

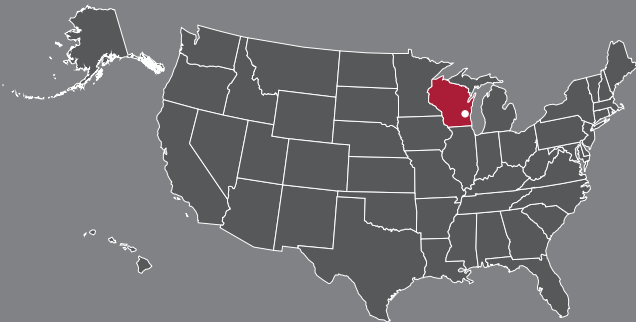
# HUD PD&R Housing Market Profiles

## Milwaukee-Waukesha-West Allis, Wisconsin



### Quick Facts About Milwaukee

- Current sales market conditions: slightly soft
- Current rental market conditions: soft
- Harley-Davidson, Inc., which is headquartered in the Milwaukee metropolitan area, held a 115th anniversary celebration in September 2018, attracting 150,000 visitors with an estimated economic impact of \$95 million.



By Marissa Dolin | As of October 1, 2018

### Overview

The Milwaukee-Waukesha-West Allis (hereafter, Milwaukee) metropolitan area is coterminous with the Milwaukee-Waukesha-West Allis, WI Metropolitan Statistical Area, encompassing four counties in southeastern Wisconsin and nearly 50 miles of coastline along Lake Michigan. Manufacturing industries that require large amounts of water, such as brewing and metals, supported historical growth and are growing again after a severe decline during the late 2000s and early 2010s. The brewing industry had a \$2.5 billion economic impact, supporting 9,400 jobs in 2016, up from \$1.7 billion and 7,000 jobs in 2014 (Beer Institute).

During the Great Recession, the Milwaukee metropolitan area had relatively severe job loss, led by losses in the manufacturing sector. Economic recovery began in late 2010, with nonfarm payrolls in the Milwaukee metropolitan area returning to pre-recession levels in 2016, nearly 2 years after the nation. Job growth continues to lag the nation.

- The population is currently estimated at 1.58 million. Since 2014, the year national economic conditions shifted from recovery to expansion, population growth in the Milwaukee metropolitan area averaged 530 people, or less than 0.1 percent, annually, including average net out-migration of 5,700 people a year.

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- During the Great Recession and through the period of job recovery for the nation, population growth in the Milwaukee metropolitan area averaged 6,350 people, or 0.4 percent, a year from 2007 to 2014, including average net out-migration of only 1,500 people a year.
- Both the fastest growing and fastest declining areas within

the metropolitan area are in the city of Milwaukee. Population growth in census tracts that comprise downtown Milwaukee averaged more than 5 percent annually, and population decline in some of the census tracts on the north and southwest sides of the city averaged 2 percent annually (American Community Survey 2007–2011 and 2012–2016, 5-year data).

## Economic Conditions

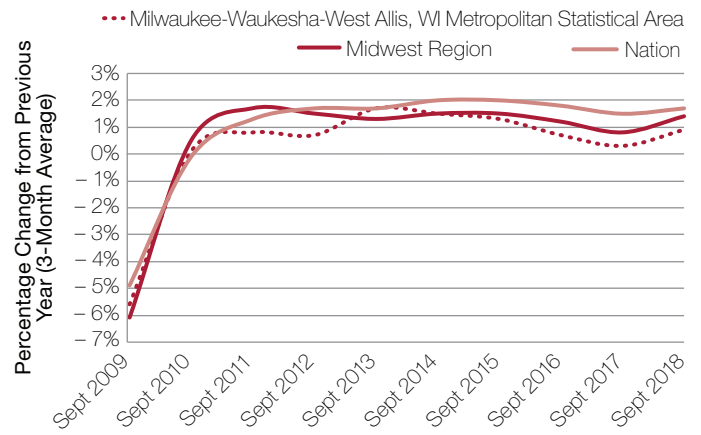
Economic conditions in the Milwaukee metropolitan area were in recovery from 2010 through 2016, adding an average of 8,100 jobs, or 0.9 percent growth, annually. During the most recent 2 years, job growth averaged 5,100, or 0.6 percent, annually. Nonfarm payrolls during the third quarter of 2018 averaged 878,200, approximately 13,800 jobs, or 1.6 percent, above the previous average high in 2007. The unemployment rate is currently at the lowest level since 1999, averaging 3.4 percent during the third quarter of 2018, down from 3.7 percent a year earlier.

During the third quarter of 2018—

- Nonfarm payroll growth accelerated compared with the third quarter of 2017, with an increase of 7,700 jobs, or 0.9 percent, up from an increase of 2,400 jobs, or 0.3 percent, during the previous year.
- The stronger growth is partially because of a shift from decline to growth in the manufacturing sector. The manufacturing sector added 4,400 jobs, or 3.7 percent, compared with a loss of 900 jobs, or 0.8 percent, during the third quarter of 2017.

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### Nonfarm payroll growth in the Milwaukee area has been below the rates of growth for the nation and the Midwest region since late 2015.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

### Seven sectors in the Milwaukee area added jobs during the 3 months ending September 2018.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (Thousands)	September 2018 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	870.5	878.2	7.7	0.9%
Goods-Producing Sectors	151.6	157.1	5.5	3.6%
Mining, Logging, & Construction	33.3	34.4	1.1	3.3%
Manufacturing	118.3	122.7	4.4	3.7%
Service-Providing Sectors	718.8	721.1	2.3	0.3%
Wholesale & Retail Trade	119.9	117.7	-2.2	-1.8%
Transportation & Utilities	26.1	26.4	0.3	1.1%
Information	13.5	13.0	-0.5	-3.7%
Financial Activities	51.7	49.6	-2.1	-4.1%
Professional & Business Services	128.1	128.8	0.7	0.5%
Education & Health Services	166.4	170.7	4.3	2.6%
Leisure & Hospitality	82.7	83.8	1.1	1.3%
Other Services	47.0	48.1	1.1	2.3%
Government	83.5	83.1	-0.4	-0.5%
	<b>(Percent)</b>	<b>(Percent)</b>		
Unemployment Rate	3.7%	3.4%		

Source: U.S. Bureau of Labor Statistics



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- Among the service-providing sectors, the education and health services sector had the largest increase in jobs, adding 4,300 jobs, or 2.6 percent from a year earlier and continuing 6 years of year-over-year gains. Froedtert and the Medical College of Wisconsin opened two new facilities earlier in 2018: a professional office building in Milwaukee and a medical clinic in Oak Creek, supporting ongoing expansion in the sector.
- Declines in four sectors, including a loss of 2,200 jobs, or 1.8 percent, in the wholesale and retail trade sector, partially offset overall job gains. Closure of retail stores including the BonTon Stores, Toys “R” Us, Kmart, and Sears, Roebuck, and Co. contributed to losses.

In downtown Milwaukee, where an estimated 15 percent of jobs in the metropolitan area are located, several major economic development projects are under construction or were recently completed. Fiserv Forum, a new \$524 million stadium for the Milwaukee Bucks, a National Basketball Association team, opened in August 2018, and The Hop, a \$124 million streetcar

### Largest Employers in the Milwaukee Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Aurora Health Care	Education & Health Services	26,800
Ascension Wisconsin	Education & Health Services	15,500
Froedtert & Medical College of Wisconsin	Education & Health Services	10,900

Note: Excludes all government employers.  
Source: Metropolitan Milwaukee Association Chamber of Commerce

transit system, is expected to open in November 2018. Both projects are expected to support adjacent housing, entertainment, and office development.

Employers are also expanding in downtown Milwaukee. As part of a 13,000-job, \$10 billion expansion in Wisconsin, Foxconn opened a North American headquarters earlier in 2018, and up to 500 employees are expected to be hired at the downtown Milwaukee office.

## Sales Market Conditions

The home sales market in the Milwaukee metropolitan area is currently slightly soft but improving. The sales vacancy rate is currently estimated at 1.8 percent, down slightly from 1.9 percent during 2010. Slow population growth and a relatively large share of older homes, with approximately 55 percent of all owner-occupied homes built before 1970—compared with only 35 percent for the nation—have slowed recovery. The average home sales price, including new and existing homes, exceeded the prerecession high for the first time during 2017. The inventory of homes for sale, as measured by months of unsold inventory, was 3.8 months in September 2018, down from 4.4 months in September 2017, with a more limited inventory of homes priced below \$300,000

(Wisconsin Realtors® Association). The rate of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and real estate owned (REO) properties was 1.6 percent during August 2018, down from 2.1 percent during August 2017 and far lower than the peak of 6.2 percent in early 2010 (CoreLogic, Inc.).

During the 12 months ending August 2018—

- New home sales totaled 770, down 5 percent from the 810 new homes sold during the previous 12 months and continuing a period of decline that began in mid-2017. The average sales price for a new home was \$277,000, a decrease of 1 percent

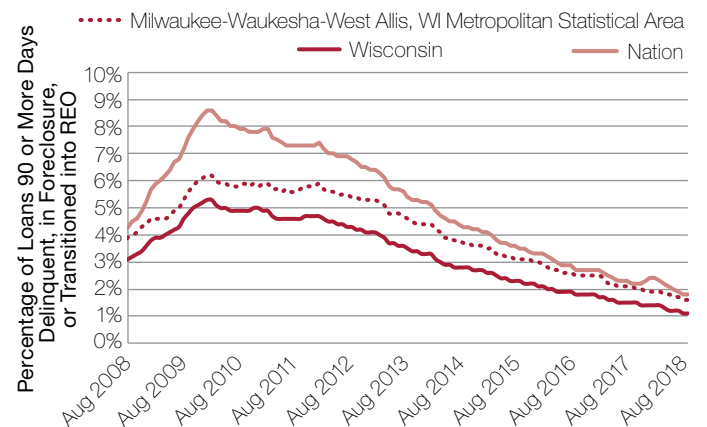
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**New home sales have been declining in the Milwaukee area, and existing home sales have been relatively stable since mid-2017.**



Note: Sales data includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

**The proportion of seriously delinquent loans and REO properties in the Milwaukee area has consistently been below the nation and above the state since 2008.**

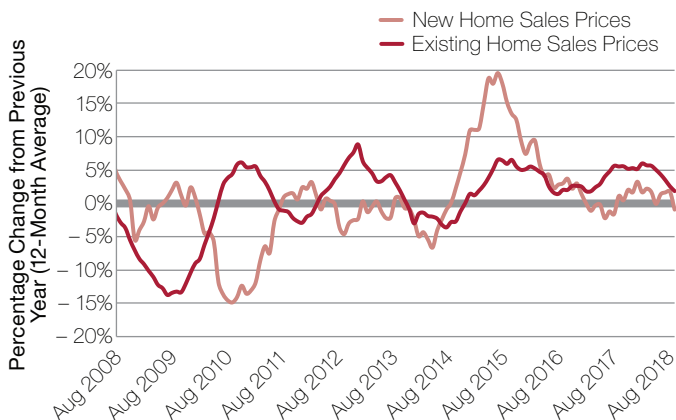


REO = real estate owned.  
Source: CoreLogic, Inc.



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Existing home sales prices in the Milwaukee area have been increasing faster than new home sales prices since late 2016.



Note: Sales price data includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

from a year earlier and \$1,100 below the 2007 peak of \$278,100 (CoreLogic, Inc., with adjustments by the analyst).

- Existing home sales totaled 25,700, up 1 percent from the previous 12-month period and above the low of 14,450 existing homes sold during 2011. The average sales price was \$217,000, an increase of 2 percent from a year earlier, and \$9,800, or 5 percent, above the 2007 peak of \$207,200.
- Distressed sales, including REO and short sales, comprised approximately 6 percent of existing home sales, down from 8 percent a year earlier and a high of 22 percent in 2011, contributing to the increase in existing home sales prices.

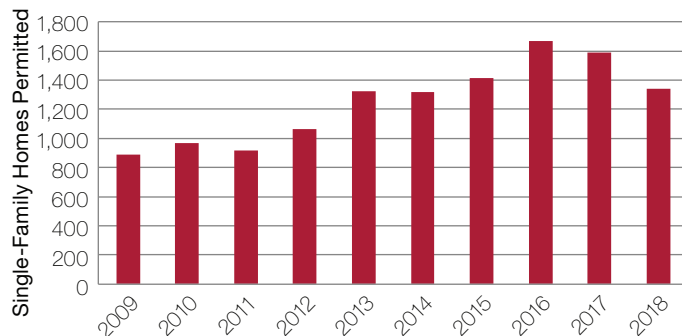
Homebuilding activity, as measured by the number of single-family homes permitted, increased or remained steady each year from 2012 through 2016 but fell during 2017.

- From the low of 920 single-family homes permitted during 2011 to the recent high of 1,675 homes permitted during 2016, permitting increased by an average of 150 homes, or 13 percent a year.
- The number of single-family homes permitted totaled 1,650

## Rental Market Conditions

Rental housing market conditions are currently soft. The rental market vacancy rate is currently estimated at 9.6 percent, up from 7.8 percent in 2010. The number of rental units added since 2010 exceeded renter household growth, contributing to the soft market conditions. Renter-occupied housing in the metropolitan area, which includes apartments and renter-occupied single-family homes, townhomes, condominiums, and mobile homes, is relatively old, with approximately 70 percent of units built before 1980, compared with 55 percent for the nation.

Single-family permitting in the Milwaukee area peaked during 2016, coinciding with the recent peak in new construction home sales.



Note: Includes preliminary data from January 2018 through September 2018. Source: U.S. Census Bureau, Building Permits Survey

during the 12 months ending September 2018, an increase of 5 percent from the 1,575 homes permitted during the previous 12 months (preliminary data). Accelerating job growth is expected to have contributed to the recent increase.

- The five largest single-family home builders in the southeastern Wisconsin region, which includes the Milwaukee metropolitan area and other nearby counties, each built between 60 and 210 homes during 2017. Tim O'Brien Homes, one of the largest home builders in the area, is currently constructing homes in the 59-lot Autumn Ridge Estates in Hartford. Prices range from \$295,000 for a three-bedroom, two-bathroom home to \$340,000 for a four-bedroom, three-bathroom home.

For-sale housing, including single-family homes, townhomes, and condominiums, accounted for approximately 40 percent of all housing units built since 2012, compared with approximately 75 percent of housing units built from 2000 to 2005. Only 10 percent of for-sale housing units built since 2012 are in Milwaukee County, which has the largest share of jobs and population but also the slowest rate of population growth and the smallest amount of vacant, undeveloped land.

During the third quarter of 2018—

- Conditions in the apartment market were balanced. The apartment vacancy rate for stabilized apartments was 3.5 percent, down from 4.0 percent during the same quarter a year earlier (RealPage, Inc.). Demand is greater for apartments than other rental housing types because they tend to be newer, contributing to the lower vacancy rate.
- The average apartment rent was \$1,125, up 3 percent from

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the same quarter a year earlier. Year-over-year rent growth has exceeded 3 percent annually since 2014.

- In all RealPage, Inc.-defined market areas, apartment vacancy rates fell or remained unchanged from a year earlier. Vacancy rates ranged from a low of 1.5 percent in the south suburban Franklin/Oak Creek market area to a high of 5.3 percent in the Downtown/Shorewood market area.
- Rents rose in all market areas except the Downtown/Shorewood market area, where the average rent fell 1 percent to \$1,439. The higher vacancy rate and decline in rents in the Downtown/Shorewood market area is partially because new construction has been concentrated in the area, with approximately 4,500 new apartment units built since 2014. Reduced rents are being offered to encourage lease up of recently completed properties.

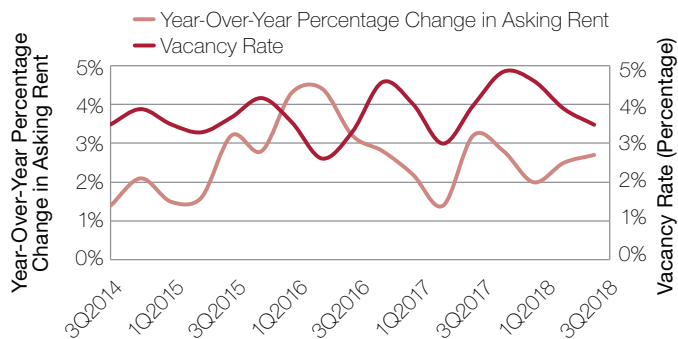
Multifamily construction, as measured by the number of units permitted, peaked in 2016 but remains elevated compared with the number of units permitted from 2009 through 2013.

- From 2009 through 2013, an average of 720 units were permitted annually. From 2014 through 2016, permitting

increased by an average of 570 units a year to a peak of 2,375 units in 2016.

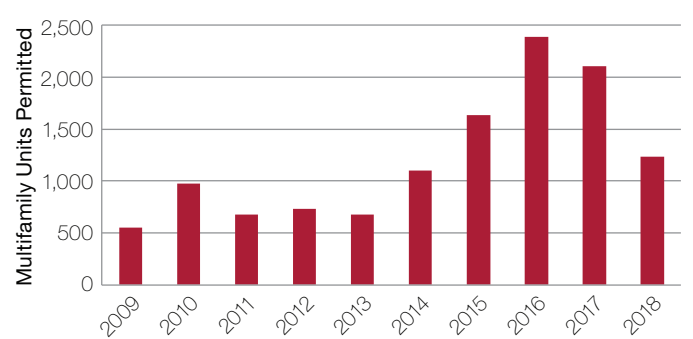
- During the 12 months ending September 2018, approximately 1,525 multifamily units were permitted, down from 2,100 units permitted during the previous 12 months. Permitting has slowed since 2016 to allow for absorption of recently completed units.
- Projects built in downtown Milwaukee and the west suburban communities of Wauwatosa and West Allis, also in Milwaukee County, comprised approximately 33 percent and 11 percent, respectively, of all units permitted since 2014. The two areas have the highest concentration of jobs in the metropolitan area.
- Most land in Milwaukee County has been developed, but closure and cleanup of former industrial sites have supported redevelopment in downtown Milwaukee. Vim and Vigor Apartments, a 274-unit property, part of the larger Pabst Brewery redevelopment, opened earlier in 2018. Asking rents average \$1,312, \$1,609, \$2,030, and \$2,325 for studio, one-, two-, and three-bedroom units, respectively.

**In response to a declining vacancy rate, asking rents have increased during 2018 in the Milwaukee area.**



Source: RealPage, Inc.

**Multifamily permitting in the Milwaukee area increased each year from 2014 through 2016.**



Note: Includes preliminary data from January 2018 through September 2018.  
Source: U.S. Census Bureau, Building Permits Survey

