed for the study. Other sources of information can be used, depending on needs and location of the specific study area.

Much time is required to develop a good housing market analysis. The Federal Housing Administration will prepare a housing market analysis if requested by the mayor of the largest city in the area. Further information can be secured from the area Federal Housing Administration representative.

OUTLINE FOR A HOUSING MARKET ANALYSIS

I. Description of Market Area
   a. Location
   b. General Employment Conditions
   c. General Housing Conditions

II. Economy of the Area
   a. Character and Recent History
   b. Work Force of the Market Area
   c. Employment and Unemployment
   d. Employment Prospects
   e. Income Level

III. Demographic Factors
   a. Population
      1. Housing Market Area Total
      2. Population Trends
         a. Incorporated Areas
         b. Remainder of Market Area
      3. Natural Increase and Migration
      4. Estimated Future Population
   b. Households
      1. Household Size
      2. Estimated Future Households

IV. Housing Market Factors
   a. Housing Supply

b. Characteristics of Housing
   1. Age
   2. Condition
   3. Size

V. Building Activity
   a. Recent Trends
   b. Units Under Construction
   c. Demolitions
   d. Vacancies

VI. Sales Market
   a. General Marketing Conditions
   b. Availability of Housing

VII. Rental Market
   a. General Market Conditions
   b. New Rental Housing
   c. Public Housing

VIII. Demand for Housing
   a. Need Based on Number of New Houses
   b. Type of Housing Need (Usually Based on Ability to Pay)
      1. Single Family Dwellings
      2. Multi-Family Dwellings
DESCRIPTION OF A HOUSING MARKET ANALYSIS

I. Description of Market Area

This should be a brief discussion of the relationship to nearby areas, and some general information concerning employment and housing.

II. Economy of the Area

Reference here should be made to any recent changes in employment, the type of employment, the number of people now working, and the number of people available to work. Any new or potential industrial development should be included because demand for housing will increase if additional labor force is required and expected to move into the area. The income level of the work force does have a bearing on the type of housing required and should be included.

Local county officials, Employment Security, the Chamber of Commerce, and U. S. Census Data are valuable sources.

III. Demographic Factors

Population data -- past, present, and future projections -- are very important in preparing a market analysis, not only to ascertain the total number of people, but also where the people choose to live. Trends can be established by consulting the characteristics of population prepared by the U. S. Bureau of the Census. Natural population increases and migration trends are important, using census data as a source.

IV. Housing Market Factors

The age, condition, size, and amount of available housing are important to know. The "Characteristics of Housing" available from the Bureau of Census is an excellent source for this. Local builder associations, tax assessors, and planning commissions can provide data on new housing since the last census was completed.

V. Building Activity

Local builder associations, planning commissions, local realtors, and the local Chamber of Commerce are good sources of information on buildings under construction and demolitions.

VI. Sales Market

The general economy of the area and nation are important considerations in the sales market. Information is available from most state commerce departments and from the department of business at the state university.

VII. Rental Markets

Important factors in this market are the number of public and private units available, market demand, condition and size of units, and governmental supplements available. The type of employment and income level help to determine how much a family can afford to pay for housing. Transient workers may desire to rent even if they can afford to buy, knowing that they will not be located in a community very long.

VIII. Demand for Housing

Many of the factors already mentioned have a bearing on the housing
demand. The number of new households, increase or decrease in employment, changes in income level, type of employment, and size of family determine to a great extent the kind of housing required.

EXAMPLE OF A HOUSING MARKET ANALYSIS

Jefferson County, Indiana. April 1, 1971

I. Description of the Housing Market Area

The Jefferson County housing market area comprises all of Jefferson County, Indiana, including Madison, Hanover, and Dupont.

Madison, the largest city in the area with a population of 13,081, is on the Ohio River at the southeast edge of the county. It has only a few vacant lots which are small and in less desirable locations. There is no room for new subdivisions in Old Madison.

New housing in North Madison must compete with industry for acreage. Much of the available land is now zoned for industry, and housing developers do not choose to invest their money in an area that is rapidly becoming an industrial complex. Many people employed in Madison would be willing to drive the extra ten or less miles to get out of the industrial area if they had services available in the city.

Hanover, an incorporated town with a population of 3,018, has a situation similar to Madison. The tax rates are higher than in the rest of the county with the exception of Madison. Land costs are relatively high. Hanover does have sewers, water, and electricity available. Hanover residents do not have access to natural gas.

Dupont, recently incorporated, is a more rural area with a population of 357, and was not large enough to be counted in 1960. The town has water, sewers, and electricity.

Brooksburg, the only other incorporated town in the county, has a diminishing population that dropped from 129 in 1960 to 104 in 1970. The town has no water, sewers, or gas.

Madison is governed by a mayor and council. Hanover, Dupont, and Brooksburg have town boards. Jefferson County’s government is under control of a board of commissioners and a county council. There is a County Master Plan and separate planning agency for the city of Madison. The County Planning Commission has control over the other incorporated areas and the county.

Hanover College, with an enrollment of 1,000 and plans of expansion to 1,200, is located in Hanover in Jefferson County. There are adequate modern schools, public and private, for kindergarten through twelve grades.

Clifty State Park is located in the county with facilities for lodging, camping, picnicking, boating, horseback riding, and hiking. Madison has a developed river front for boating and other water recreation. The Regatta
is held annually, drawing capacity crowds. There are park and recreation boards in the county and in the city of Madison to plan for recreation facilities and programs.

II. Economy of the Area


Employment. Total employment for Jefferson County in the latest report of the Employment Security Division was 10,785. Present unemployment rate is 2.4 percent for the county, well below the state and national average.

In 1959, there were approximately 5,800 workers employed by firms covered by the Indiana Employment Act in Jefferson County. About 3,300 of these were employed in a manufacturing industry.

Wages and Income. The rapid development of service or non-manufacturing industries in the Madison area has provided continuous increased employment for a number of years. The average weekly income was rather low at $96.00 in 1968. The median family income in 1969 for Jefferson County was reported in the census as $8,556. The distribution of median family income in 1969 for Jefferson County listed 21 percent with income less than $5,000, 39 percent with income between $5,000 and $9,999, 26 percent with income between $10,000 and $14,999, and 14 percent with income $15,000 or higher.

III. Demographic Factors

Population. Jefferson County grew at a slightly faster rate from 1960 to 1970 than the state-wide population increase for the 92 Hoosier counties.

Officially, Jefferson County's population in the 1970 census stood at 27,006. This represents a 12.2 percent increase from the 1960 figure of 24,061. Population in the state increased 11.4 percent over the same time period.

The U. S. Census Bureau compiled a list of statistics for Jefferson County derived from the 1970 census. Racial composition of the county was 98.4 percent White. The census counted 26,562 White persons, 388 Negroes, and 56 persons of other races. Since 1960, this was an increase of one-tenth percent of racial minority groups.

The census showed 2,199 children under five years old, 6,829 from five to seventeen, 14,986 in the eighteen to sixty-four years age group, and 2,992 over the age of 64. The population of fourteen years and older included 12,465 married persons, 1,621 widowed, 819 divorced, and 5,143 single persons. Jefferson County's population was classified as 59.6 percent urban and 40.4 percent rural.

Households. There were 7,890 households with 24,798 persons, including 1,226 one-person households. In addition, 2,208 persons were living in group quarters.

The census counted 8,598 housing units in the county with 8,554 being year-round housing units. Of these, 5,907 were occupied by owners, 1,938 by tenants, and 709 vacant or occupied seasonally. The proportion occupied by owners in 1970 was 68.7 percent, compared to 63.2 percent in 1960.

The median value of owner-occupied houses in the county was $13,000 compared with $8,000 in 1960. The median rent paid by tenants was $66 per month in 1970, compared with $55 in 1960.

These figures were reported in two 1970 census advance reports for
the state on general population and housing characteristics.

IV. Housing Market Factors

Current Estimate and Past Trends of Housing Supply. According to the 1970 Census, there were 8,598 houses in the Jefferson County housing marketing area, an increase of 1,322 (18 percent) over the inventory reported by the 1960 Census. During the 1960's, 2,135 new housing structures were built. This implies an annual average gain of 213 new housing units and the demolition of 81 units for an average net gain of 132 units each year.

Characteristics of Housing. In the 1970 Census, 7,047 were one-unit structures compared to 5,094 reported in 1950 and 6,276 in 1960. Of the current housing, 4,221 units are in Madison and 684 in Hanover.

Among year-round dwelling units there were 7,047 single family houses, 997 housing units in multi-unit buildings, and 510 mobile homes or trailers. The percentage of occupied units with more than one person per room was 9.2 percent compared with 12.5 percent in 1960. Of all occupied housing units, 7,359 had piped hot and cold water, toilet and bath while 1195 lacked some or all plumbing for private use of the household.

V. Residential Building Activity

Recent Trend. The major building activity has been in Hanover Township where 3,018 units now exist as compared to 1,170 units in 1960. This represents an increase of 157.9 percent.

A rural subdivision has been approved in Saluda Township, composed of approximately 30 lots with a public water system and electricity, but no other public services.

An application for apartments in Madison has been made to the Planning Commission, but there is no other residential building activity except on scattered lots throughout the city.

Demolitions. No special demolition programs have existed. Historic Madison has restored many of the older homes, but some of the rural areas have experienced demolition of old housing. Many of these old houses do not have plumbing facilities or access to the desired public services.

Vacancies. There were 236 vacant units in Madison, of which 47 were for sale and 118 for rent. In Jefferson County, 98 units were for sale, 216 for rent, and 664 were listed as vacant, but many of these were no longer suitable for occupancy. Most of the vacancies in Madison were in substandard structures or high rent apartments with a high rate of turnover.

VI. Sales Market

(Discussed in other parts of the analysis)

VII. Rental Market

(Discussed in other parts of the analysis)

VIII. Demand for Housing

Housing Need. The current rate of population growth in Jefferson County of 295 people per year demands a minimum of 95 new residences with no allowance made for demolition of existing homes. It is probable that 140 to 170 new residences will be required each year when an estimate for demolition is included. There is a continued shift toward home ownership in the county. At present, 5,907 of the housing units in the county are owner occupied.
Type of Housing Required. The distribution of housing types presently is 7,074 single family dwellings, 977 housing units in multi-unit buildings, and 510 mobile homes and trailers. There are no approved mobile homes or trailer parks in the county.

The majority of the housing demand is for single family dwellings. There appears to be a preference for three-bedroom homes with medium-size lots. The population per housing unit is 3.1 and the average is the same in privately owned and rented dwellings, according to the 1970 Census of Housing Characteristics. Median family income and the distribution of income reported in Section II, together with the rule-of-thumb that new housing should not exceed 2.0 to 2.5 times annual income, suggest that the majority of new single family units will need to cost less than $22,500.

REFERENCES


