

HUD PD&R Housing Market Profiles

Lake County-Kenosha County, Illinois-Wisconsin



Quick Facts About the Lake-Kenosha Area

Vernon Hills, Illinois

By Marissa Dolin | As of March 1, 2020

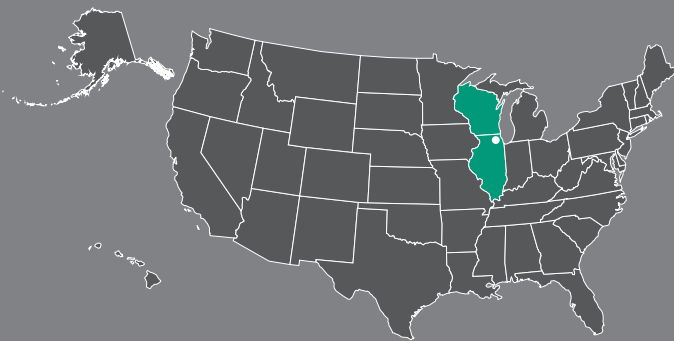
- **Current sales market conditions: balanced**
- **Current apartment market conditions: balanced**
- **Ten Fortune 500 companies—including pharmaceutical company Abbott Laboratories, drugstore chain Walgreens Boots Alliance, Inc., construction machinery company Caterpillar Inc., and food manufacturer Mondelez International, Inc.—are headquartered in the metropolitan division.**

Overview

The Lake County-Kenosha County metropolitan division (hereafter, Lake-Kenosha) is composed of Lake County, Illinois and Kenosha County, Wisconsin. The metropolitan division is located along Lake Michigan, approximately 50 miles north of downtown Chicago and 50 miles south of downtown Milwaukee. Unlike many metropolitan areas that developed around a central city, the Lake-Kenosha area is mostly suburban with numerous smaller business districts, office parks, and other employment centers; however, the area lacks an urban central business district. Capitalizing on proximity to the larger metropolitan areas of Chicago and Milwaukee, regional tourist attractions in the metropolitan division, including Six Flags Great America, the Mars Cheese Castle, and the Jelly Belly Center, supported \$1.67 billion in tourist spending in 2018 (Lake County and Kenosha County, with estimates by the analyst). Naval Station Great Lakes, in Lake County, is home to the only bootcamp of the United States Navy; the station employs more than 20,000 military and civilian personnel and has an economic impact of \$4.6 billion in Illinois (U.S. Navy).

- The current population of the Lake-Kenosha metropolitan division is estimated at 864,600, down by an average of 1,700, or 0.2 percent, annually since peaking in 2015. Net

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natural increase (resident births minus resident deaths) averaged 3,200 people annually since 2015, but net out-migration, which averaged 4,900 people annually, offset this increase.

- From 2011 to 2015, the population increased by an average of 1,000, or 0.1 percent, annually. Compared with more recent years, higher net natural increase and lower net out-migration that averaged 4,100 and 3,100 people annually, respectively, led to population growth.
- Since 2010, the number of households increased by an average of 1,150, or 0.4 percent, annually, to 315,800, slowing from an average increase of 3,200 annually during the 2000s.

Economy

After nearly a decade of year-over-year growth, nonfarm payrolls declined for the first time during the 3 months ending February 2020, ending a 9-year period of growth. The period of growth from 2011 through 2019 resulted in an average annual gain of 5,300 jobs, or 1.4 percent. Sectors with notable gains during the 9-year period included the manufacturing sector, with an average annual increase of 900 jobs, or 1.6 percent, and the professional and business services sector, with an average increase of 1,800 jobs, or 3.0 percent, annually. Despite the decline in jobs during the most recent 3 months, the unemployment rate fell to the lowest level since 2000, averaging 4.1 percent during the 3 months ending February 2020, down from 5.4 percent a year earlier.

During the 3 months ending February 2020—

- Nonfarm payrolls averaged 409,900, down by 6,100 jobs, or 1.5 percent, from a year ago, the first year-over-year decline since 2010.

- The Lake-Kenosha metropolitan division has a close economic relationship with the surrounding region. Among employed residents, approximately 50 percent work in the metropolitan division, slightly more than 40 percent work in other parts of northeastern Illinois, and slightly less than 10 percent work in other parts of southeastern Wisconsin (U.S. Census, OnTheMap 2017). The recent increase in net out-migration in the Lake-Kenosha metropolitan division is partially attributed to residents moving out of the area for jobs as the economy recovered faster elsewhere.

- The largest job loss was in the professional and business services sector, with a decline of 3,100 jobs, or 4.5 percent. The loss is a shift from a gain of 2,500 jobs, or 3.8 percent, during the previous year. A portion of the jobs lost were because of office relocations to larger metropolitan areas.
- The education and health services sector was one of only two sectors in the metropolitan division to add jobs, expanding by 800 jobs, or 1.7 percent. A new Froedtert South healthcare facility in Kenosha, Wisconsin, and a new bio-tech business incubator on the Rosalind Franklin University campus in North Chicago, Illinois, supported job growth in the sector.
- The number of jobs in the transportation and utilities sector averaged 15,500, unchanged from a year ago and a slowdown from the average year-over-year gain of 800 jobs, or 7.3 percent, from 2011 through 2019. The current number

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In the Lake-Kenosha metropolitan division, 8 of the 11 sectors declined during the 3 months ending February 2020.

| | 3 Months Ending | | Year-Over-Year Change | |
|----------------------------------|------------------------------|------------------------------|-------------------------|---------|
| | February 2019 (Thousands) | February 2020 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 416.0 | 409.9 | -6.1 | -1.5 |
| Goods-Producing Sectors | 77.2 | 76.6 | -0.6 | -0.8 |
| Mining, Logging, & Construction | 14.5 | 14.4 | -0.1 | -0.7 |
| Manufacturing | 62.7 | 62.2 | -0.5 | -0.8 |
| Service-Providing Sectors | 338.8 | 333.2 | -5.6 | -1.7 |
| Wholesale & Retail Trade | 78.0 | 76.1 | -1.9 | -2.4 |
| Transportation & Utilities | 15.5 | 15.5 | 0.0 | 0.0 |
| Information | 3.6 | 3.5 | -0.1 | -2.8 |
| Financial Activities | 22.6 | 21.8 | -0.8 | -3.5 |
| Professional & Business Services | 68.9 | 65.8 | -3.1 | -4.5 |
| Education & Health Services | 48.0 | 48.8 | 0.8 | 1.7 |
| Leisure & Hospitality | 39.0 | 38.7 | -0.3 | -0.8 |
| Other Services | 13.1 | 13.4 | 0.3 | 2.3 |
| Government | 50.2 | 49.6 | -0.6 | -1.2 |
| Unemployment Rate | 5.4% | 4.1% | | |

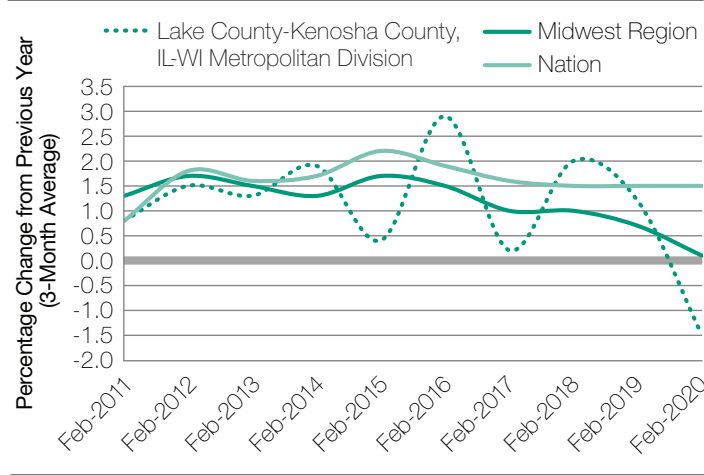
Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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of jobs in the sector is nearly double the number of jobs in 2009, as companies including Amazon.com, Inc., Uline, and Meijer, Inc. have opened or expanded their distribution centers in the area over the past decade.

Nonfarm payrolls declined in the Lake-Kenosha metropolitan division for the first time in more than a decade during the 3 months ending February 2020.



Source: U.S. Bureau of Labor Statistics

A portion of the recent decline in nonfarm payrolls in the Lake-Kenosha metropolitan division is attributed to corporate relocations, as companies move some of their workforce to offices in urban downtown business districts in larger cities. Three Fortune 500 companies—Walgreens Boots Alliance, Inc., Mondelez International, Inc., and Takeda Pharmaceutical Company Limited—announced plans in mid-2019 to move workers out of the area within the next year. A total of 1,700 workers at Walgreens and Mondelez will move to offices in downtown Chicago, while 1,000 jobs at Takeda will relocate to Boston. The official Walgreens headquarters and some employees will remain in Lake County, while the Mondelez and Takeda headquarters will move to Chicago and Boston, respectively.

Largest Employers in the Lake-Kenosha Metropolitan Division

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|--------------------------------|------------------------------------|---------------------|
| AbbVie Inc. | Professional and Business Services | 11,000 |
| Baxter International Inc. | Professional and Business Services | 5,900 |
| Walgreens Boots Alliance, Inc. | Wholesale and Retail Trade | 5,000 |

Note: Excludes local school districts.

Source: Lake County, 2018, Kenosha Area Business Alliance

Sales Market Conditions

The home sales market is currently balanced, but it has softened from a year earlier. The vacancy rate is estimated at 1.4 percent, down from 2.3 percent in 2010. The market remains balanced but has shown signs of weakness; the number of jobs in the area declined from a year ago, and both sales and prices are down. Total home sales, including new and existing homes, fell 3 percent to 15,850 during the 12 months ending February 2020; that decline was the largest year-over-year decline since 2015, when real estate owned (REO) home sales first began to decrease. The downward trend in sales is also partially attributed to population decline, which began the same year. The average sales price for all homes fell 6 percent during the most recent 12 months to \$256,900 as prices for regular resales and REO sales fell; an increase in new home prices only partially offset this decrease. The inventory of homes for sale was 4.4 months in February 2020, unchanged from a year earlier, and has been below 6.0 months of supply since mid-2013. The rate of home loans in the metropolitan division that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 1.3 percent in February 2020, down from 1.6 percent a year earlier. The current rate for the Lake-Kenosha metropolitan division is the same as the rate for the Midwest region and the nation.

During the 12 months ending February 2020—

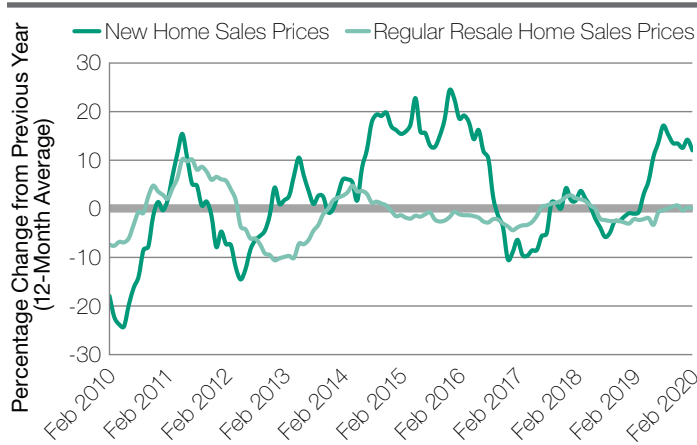
- Regular resales fell 1 percent to 13,950. By comparison, sales increased 1 percent during the previous 12 months and increased an average of 10 percent year over year from 2014 through 2018 (Metrostudy, A Hanley Wood Company). Regular resales accounted for 88 percent of total home sales in the metropolitan division during the most recent 12 months.
- New home sales increased 3 percent to 460, up slightly from the 1-percent increase during the previous 12 months, but slower than the average annual increase of 14 percent, or 50 homes, during the two prior 12-month periods.
- The average regular resale sales price was \$256,200, down 7 percent from a year earlier and below the recent high of \$282,300 during the 12 months ending February 2018. The current average price remains 22 percent below the average price of \$328,700 during the 12 months ending February 2008.
- The average new home sales price increased 7 percent to \$459,000, shifting from a 6-percent decline during the previous 12 months. The average new home sales price has been above the February 2007 high of \$399,000 since 2016.

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The average new home sales price has been rising since April 2019, while the average regular resale sales price fell slightly during the same period in the Lake-Kenosha metropolitan division.

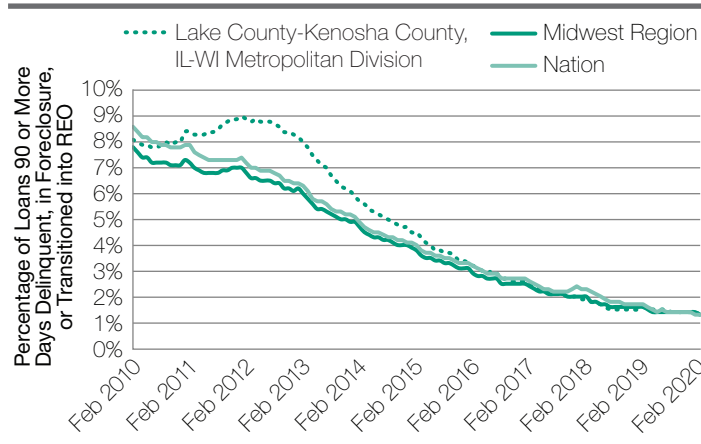


Note: Prices include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

Single-family home construction, as measured by the number of units permitted, has fallen recently in response to several years of population decline and weaker economic conditions.

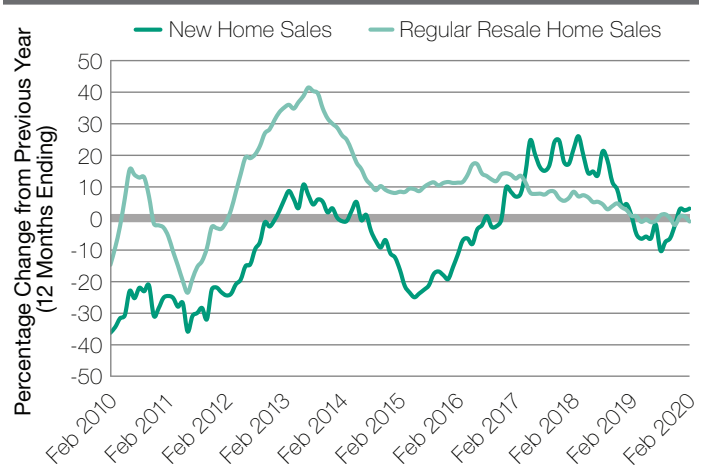
- During the 12 months ending February 2020, approximately 800 single-family homes were permitted, down from 870 during the previous 12 months (preliminary data, with adjustments by the analyst).
- From 2013 through 2018, permitting averaged 810 homes annually, including a low of 710 in 2015 and a high of 890 in 2017.
- In the Lake County village of Buffalo Grove, the 68-unit first phase of the Link Crossing townhome development began

The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Lake-Kenosha metropolitan division peaked in early 2012, later and at a higher rate than the nation and Midwest region.



REO = real estate owned. Source: CoreLogic, Inc.

In early 2020, new home sales increased in the Lake-Kenosha metropolitan division, while existing home sales were relatively unchanged.

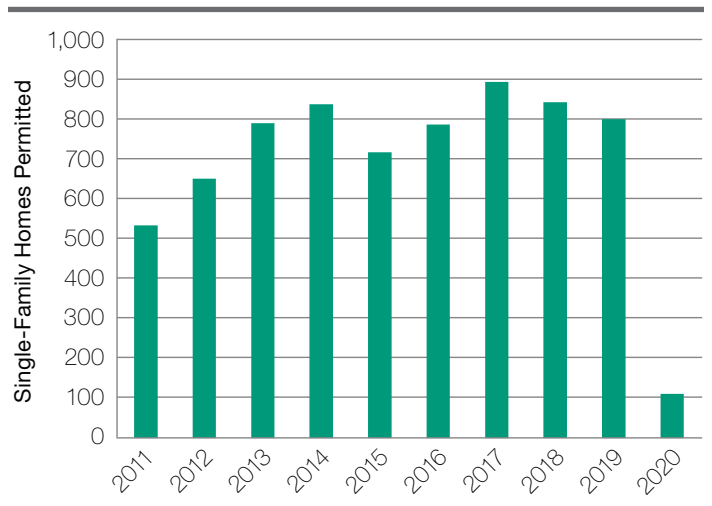


Note: Sales include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

construction during the fourth quarter of 2019. The seven three-bedroom, three-bathroom homes currently under construction have an average listing price of \$482,500.

- In Pleasant Prairie, Wisconsin, The Cottages at Village Green, a 72-unit project with a mix of single-family homes and duplexes, is currently under construction. Since construction began, 28 homes have sold. Prices for two-bedroom attached homes range from \$390,000 to \$436,500, and three-bedroom detached homes are priced between \$436,500 and \$484,500.

New single-family home construction in the Lake-Kenosha metropolitan division peaked in 2017.



Note: Includes preliminary data from January 2019 through February 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



Apartment Market Conditions

The apartment market is balanced, but it showed signs of weakness during the last year as nonfarm payrolls and population declined in the metropolitan division. Rent growth has slowed relative to gains during the previous 2 years. The vacancy rate increased from a year ago but remains near the average for the 2010s. Large apartment buildings with 20 or more units account for approximately 20 percent of renter-occupied homes in the Lake-Kenosha metropolitan division, up slightly from 2010. Since 2010, approximately 3,100 apartment units, including general occupancy, age-restricted, and income-restricted units, have entered the rental market, most of which were built in the latter half of the 2010s.

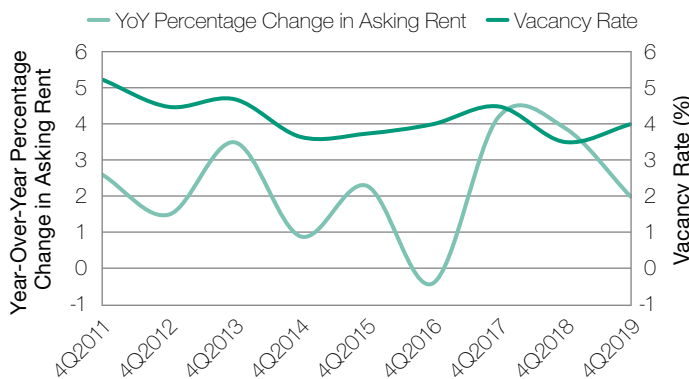
- The vacancy rate increased to 4.0 percent during the fourth quarter of 2019, up from a historic fourth-quarter low of 3.5 percent a year earlier, but the same as the average fourth-quarter vacancy rate of 4.0 percent from 2014 through 2017 (RealPage, Inc.).
- The average rent increased 2 percent to \$1,195 during the fourth quarter of 2019, slowing from an average annual gain of 4 percent during the previous 2 years. Recent rent growth trends are partially in response to 1,600 new apartments that have entered the market since 2017. New units, which tend to have above-average rents, initially accelerated rent growth, but growth slowed in the past year to allow properties to remain competitive as additional units entered the market and the vacancy rate increased.
- The average rent in Kenosha County was lower, and the vacancy rate higher, compared with conditions in Lake County. Rent averaged \$1,152, with a vacancy rate of 4.9 percent in Kenosha County in February 2020, compared with \$1,271 and a 4.1-percent vacancy rate in Lake County.
- Apartments under construction and in planning are concentrated in Kenosha County, partially because the area

is relatively more affordable. Job growth in recent years in the transportation and utilities sector has been concentrated in the area, and construction of a Foxconn manufacturing plant immediately outside the county, which is expected to lead to further job growth in southeastern Wisconsin, also supported construction of new apartments.

Multifamily construction, as measured by the number of units permitted, has fluctuated from year to year, rising and falling to allow for absorption of recently completed projects before additional units are built. Population decline and renter preference to live in urban central cities have limited construction in recent years.

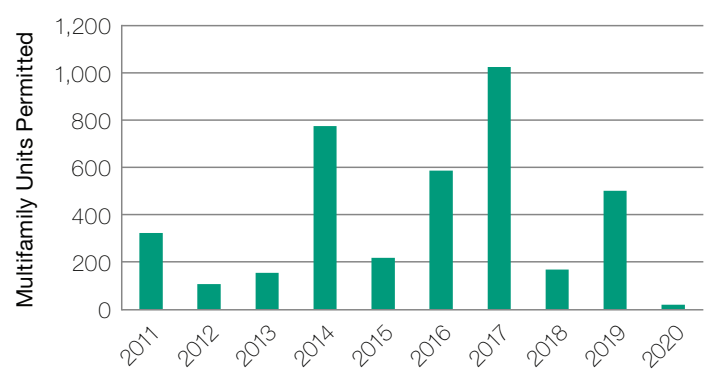
- During the 12 months ending February 2020, multifamily permitting increased to 490 units permitted, up from 140 units permitted during the previous 12-month period (preliminary data).
- Permitting fluctuated during the 2010s, ranging from a low of 110 in 2012 to a high of 1,025 units in 2017.
- One of two areas where new apartment construction is concentrated is in the southern half of Lake County. The 444 Social opened in 2019 in the southern Lake County suburb of Lincolnshire. The 302-unit property has rents averaging \$1,522 for a studio, \$1,836 for a one-bedroom, \$2,676 for a two-bedroom, and \$3,458 for a three-bedroom unit. To accelerate lease-up, the property is offering up to two months free on new leases for two-bedroom units.
- The other area of concentrated apartment development is in Kenosha County, east of Interstate-94. In Pleasant Prairie, a Kenosha County suburb near Interstate 94 and proximate to several of the new distribution centers, Breeze Terrace opened earlier in 2020. The average asking rents were \$1,454 for a one-bedroom unit and \$1,933 for a two-bedroom unit. The property is offering one-month free rent on all units.

The apartment vacancy rate increased and rent growth slowed from a year ago during the fourth quarter of 2019 in the Lake-Kenosha metropolitan division.



4Q = fourth quarter. YoY = year-over-year. Source: RealPage, Inc.

The number of multifamily units permitted in the Lake-Kenosha metropolitan division fluctuated from year to year during the 2010s.



Note: Includes preliminary data from January 2019 through February 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

