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Residential Market Analysis Across the Urban-to-Rural Transect

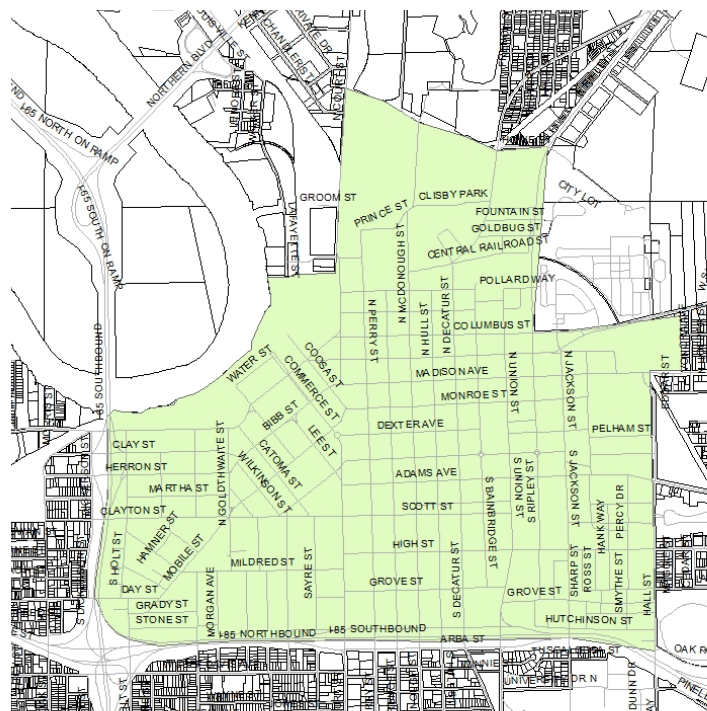
## EXECUTIVE SUMMARY AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

The Downtown Montgomery Study Area  
*The City of Montgomery, Montgomery County, Alabama*

October, 2021

This study determined the market potential and optimum market position for newly-introduced rental and for-sale housing units that could be developed over the next five years within the Downtown Montgomery Study Area.

The Study Areas boundaries follow the Alabama River, West Railroad Street, North Court Street, a rail line, North Ripley Street, and Columbus Street in the north; Hall Street in the east; Interstate 85 in the south; and Interstate 65 in the west. The Study Area includes the Central Business District, the Warehouse District, Old Alabama Town, Columbus Square, the phased redevelopment of the Trenholm Court public housing property which was shuttered in 2011, the Capital District, a section of the Centennial Hill neighborhood, and several historic districts, including Cottage Hill.



## SUMMARY OF FINDINGS

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- An annual average of more than 4,100 households of all incomes comprise the market potential for new and existing housing units in the Downtown Montgomery Study Area each year over the next five years.
- Approximately 35 percent of those households live outside the City of Montgomery; the other 65 percent are households that would be moving from within the city.
- Characterized by lifestage, these households include:
  - Younger singles and childless couples (56 percent);
  - Empty nesters and retirees (30 percent); and
  - Traditional and non-traditional families (14 percent).
- Fifty-six percent of the annual potential market has a propensity for rental housing, reflecting the measurable increase in market preferences for rental dwelling units since the Great Recession, particularly among younger households. There is a higher share of consumer preference for multi-family rentals even among relatively affluent consumers compared to a decade ago.
- The optimum market position for new workforce (affordable) and market-rate housing in the Downtown Study Area has been developed to correspond to the housing preferences and financial capabilities of those target households with incomes at or above 60 percent of the area median family income.
- An annual average of just over 1,900 households with incomes at or above 60 percent of the area median family income therefore comprise the core market for new housing units in the Downtown.
- Multi-family rental housing accounts for three-quarters of target market propensities, multi-family for-sale units (condominiums) represent just over 11 percent of target market propensities, and single--family attached units (rowhouses, townhouses, duplexes) comprise the remaining 14 percent.
- Therefore, based on the housing preferences and the income and financial capabilities of the target households, the optimum market position for newly-constructed workforce (affordable) and market-rate residential units that could be developed in the Downtown Montgomery Study Area is shown on the table following this page.

An Analysis of Residential Market Potential  
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HOUSING TYPE	UNIT RENT/PRICE RANGE	UNIT SIZE RANGE	BASE RENT/PRICE PER SQ. FT.
Workforce/Affordable (60% to 80% AMI)			
Multi-family for rent	\$600-\$1,050	550-1,100 sf	\$0.95-\$1.09
Multi-family for sale	\$135,000-\$165,000	750-975 sf	\$169-\$181
Single-family attached for-sale	\$175,000-\$200,000	1,000-1,350 sf	\$148-\$175
Market-Rate (80% AMI and up)			
Multi-family for rent	\$950-\$2,100	550-1,550 sf	\$1.35-\$1.73
Multi-family for sale	\$200,000-\$280,000	850-1,400 sf	\$200-\$235
Single-family attached for-sale	\$290,000-\$365,000	1,350-1,850 sf	\$197-\$215

- Based on 33 years' experience using the target market methodology in 47 states, Zimmerman/Volk Associates has developed and refined a capture rate methodology scaled to study area size and context.
- For Downtown Montgomery, capture rates of between 10 and 15 percent of the annual average number of potential renters, and between five and 10 percent of the annual average number of potential condominium and rowhouse/townhouse buyers is supportable each year over the next five years, assuming the production of appropriately-positioned new housing.
- If new development could achieve these capture rates, between 166 and 264 new units per year could be leased or sold in the Study Area over a five-year timeframe, or a five-year total of 830 to 1,320 new rental and for-sale workforce/affordable and market-rate housing units. The new construction would not only attract new households to the city, but would also provide appropriate housing alternatives to retain many households that, due to a change in household composition or economic status, might otherwise have moved out.

