

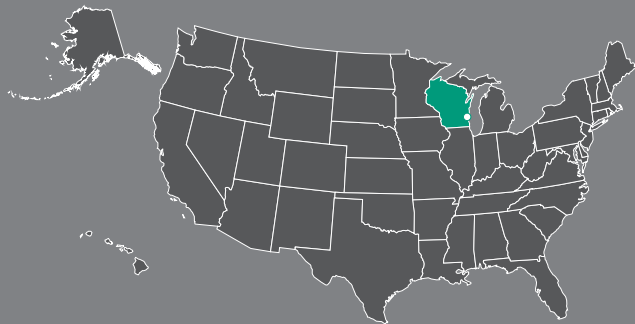
HUD PD&R Housing Market Profiles

Milwaukee-Waukesha-West Allis, Wisconsin



Quick Facts About Milwaukee-Waukesha-West Allis

- **Current sales market conditions: balanced**
- **Current rental market conditions: slightly soft**
- **Current apartment market conditions: slightly tight**
- **Visitors—including people attending Summerfest, an annual 2-week music festival with 800,000 attendees, and the Wisconsin State Fair, with attendance of 1.1 million—supported 52,400 jobs and spent \$3.2 billion in the Milwaukee metropolitan area during 2018 (Visit Milwaukee).**



By Marissa Dolin | As of April 1, 2020

Overview

The Milwaukee-Waukesha-West Allis Metropolitan Statistical Area (hereafter, Milwaukee metropolitan area) consists of Milwaukee, Ozaukee, Washington, and Waukesha counties in Wisconsin. The metropolitan area is adjacent to Lake Michigan in southeastern Wisconsin; downtown Milwaukee is approximately 90 miles north of downtown Chicago. Approximately one-fourth of all Wisconsin residents live in the Milwaukee metropolitan area. Manufacturing, specifically in the brewing and metals industries, was historically the economic foundation of the Milwaukee metropolitan area. In 2018, the brewing industry in the city of Milwaukee had an economic impact of \$1.6 billion statewide (Beer Institute). As recently as 2005, the manufacturing sector was the largest nonfarm payroll sector in the metropolitan area. Although the sector has fallen to third largest, it remains a significant part of the local economy, accounting for 14 percent of jobs in the metropolitan area, compared with 8 percent of jobs in the sector nationwide. The education and health services sector became the largest sector in the metropolitan area in 2006, and the professional and business services sector has been the second largest since 2013.

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PD&R

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- The current population is estimated at 1.58 million, rising by an average of 200, or less than 0.1 percent, annually since 2014. Population growth was faster earlier in the decade, increasing by an average of 4,500, or 0.3 percent, annually from 2010 to 2014 because net out-migration was lower and net natural increase (resident births minus resident deaths) was higher.
- Net out-migration, which occurred each year of the 2010s, increased in recent years as other areas in the nation recovered jobs lost during the Great Recession faster than the Milwaukee metropolitan area and residents moved away. Net out-migration

averaged 2,525 people annually from 2010 to 2014 and rose to an average of 5,525 people since 2014 as nonfarm payrolls in the nation expanded beyond the pre-Great Recession high.

- A rising median age, which increased from 36.9 in 2010 to 37.9 in 2018, and a decreasing birth rate, which fell from 12.9 per 1,000 residents in 2011 to 12.0 in 2019, has contributed to lower net natural increase. Net natural increase averaged 7,025 people annually from 2010 to 2014 and fell to an average of 5,725 people annually since 2014.

Economy

During the first quarter of 2020, nonfarm payrolls grew faster compared with the same period a year earlier, but growth was slow compared with previous years. First-quarter year-over-year job gains during 2019 and 2020 averaged 1,100 jobs, or 0.1 percent, annually. By comparison, year-over-year growth averaged 9,800 jobs, or 1.2 percent, from the first quarters of 2013 through 2018. Total jobs in 2016 exceeded the 2008 high of 848,300 jobs. Job gains during the period of relatively stronger expansion were led by the education and health services sector, which rose by an average of 4,100 jobs, or 2.6 percent, annually. The opening of new healthcare facilities affiliated with regional healthcare providers Froedtert Health, Medical College of Wisconsin, and ProHealth Care contributed to growth in the sector. The manufacturing sector, which had been a source of job growth in previous decades, declined by an average of 200 jobs, or 0.1 percent, annually from

2013 through 2018, as sales for some products made in the Milwaukee metropolitan area—including Miller beer and Harley Davidson motorcycles—waned.

During the first quarter of 2020—

- Nonfarm payrolls averaged 865,400, an increase of 1,800 jobs, or 0.2 percent, from the same period a year earlier and greater than the gain of 400 jobs, or 0.1 percent, during the previous year.
- The largest gain was in the education and health services sector, which expanded by 4,700 jobs, or 2.7 percent. New medical facilities affiliated with Advocate Aurora Health and Froedtert Health opened in Greenfield and West Bend, respectively.

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During the first quarter of 2020, the unemployment rate increased 0.1 percentage point from a year ago in the Milwaukee metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	863.6	865.4	1.8	0.2
Goods-Producing Sectors	150.1	149.7	-0.4	-0.3
Mining, Logging, & Construction	30.4	31.6	1.2	3.9
Manufacturing	119.7	118.1	-1.6	-1.3
Service-Providing Sectors	713.5	715.7	2.2	0.3
Wholesale & Retail Trade	115.8	114.6	-1.2	-1.0
Transportation & Utilities	29.5	30.1	0.6	2.0
Information	13.5	13.2	-0.3	-2.2
Financial Activities	50.0	50.2	0.2	0.4
Professional & Business Services	123.3	121.7	-1.6	-1.3
Education & Health Services	171.8	176.5	4.7	2.7
Leisure & Hospitality	78.1	76.6	-1.5	-1.9
Other Services	46.5	46.2	-0.3	-0.6
Government	84.9	86.5	1.6	1.9
Unemployment Rate	3.6%	3.7%		

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

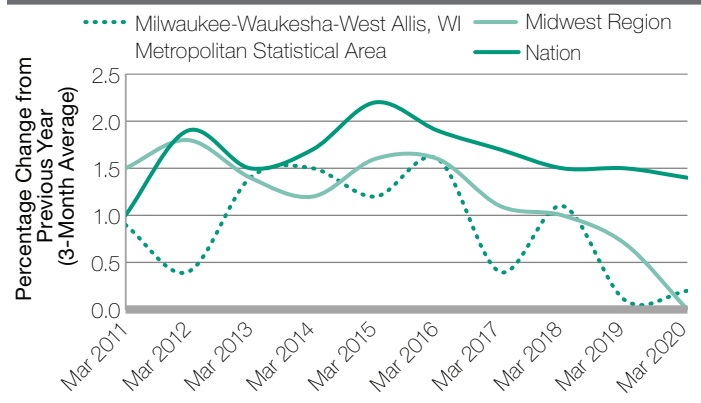


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- The manufacturing sector declined by 1,600 jobs, or 1.3 percent. Job losses were concentrated in the durable goods subsectors, whereas non-durable goods manufacturing jobs were relatively stable.
- Sectors with a substantial number of businesses reliant on in-person customers declined as consumers reduced nonessential travel and spending before the statewide COVID-19 related “Safer at Home” order went into effect on March 26, 2020. Jobs in the leisure and hospitality sector declined by 1,500, or 1.9 percent, and jobs in the wholesale and retail trade sector fell by 1,200, or 1.0 percent.

In March 2019, the Democratic National Committee announced that Milwaukee would host the 2020 Democratic National Convention, which was expected to draw an estimated 50,000 attendees and have an economic impact of \$200 million. Since the announcement, six hotels with more than 700 rooms have been completed, and an additional five hotels with nearly 900 rooms are under construction and expected to be complete before the convention. Because of COVID-19, the convention was moved from July 2020 to August 2020. Main convention events are scheduled to take place at the Fiserv Forum, a new \$500 million basketball stadium that opened in 2018. The stadium was financed through a public-private partnership consisting of the Milwaukee Bucks owners and state and local governments.

Nonfarm payroll growth in the Milwaukee metropolitan area was slower in 2019 and 2020 compared with earlier in the decade.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Milwaukee Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Advocate Aurora Health	Education & Health Services	25,700
Ascension Wisconsin	Education & Health Services	14,500
Froedtert Health	Education & Health Services	9,700

Note: Excludes local school districts.
Source: Choose Milwaukee, 2016

Sales Market Conditions

The home sales market in the Milwaukee metropolitan area is balanced. The vacancy rate is estimated at 1.8 percent, down slightly from 1.9 percent in 2010. The average sales prices for new and existing homes have risen since mid-2017 partially because the inventory of homes for sale has been relatively low, at less than 3.0 months during the period. Homes sales have fallen in recent years in response to low inventory and higher prices, which has limited the number of households that can afford to buy a home. Slower population and job growth have also contributed to declining home sales. As of February 2020, the rate of seriously delinquent mortgage loans and real estate owned (REO) sales in the Milwaukee metropolitan area were at the lowest rate in 14 years, at 1.2 percent—down from 1.5 percent a year earlier. The rates for the state and the nation in February 2020 were also at historic lows of 0.9 and 1.3 percent, respectively.

During the 12 months ending February 2020—

- Existing home sales fell to 24,150, down 3 percent from the previous 12 months, the third year of year-over-year declines. Regular resale sales were unchanged, but the continued decline in foreclosures resulted in 23 percent fewer REO sales.

- Average existing home sale prices increased 8 percent—the fastest year-over-year increase in more than a decade—to \$244,200. Fewer REO sales, which had an average price 48 percent below the average price of regular resale sales, and a low inventory of homes for sale contributed to rising prices.
- New home sales fell 14 percent to 400—the second year of year-over-year declines. The average price for a new home increased 6 percent to \$425,000, slowing from a 14-percent increase a year earlier.
- The average new home sales price was nearly 75 percent, or \$180,800, higher than the average existing home sales price. The relative affordability of existing homes contributed to existing home sales declining at a slower rate than new home sales since 2017. Existing home sales have accounted for more than 98 percent of total sales since late-2018.

The lower level of economic growth in recent years has contributed to lower levels of single-family construction, as measured by the number of homes permitted.

- During the 12 months ending March 2020, single-family home permitting fell to 1,500—down from 1,675 homes permitted

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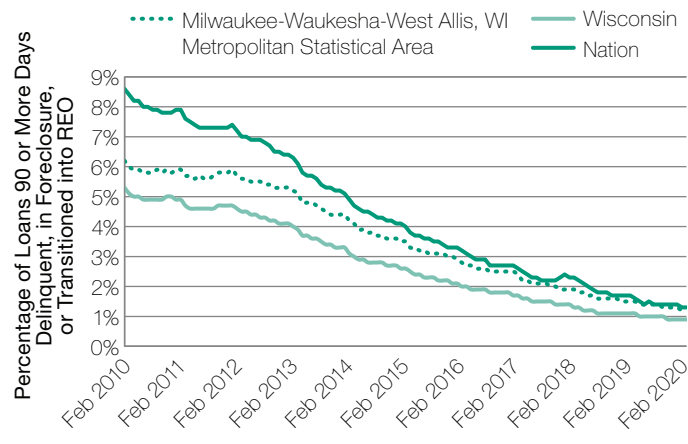


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during the previous 12-month period (preliminary data). The decline in new home construction was partially caused by rapidly rising new home sales prices and the relative affordability of existing homes.

- During the years of economic recovery from 2011 through 2016, single-family permitting increased by an average of 150 homes annually to 1,675 in 2016 and remained at relatively higher levels during the period of stronger expansion, averaging 1,650 homes annually in 2017 and 2018.
- Slightly more than one-half of single-family homes permitted during the past 24 months were in Waukesha County, the

The rates of seriously delinquent mortgages and REO properties in the Milwaukee metropolitan area, the state of Wisconsin, and the nation are at the lowest levels in more than a decade.



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

New and existing home sales in the Milwaukee metropolitan area have been declining since mid-2017.

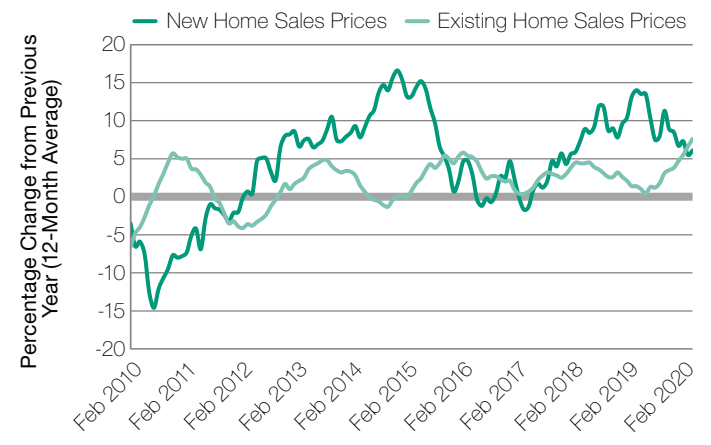


Note: Includes single-family, townhomes, and condominiums. Source: MetroStudy, Inc.

second most populous county and the county with the fastest growing population in the metropolitan area. At Brookdale Estates, a 62-lot subdivision in Menomonee Falls, 29 lots have been sold. Starting prices for three- to five-bedroom homes are slightly above \$400,000.

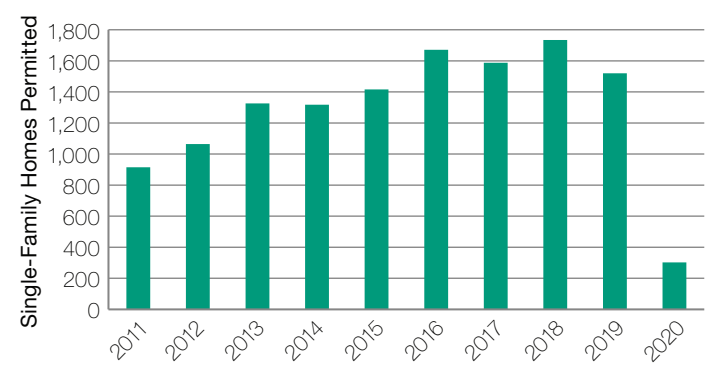
- Milwaukee County—where the population has been declining since 2014 and where limited vacant, undeveloped land is available for new subdivisions—had the smallest share of single-family permits in the metropolitan area, at 10 percent. In the south Milwaukee County suburb of Oak Creek, the 69-lot first phase of the East Brooke Preserve subdivision is under construction. A three-bedroom, two-bathroom home is listed for \$500,000.

The average new home sales price in the Milwaukee metropolitan area increased faster than the average existing home sales price from mid-2017 through early-2020.



Note: Includes single-family, townhomes, and condominiums. Source: Metrostudy, Inc.

Single-family permitting in the Milwaukee metropolitan area, which increased most years during the 2010s, peaked in 2018.



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



Rental Market Conditions

Rental market conditions are slightly soft, with an estimated vacancy rate of 8.7 percent—up from 7.8 percent in 2010. Despite the post-Great Recession economic recovery, the vacancy rate increased because the number of rental housing units added to the market—including construction of new apartments and previously owner-occupied housing that shifted into the rental market—exceeded renter household growth. The average rent for rental units in January 2020—including apartments, single-family homes, townhomes, and condominiums—was \$1,106, up 3 percent from a year ago, rising slightly faster than the 2-percent increase during the previous year (Zillow Rent Index). Renter-occupied single-family homes, townhomes, and small apartment properties with fewer than 20 units, which are generally not captured in commercial apartment market data, account for approximately 70 percent of all rental housing in the Milwaukee metropolitan area.

During the first quarter of 2020—

- Apartment market conditions were slightly tight. The vacancy rate was 3.3 percent—relatively unchanged from 3.4 percent a year ago and down from an average of 4.2 percent during the first quarters of 2017 and 2018 (RealPage, Inc.).
- The average apartment rent was \$1,186—increasing 3 percent from a year earlier but at a slower rate than the 6-percent increase during the previous year. Some of the faster increase in rent during the previous year is attributed to new rental units entering the market, which tend to have higher rents. In 2019, only 2,400 market-rate rental units were completed—down from approximately 3,350 units in 2018.
- Apartment market conditions in the RealPage, Inc.-defined downtown Milwaukee/Shorewood market area, where most

apartment construction occurred in the 2010s, are balanced, with a 5.0 percent vacancy rate—relatively unchanged from a year earlier and improving from vacancy rates of 7.4 and 7.0 percent, respectively, during the first quarters of 2017 and 2018. Year-over-year rent growth during the past 2 years averaged approximately 4 percent to the current average rent of \$1,512, compared with no rent growth during the previous two years.

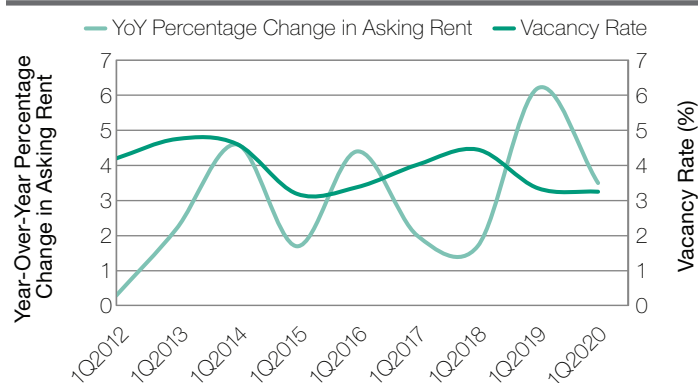
- In the far-west suburban Waukesha County market area, apartment market conditions are tight. The apartment vacancy rate was 2.8 percent—down slightly from 3.0 percent a year earlier. The average rent increased only 2 percent to \$1,232 partially because rent growth was limited due to increased competition.

Multifamily construction, as measured by the number of units permitted, has slowed during the most recent 12 months in response to slowing population growth and ongoing moderate job gains.

- During the 12 months ending March 2020, multifamily permitting fell to 640 units, down from 1,550 during the previous 12-month period (preliminary data).
- Multifamily permitting increased by an average of 570 units a year during the period of relatively strong economic growth, from a low of 670 in 2013 to a high of 2,375 in 2016, then slowing to an average of 2,075 units a year during 2017 and 2018. Permitting continued to fall in 2019 and 2020 as developers slowed new construction to allow for absorption of recently completed units.

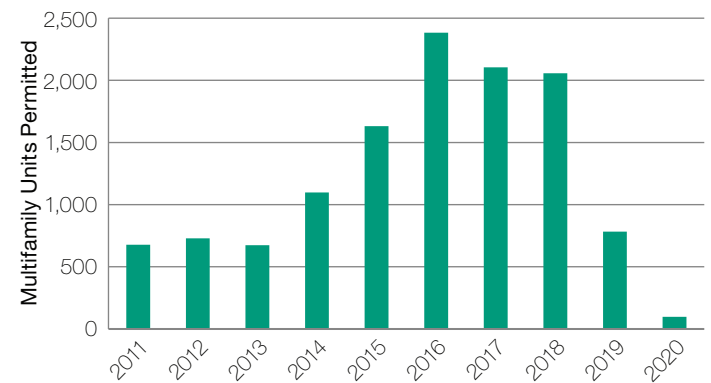
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Average apartment rent growth slowed and the vacancy rate was relatively unchanged in the Milwaukee metropolitan area during the first quarter of 2020.



1Q = first quarter. YoY = year-over-year. Source: RealPage, Inc.

Multifamily permitting in the Milwaukee metropolitan area has slowed since 2016.



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



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- Slightly more than one-half of all multifamily units permitted since 2017 were in Milwaukee County. Two of the largest regional job centers are in the county: the city of Milwaukee, with its central business district and two universities with more than 10,000 students each, and the suburb of Wauwatosa, with the Milwaukee Regional Medical Center.
- Recently completed apartment properties in lease up are offering incentives to encourage rapid leasing of units. The

Easton in downtown Milwaukee—with rents averaging \$1,240 and \$1,789 for one- and two-bedroom units—is offering 1 to 2 months free with a lease longer than 12 months. Spur 16 in north suburban Mequon—with rents averaging \$1,506, \$1,993, and \$3,420 for one-, two-, and three-bedroom units, respectively—is offering comparable incentives.

