



Milwaukee-Waukesha, Wisconsin

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2006



Housing Market Area



The Milwaukee-Waukesha Housing Market Area (HMA) comprises the Wisconsin counties of Milwaukee, Ozaukee, Washington, and Waukesha. The HMA is located on the western shore of Lake Michigan, 90 miles north of Chicago, Illinois. The HMA is the regional center for health care, financial activities, and manufacturing for southern Wisconsin.

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Summary

Economy

Nonfarm employment has declined in the Milwaukee-Waukesha HMA during the 12 months ending June 2006. Employment sectors contributing to the slowdown during this period were manufacturing, transportation and utilities, and trade; however, gains in the construction sector and education and health services sector offset some of the decline. During the 3-year forecast period, nonfarm job growth is expected to increase at less than 1 percent a year with the service-providing sectors leading the growth, particularly in education and health services and professional and business services.

Sales Market

Currently, the sales market in the HMA is balanced. The strong market for existing sales housing reflects affordable home prices and low mortgage interest rates. During the past year, the number of homes sold and the median sales price have increased. Improvement in the economy and a modest increase in net in-migration is expected to result in a steady demand for sales housing during the 3-year forecast period, as illustrated in Table 1.

Rental Market

The rental market in the HMA is relatively balanced overall. Rent concessions have declined during the past 12 months as the rental market has become more competitive because of condominium conversions, which have reduced the supply of rental units. Rents have increased modestly by 1 to 2 percent a year during the 12-month period ending June 2006. The rental market is expected to continue to tighten during the 3-year forecast period as continued condominium conversions reduce the rental inventory.

Table 1. Housing Demand in the Milwaukee-Waukesha HMA, 3-Year Forecast, July 1, 2006 to July 1, 2009

	Milwaukee-Waukesha HMA	
	Sales Units	Rental Units
Total Demand	12,300	5,000
Under Construction	2,400	1,000

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2006.

Source: Estimates by analyst

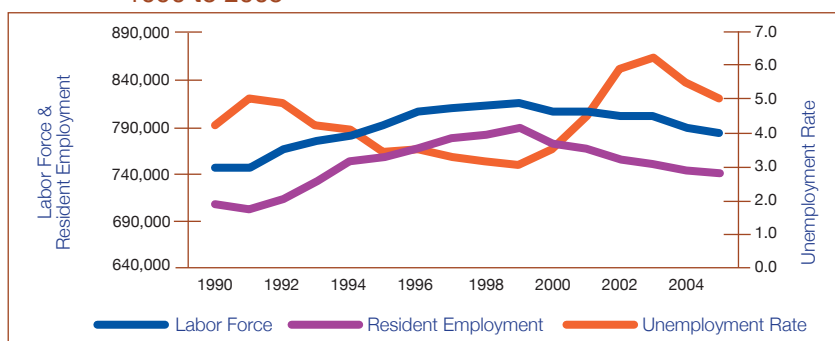
Economic Conditions

During the 1990s, the economy of the Milwaukee-Waukesha HMA strengthened with the unemployment rate declining from 5.0 percent in 1991 to 3.1 percent in 1999 (see Figure 1). In 1998, the manufacturing sector reached its peak and became the dominant employer, representing 20 percent of nonfarm jobs. Manufacturers of industrial equipment and machinery, electrical equipment and components, and transportation equipment were major sources of employment. Between 1990 and 2000, education and health services and professional and business services were the fastest growing

sectors in the HMA. Hospitals and clinics expanded to serve a growing suburban population, while temporary staffing agencies added approximately 34,000 workers in the area.

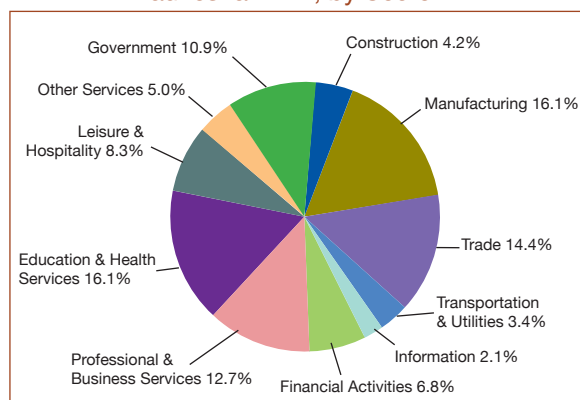
Since 2000, the local economy has slowed and total nonfarm employment has declined. Approximately 32,500 jobs were lost between 2000 and the current date. During this period, employment in the manufacturing sector accounted for 30,620, or 94 percent, of the jobs lost as a result of plant closings and relocations. Approximately 80 percent of the jobs lost were in Milwaukee County, which had a concentration of industrial equipment and electrical equipment and components manufacturers. In contrast, the education and health services sector continued to add jobs and currently represents 16 percent of nonfarm employment (see Figure 2). Since 2000, new healthcare providers and specialty clinics have expanded throughout the HMA, especially in the fast-growing suburban areas of Washington and Waukesha Counties. The top two employers in the area are Aurora Health Care and Wheaton Franciscan Healthcare, with 15,000 and 9,000 employees, respectively, as shown in Table 2. The next two largest employers in the HMA are Marshall & Ilsley Corporation and the University of Wisconsin-Milwaukee (UW-Milwaukee), with 7,000 and 6,925 employees, respectively. UW-Milwaukee has a current enrollment of 26,300 students and an economic impact on the HMA of approximately

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Milwaukee-Waukesha HMA, 1990 to 2005



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Employment in the Milwaukee-Waukesha HMA, by Sector



Note: Based on 12-month averages through June 2006.

Source: U.S. Bureau of Labor Statistics

\$500 million annually, according to the University's Office of Resource Analysis. Figure 3 illustrates the percentage change in each employment sector from 1990 to the 12 months ending July 1, 2006.

Employment in the HMA has continued to decline in the 12-month period ending June 2006, with most job losses occurring in the service

providing and manufacturing sectors (see Table 3). Job losses in transportation and utilities and trade accounted for most of the decline in the service-providing sectors. In the same period, employment in the education and health services sector continued to increase, by 1.4 percent.

Net out-migration of working-age residents and increased retirement of older workers have contributed to the decline in the labor force since 2000. Because of these net out-migration and retirement factors, the unemployment rate in the HMA declined from 5.5 percent in 2004 to 5.0 percent in 2005.

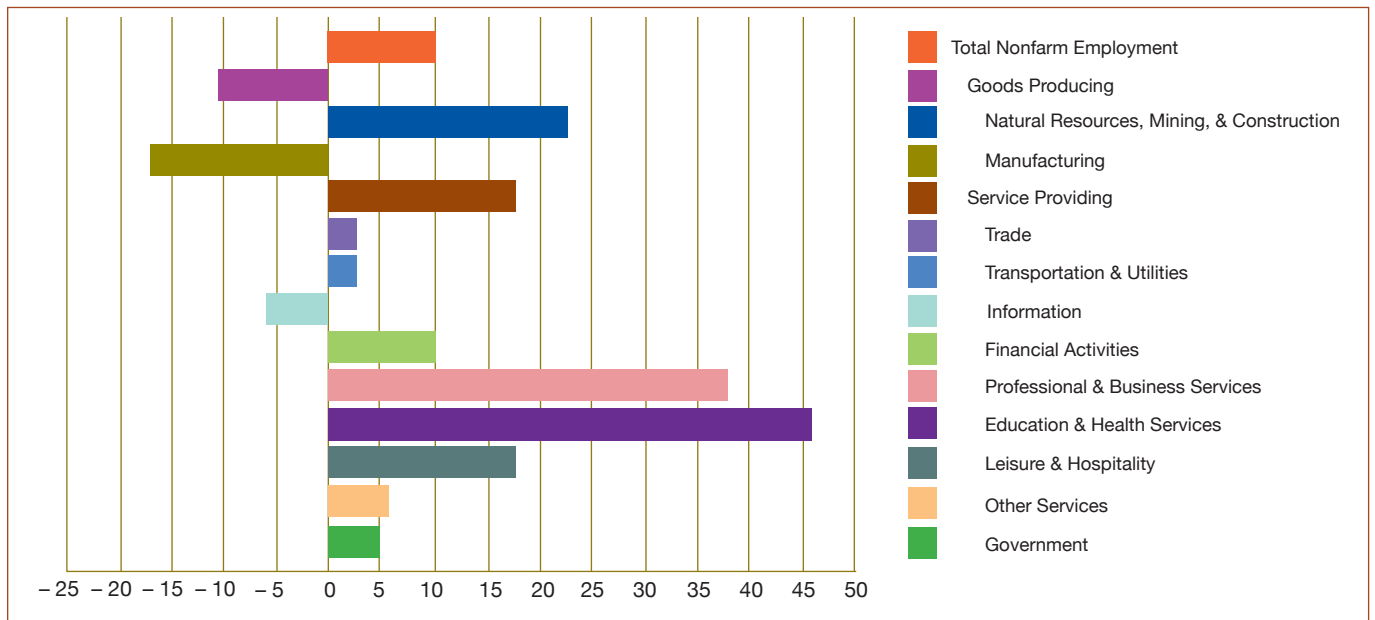
Based on anticipated employment growth in southeastern Wisconsin, particularly in the service-providing sectors, total nonfarm employment in the HMA is expected to increase modestly by 600 jobs annually, or less than 1 percent, throughout the 3-year forecast period. According to the Wisconsin Department

Table 2. Major Employers in the Milwaukee-Waukesha HMA

Name of Employer	Employment Sector	Number of Employees
Aurora Health Care	Health Services	15,000
Wheaton Franciscan Healthcare	Health Services	9,000
Marshall & Ilsely Corporation	Financial Activities	7,000
University of Wisconsin-Milwaukee	Government	6,925
AT&T Wisconsin	Information	5,600
Columbia St. Mary's	Health Services	5,600
Quad/Graphics, Inc.	Manufacturing	5,100
GE Healthcare Technologies	Professional & Business Services	5,000
Kohl's Corporation	Retail Trade	5,000
ProHealth Care	Health Services	5,000

Source: Metropolitan Milwaukee Association of Commerce

Figure 3. Sector Growth in the Milwaukee-Waukesha HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through June 2006.

Source: U.S. Bureau of Labor Statistics

of Workforce Development, the education and health services sector is projected to continue to add jobs and account for most new nonfarm jobs. Children's Hospital of Wisconsin in suburban Wauwatosa

is expected to build a \$117 million addition by 2009, increasing patient beds by 300. Employment in the trade sector is projected to increase by approximately 800 retail jobs when the newly remodeled Bayshore Town Center opens in suburban Milwaukee in November 2006. The financial activities sector also is expected to expand when Northwestern Mutual Life Insurance Company completes an \$85 million office expansion in the fall of 2008, increasing its workforce from 1,000 to 2,000 in suburban Milwaukee.

Total resident employment also is projected to grow during the forecast period. Resident employment growth during the forecast period is expected to increase at a rate of less than 1 percent a year, slightly less than the growth levels of the 1990s. As of the forecast date, total resident employment in the HMA is expected to total 753,000.

Table 3. 12-Month Average Employment in the Milwaukee-Waukesha HMA, by Sector

Employment Sector	12 Months Ending June 2005	12 Months Ending June 2006	Percent Change
Total Nonfarm Employment	835,900	832,400	-0.4
Goods Producing	168,400	169,300	0.5
Construction	33,800	35,000	3.6
Manufacturing	134,100	133,700	-0.3
Service Providing	667,500	663,200	-0.6
Trade	122,800	120,200	-2.1
Transportation & Utilities	30,200	28,000	-7.3
Information	18,300	17,700	-3.3
Financial Activities	57,600	57,800	0.3
Professional & Business Services	106,200	105,500	-0.7
Education & Health Services	132,000	133,800	1.4
Leisure & Hospitality	68,100	68,700	0.9
Other Services	41,900	41,500	-1.0
Government	91,100	90,300	-0.9

Note: Based on 12-month averages through June 2005 and June 2006.

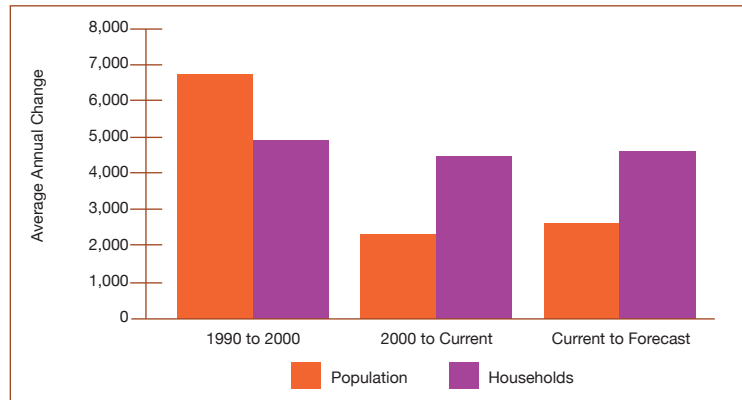
Source: U.S. Bureau of Labor Statistics

Population and Households

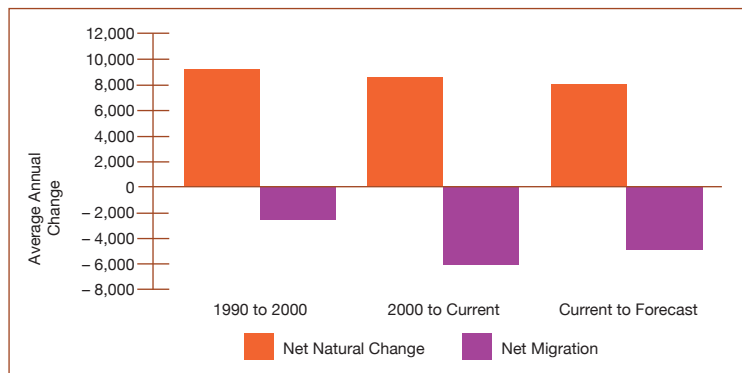
As of July 1, 2006, the population for the Milwaukee-Waukesha HMA is estimated at 1,516,000, reflecting an average annual gain of 2,375, or less than 0.2 percent, since the 2000 Census. This rate is less than the average annual gain recorded between 1990 and 2000, as shown in Figure 4 and Table DP-1 (at the end of the report).

Between 1990 and 2000, population in the HMA had a net increase

of 6,859 annually. During this period, the population in Ozaukee, Washington, and Waukesha Counties increased by 8,770 a year. Milwaukee County lost 1,911 residents a year; all the population loss was in the city of Milwaukee. Household growth trends during the 1990s reflect the pattern of population growth in the HMA, with the number of households increasing by approximately 5,000 annually. The strengthening local economy led to a modest net in-migration for

Figure 4. Population and Household Growth in the Milwaukee-Waukesha HMA, 1990 to Forecast

Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Milwaukee-Waukesha HMA, 1990 to Forecast

Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Ozaukee, Washington, and Waukesha Counties, where the formation of households was strong.

From 2000 to the current date, as the local economy slowed, population growth in the HMA slowed to 2,375 a year, or less than 1 percent. During this period, net out-migration increased and net natural change (resident births minus resident deaths) slowed, as illustrated in Figure 5. In Milwaukee County, the population continued to decline as the area lost 5,000 jobs and workers relocated to areas outside the county. Although some of these residents relocated to the neighboring counties of Ozaukee, Washington, and Waukesha, population still increased at a slower rate than in the 1990s. The slowdown in household growth was due to the loss of jobs that resulted in increased net out-migration in the HMA.

The forecast annual population growth rate for the HMA is estimated to remain at 0.2 percent, or 2,675. The number of households is forecast to increase by 4,675, or 0.8 percent, annually.

Housing Market Trends

Sales Market

Low mortgage interest rates, affordable sales housing, and modest increases in median household incomes boosted existing home sales in the HMA between 2003 and 2005. During this period, approximately 20,400 homes were sold annually, up 17 percent from the 17,400 homes sold during the previous 3-year

period. A record 21,650 homes were sold in 2005. During the 2003-through-2005 period, the median sales price for existing homes increased by 6 percent annually to \$215,700.

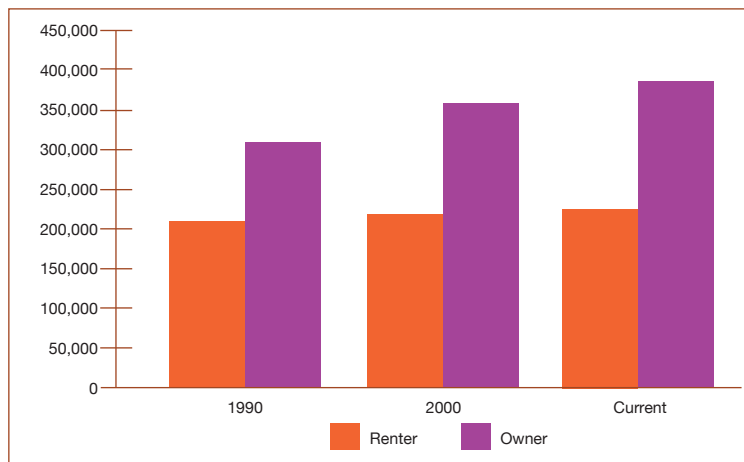
During the 12-month period ending June 2006, sales of existing homes in the HMA remained steady despite a

slow economy. Home sales totaled 20,400, unchanged from the previous 12-month period ending June 2005. The median sales price increased by 5 percent during the past 12 months to \$227,700. The sales market is strong for homes selling below the median sales price.

More than 3,000 new single-family homes were permitted during the 12-month period ending June 2006, down 17 percent from the previous 12-month period. Condominium units are becoming more popular in both the city of Milwaukee and suburban areas. Since 2000, approximately 4,500 condominium units, with an average price of \$270,000, have been sold in the HMA, representing 17 percent of total residential sales. Suburban Milwaukee accounted for approximately 52 percent of condominium sales and the city of Milwaukee for the remaining 48 percent.

Neighborhoods in the city of Milwaukee are undergoing significant condominium development. Much of this activity is concentrated in downtown Milwaukee, the Third and Fifth Ward neighborhoods located south of downtown, and Brewer's Hill located north of downtown. Reflecting increased demand from empty nesters and single professionals, Brewer's Hill and downtown neighborhoods east of the Milwaukee River are the most active for condominium development, accounting for 1,600 of the 2,100 units entering the market since 2000. The Third and Fifth Wards, where vacant commercial buildings are being converted to residential units, have 400 condominium units, and the Westown area has the remaining 100 units. Park East, one of the largest redevelopment projects in downtown Milwaukee, will start construction in September 2006. Approximately 1,500 new residential units are planned for this \$250 million planned, mixed-use project during the 3-year forecast period.

Figure 6. Number of Households by Tenure in the Milwaukee-Waukesha HMA, 1990 to Current



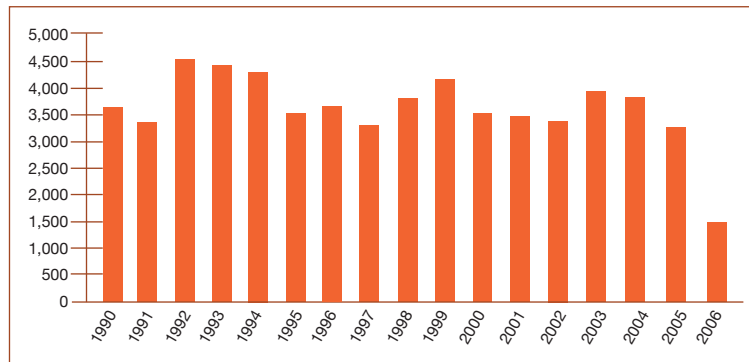
Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

As of the current date, an estimated 385,200 owner-occupied units are in the HMA, up 1.1 percent annually since 2000. See Figure 6 for the number of households by tenure for 1990, 2000, and the current date. The sales vacancy rate is currently 1.2 percent. See Figure 7 for building permit data in the HMA from 1990 to the current date. Table DP-1 (at the end of the report) provides sales vacancy rates in the HMA in 1990, 2000, and the current date.

The anticipated strengthening of the local economy and modest increase in net in-migration are expected to maintain the demand for homes during the forecast period. Condominiums are expected to continue representing 17 percent of total sales over the 3-year forecast period. Based on anticipated household growth combined with

current market conditions, estimates indicate a demand for approximately 12,300 new units of sales housing during the forecast period. Table 4 provides an estimated distribution of demand by price ranges for new market-rate housing in the Milwaukee-Waukesha HMA for the current and forecast dates.

Figure 7. Single-Family Building Permits Issued in the Milwaukee-Waukesha HMA, 1990 to 2006



Notes: Includes only single-family units. Includes data through June 2006.
 Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Milwaukee-Waukesha HMA, July 1, 2006 to July 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
125,000	149,999	1,450	11.8
150,000	174,999	2,100	17.1
175,000	199,999	1,975	16.1
200,000	249,999	1,975	16.1
250,000	299,999	1,600	13.0
300,000	349,999	1,050	8.5
350,000	399,999	1,100	8.9
400,000	499,999	700	5.7
500,000	749,999	275	2.2
750,000	999,999	40	0.3
1,000,000	and higher	35	0.3

Source: Estimates by analyst

Rental Market

The rental market in the Milwaukee-Waukesha HMA is balanced. The current 7-percent rental vacancy rate is down by approximately 8 percent from a year ago. The balanced conditions are attributable to the strengthening local economy and conversions of rental housing to condominiums that, together, resulted in tighter conditions. Since 2000, approximately 1,000 apartments have been converted. As occupancy rates

increased, concessions have become less prevalent than they were a year ago. Property managers in west suburban Milwaukee and Waukesha Counties reported that rental vacancy rates declined significantly in Class A properties to about 8 percent in 2006, down from approximately 11 percent or higher in 2005. See Table DP-1 and Figure 8 for details on rental vacancy rates in the HMA for 1990, 2000, and the current date.

Housing Market Trends

Rental Market *Continued*

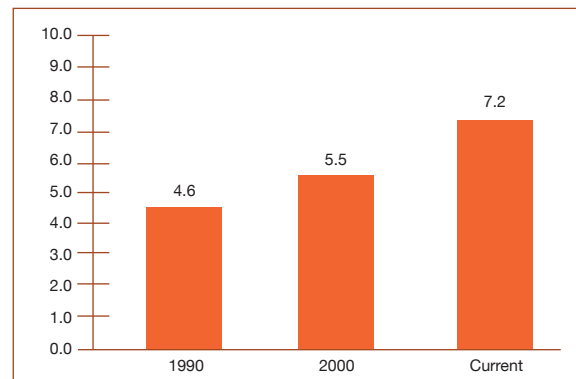
Reflecting tighter market conditions, rents increased 1 to 2 percent during the 12-month period ending June 2006 compared with flat rents in the previous 12-month period. The average rents for one-bedroom, two-bedroom, and three-bedroom units in newly completed Class A developments are approximately \$1,000, \$1,200, and \$1,350, respectively.

During the current 12-month period ending June 2006, approximately 1,825 rental units were permitted, about the same as during the previous 12-month period. Currently, more than 1,000 rental units are under construction and 200 rental units are in the planning phase. The rental units currently under construction are targeted mainly to empty nesters and young professionals seeking to live closer to jobs, retail services, and entertainment sources. See Figure 9 for information on multifamily building permit activity in the HMA from 1990 through 2006.

Tax credit financing plays an important role in rental housing production for low-income households in the HMA. An estimated 17,500 completed rental units for low-income residents in the HMA were financed with low-income housing tax credits; about 9,700 of these units are for seniors. The vacancy rate for tax-credit units is less than 5 percent.

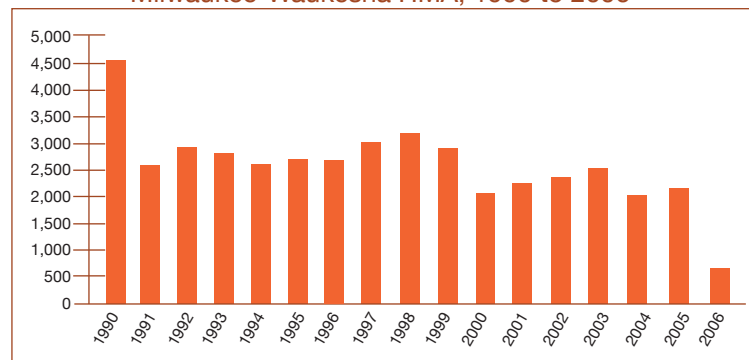
Based on anticipated household growth and current market conditions, estimates indicate a demand for 5,000 new rental-housing units during the 3-year forecast period. Table 5 provides an estimate of the noncumulative distribution of demand for new market-rate rental housing in the HMA by rent levels and the number of bedrooms per unit.

Figure 8. Rental Vacancy Rates in the Milwaukee-Waukesha HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Milwaukee-Waukesha HMA, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2006.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Milwaukee-Waukesha HMA, July 1, 2006 to July 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,000	1,750	1,200	2,500	1,350	750
1,050	1,540	1,250	2,075	1,400	680
1,100	1,425	1,300	1,900	1,450	610
1,150	1,275	1,350	1,700	1,500	530
1,200	1,125	1,400	1,475	1,550	430
1,250	950	1,450	1,250	1,600	380
1,300	790	1,500	1,050	1,650	340
1,400	630	1,600	850	1,750	250
1,500	510	1,700	550	1,850	180
1,600	400	1,800	380	1,950	130
1,700 and higher	310	1,900 and higher	250	2,050 and higher	110

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Milwaukee-Waukesha HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	738,000	789,000	752,000	0.7	- 0.8
Unemployment Rate (%)	3.9	3.2	4.9		
Nonfarm Employment	747,400	864,600	833,100	1.5	- 0.6
Total Population	1,432,149	1,500,741	1,516,000	0.5	0.2
Total Households	537,722	587,657	615,600	0.9	0.7
Owner Households	319,659	358,985	385,200	1.2	1.1
Percent Owner (%)	59.4	61.1	62.6		
Renter Households	218,063	228,672	230,400	0.5	0.1
Percent Renter (%)	40.6	38.9	37.4		
Total Housing Units	562,031	618,244	651,783	1.0	0.8
Owner Vacancy Rate (%)	0.8	1.0	1.2		
Rental Vacancy Rate (%)	4.6	5.5	7.2		
Median Family Income	\$40,100	\$61,400	\$66,800	4.4	1.4

Note: Median Family Income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2006—Analyst's estimates

Forecast period: 7/1/2006–7/1/2009—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_MilwaukeeWI_07.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.