

COMPREHENSIVE HOUSING MARKET ANALYSIS

Milwaukee-Waukesha-West Allis, Wisconsin

**U.S. Department of Housing and Urban Development,
Office of Policy Development and Research**

As of October 1, 2018



PD&R



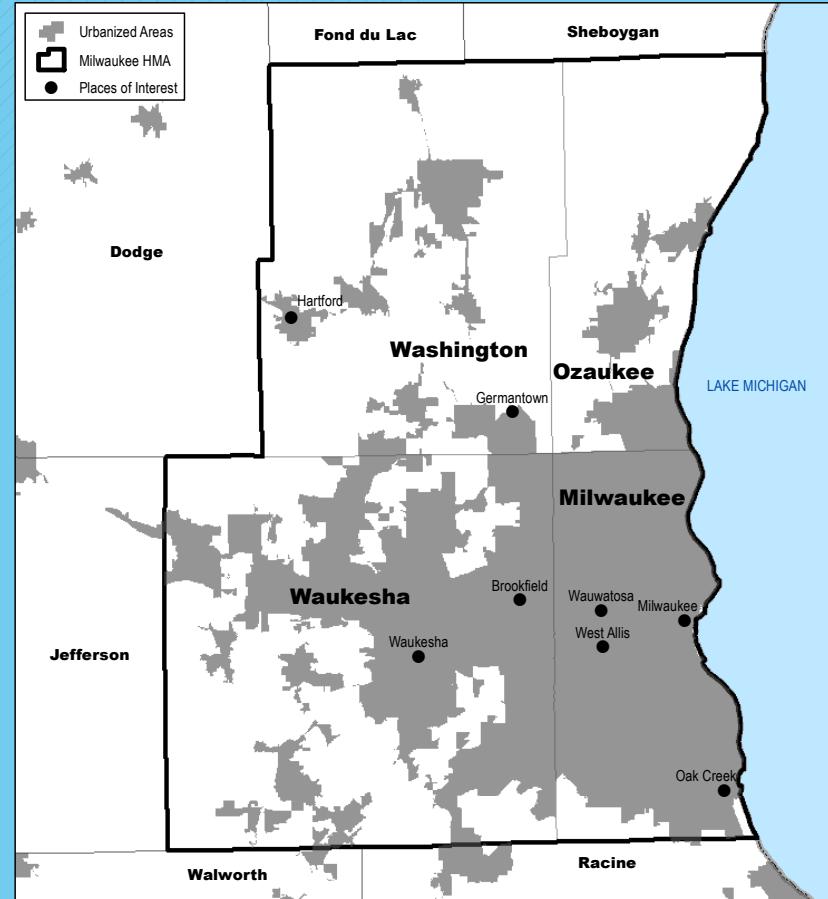
Executive Summary

Housing Market Area Description

The Milwaukee-Waukesha-West Allis, Wisconsin Housing Market Area (Milwaukee HMA, hereafter) includes all towns, cities, villages, and unincorporated areas in Milwaukee, Waukesha, Ozaukee, and Washington Counties and is coterminous with the Milwaukee-Waukesha-West Allis Metropolitan Statistical Area (MSA).

The current population is estimated at 1.58 million.

The Milwaukee HMA is in southeastern Wisconsin and is the largest MSA in the state, accounting for approximately one-fourth of the population. The city of Milwaukee, the largest city in the HMA, is approximately 90 miles north of the city of Chicago. Harley-Davidson, which is headquartered in the HMA, had a 115th-anniversary celebration in September 2018, attracting 150,000 visitors, with an estimated economic impact of \$95 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-At-A-Glance [tool](#).

For additional information pertaining to the housing market for this HMA, go [here](#).

For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).



Market Qualifiers

Economy



Stable: Nonfarm payrolls exceeded the 2007 prerecession high during 2016 and **increased by an average of 5,000 jobs, or 0.6 percent, annually**, from 2017 to the most recent 12 months.

During the 12 months ending September 2018, payrolls increased by 6,600 jobs, or 0.8 percent, up from a gain of 2,800 jobs, or 0.3 percent, during the 12 months ending September 2017. The stronger growth is partially because of a shift from decline to growth in the manufacturing sector. The manufacturing sector added 2,700 jobs, or 2.3 percent, during the past 12 months, compared with a loss of 1,500 jobs, or 1.3 percent, during the previous 12 months. During the 3-year forecast period, nonfarm payrolls are expected to increase 0.5 percent annually, similar to the gains since 2017.

Sales Market



Slightly soft: Total **home sales** during the 12 months ending September 2018 were 26,150, **largely unchanged** from the previous 12 months.

The sales housing market is slightly soft. The sales vacancy rate is currently estimated at 1.8 percent, down slightly from 1.9 percent during 2010. The average new and existing home sales price during the 12 months ending September 2018 was \$218,600, up 2 percent from \$215,500 a year earlier and 2 percent above the previous peak of \$213,800 in 2007. During the 3-year forecast period, demand is estimated for 4,100 new sales units. The 680 homes under construction are expected to meet a portion of demand.

Rental Market



Soft: During the 12 months ending September 2018, rental permitting slowed to 2,950, down from 3,525 during the 12 months ending September 2017.

Rental housing market conditions are currently soft. The rental market vacancy rate in the HMA is currently estimated at 9.6 percent, up from 7.8 percent in 2010. The number of rental units added, including new construction and existing housing shifting from the sales to the rental market, exceeded renter household growth, contributing to the soft conditions. During the 3-year forecast period, no demand is expected for additional rental units. Properties currently under construction within the HMA may be successfully absorbed, but the additions will likely result in an increased rental vacancy rate in the overall market and prolonged soft market conditions.

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3-Year Housing Demand Forecast		
	Sales Units	Rental Units
Milwaukee-Waukesha-West Allis HMA	Total Demand	4,100
	Under Construction	680
		4,500

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2018. The forecast period is October 1, 2018, to October 1, 2021.

Source: Estimates by analyst



Economic Conditions

Largest sector: Education and health services

The education and health services sector has been the largest employment sector in the HMA since surpassing the manufacturing sector in 2006.

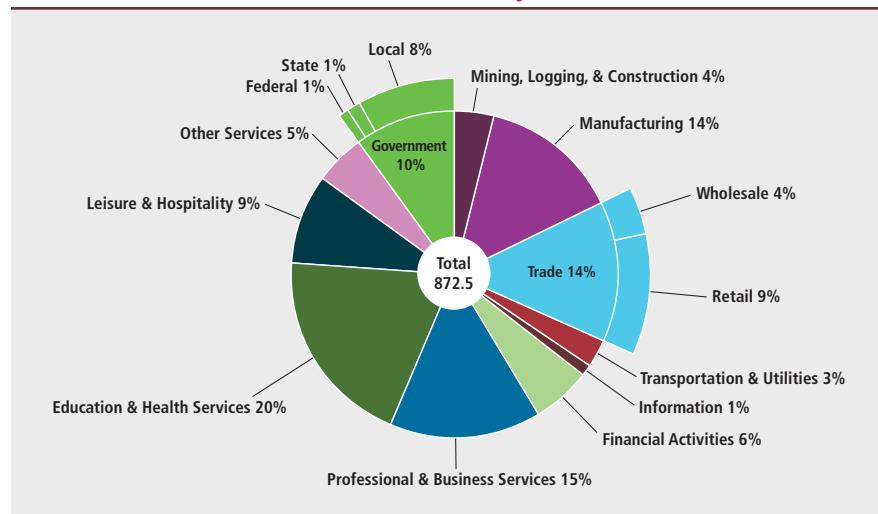
Primary Local Economic Factors

The city of Milwaukee, on the shore of Lake Michigan, was founded and grew because of job opportunities in the manufacturing sector. Industries that required large amounts of water, including brewing, leather goods, and metals, thrived in the Milwaukee HMA during the 20th century. As recently as 2005, manufacturing was the largest employment sector in the HMA, with 16 percent of total nonfarm payrolls. Nationally recognized manufacturers in the industries that supported growth in the 20th century, including MillerCoors and Harley-Davidson, continue to produce goods in the HMA, but manufacturing payrolls have declined to account for only 14 percent of jobs currently. The education and health services sector became the largest employment sector in 2006 and currently accounts for 20 percent of jobs (Figure 1). Currently, among the 10 largest employers, 6 are in the education and health services sector and only 2 are in manufacturing (Table 1).

Current Conditions – Nonfarm payrolls

Job growth during the 12 months ending September 2018 was higher than during the 12 months ending September 2017. Nonfarm payrolls rose by 6,600

Figure 1. Current Nonfarm Payroll Jobs in the Milwaukee HMA, by Sector



Note: Numbers may not add to totals because of rounding. Total nonfarm payrolls is in thousands.

Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Milwaukee HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Advocate Aurora Health	Education & Health Services	26,800
Ascension Wisconsin	Education & Health Services	15,500
Froedtert & the Medical College of Wisconsin	Education & Health Services	10,900
Kohl's Department Stores	Wholesale & Retail Trade	7,800
Quad/Graphics	Manufacturing	7,500
Goodwill Industries of Southeastern Wisconsin	Education & Health Services	6,100
GE Healthcare	Manufacturing	6,000
Northwestern Mutual	Financial Activities	5,000
ProHealth Care	Education & Health Services	4,800
Children's Hospital of Wisconsin	Education & Health Services	4,500

Note: Excludes government employment.

Source: Metropolitan Milwaukee Association Chamber of Commerce

jobs, or 0.8 percent, during the most recent 12 months (Table 2), following a gain of 2,800 jobs, or 0.3 percent, during the previous 12 months. The stronger growth was partially because of a shift from decline to growth in the manufacturing sector, which added 2,700 jobs, or 2.3 percent, during the past 12 months, compared with a loss of 1,500 jobs, or 1.3 percent, during the previous 12 months. The opening of the North American headquarters for Foxconn in downtown Milwaukee and a \$36 million expansion of the Milwaukee Tool headquarters, which generated 500 new jobs, contributed to the recent job growth in the sector.

During the most recent 12 months, eight sectors added jobs, compared with seven sectors during the previous 12 months. The education and health services sector had the largest increase in jobs, adding 3,000 jobs, or 1.8 percent, from a year earlier and continuing a trend of job growth in the sector that began in 2012. Froedtert & 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 supported ongoing expansion in the sector. Completion in August 2018 of the \$524 million Fiserv Forum, where the Milwaukee Bucks play, and expected completion of the \$124 million streetcar rail network, "The Hop," in November 2018 contributed to job growth in the mining, logging, and construction and the leisure and hospitality sectors.

Offsetting job gains during the 12 months ending September 2018 were losses in three sectors, including 1,400 jobs, or 2.7 percent, in the financial activities sector and 1,300 jobs, or 1.1 percent, in the wholesale and retail trade sector. Closure of bank branches for First Citizens Bank and Wells Fargo along with closure of retail stores including the Bon-Ton stores, Toys "R" Us, Kmart, and Sears contributed to losses.

Current Conditions – Unemployment

The unemployment rate is currently at a historical low, matching the all-time low recorded in 1999. During the 12 months ending September 2018, the unemployment rate averaged 3.2 percent, down from 3.7 percent a year earlier (Figure 2). The low during the previous period of job growth was 4.9 percent in 2006, and the high was 9.4 percent in 2010. Currently, the national unemployment rate is 4.0 percent.

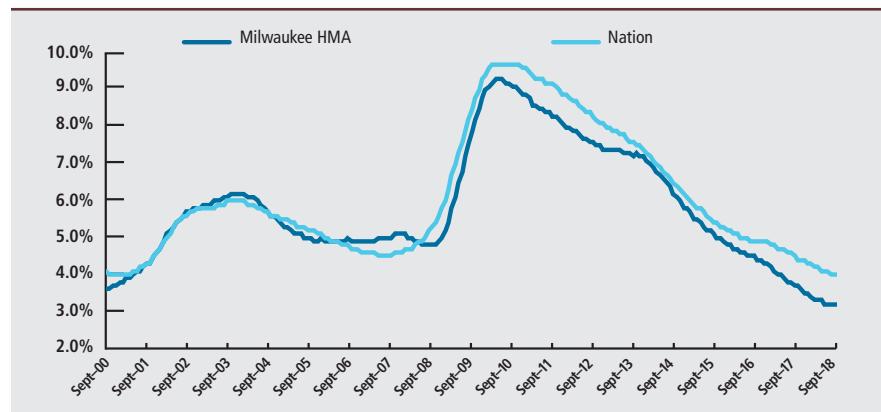
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Milwaukee HMA, by Sector

	12 Months Ending September 2017	12 Months Ending September 2018	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	865.9	872.5	6.6	0.8%
Goods-Producing Sectors	148.8	152.3	3.5	2.4%
Mining, Logging, & Construction	30.9	31.7	0.8	2.6%
Manufacturing	117.9	120.6	2.7	2.3%
Service-Providing Sectors	717.1	720.2	3.1	0.4%
Wholesale & Retail Trade	119.6	118.3	-1.3	-1.1%
Transportation & Utilities	26.4	26.6	0.2	0.8%
Information	13.8	13.1	-0.7	-5.1%
Financial Activities	51.4	50.0	-1.4	-2.7%
Professional & Business Services	126.3	128.0	1.7	1.3%
Education & Health Services	167.7	170.7	3.0	1.8%
Leisure & Hospitality	78.9	79.4	0.5	0.6%
Other Services	46.4	47.3	0.9	1.9%
Government	86.6	86.8	0.2	0.2%

Notes: Based on 12-month averages through September 2017 and September 2018. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 2. 12-Month Average Unemployment Rate in the Milwaukee HMA and the Nation



Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

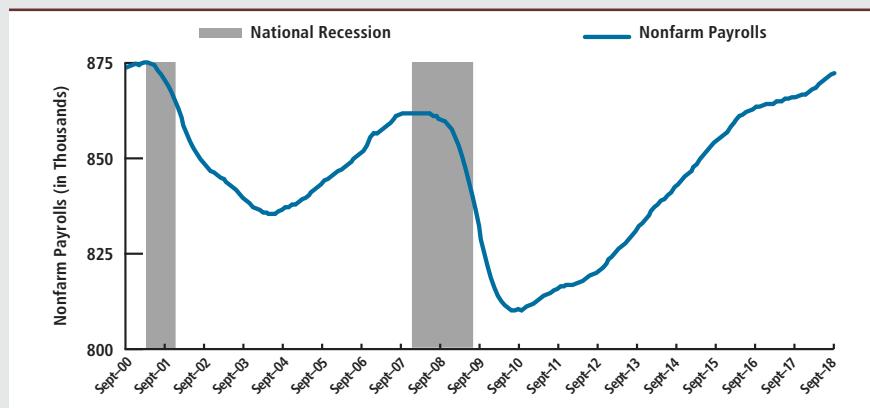
Overview

The Milwaukee HMA was hard-hit by two periods of job loss during the 2000s, and although payrolls in the HMA have recovered from the Great Recession, current payrolls are below the peak level during 2000. After nearly a decade of job growth in the 1990s, nonfarm payrolls reached a high of 874,400 in 2000 (Figure 3). From 2001 through 2003, payrolls declined by an average of 13,200 jobs, or 1.5 percent, annually, with nearly three-fourths of job loss in the manufacturing sector. Job losses during the period of decline included approximately 5,000 jobs in the machinery manufacturing industry and 2,000 jobs in the fabricated metal product manufacturing industry. A period of payroll growth occurred from 2004 through 2007, with job growth averaging 6,500, or 0.8 percent, annually. The education and health services sector added the most jobs during the period, accounting for 45 percent of job growth. Jobs in the

manufacturing sector declined from 2004 through 2006 but at a slower rate than the 2001-through-2003 period and were unchanged in 2007.

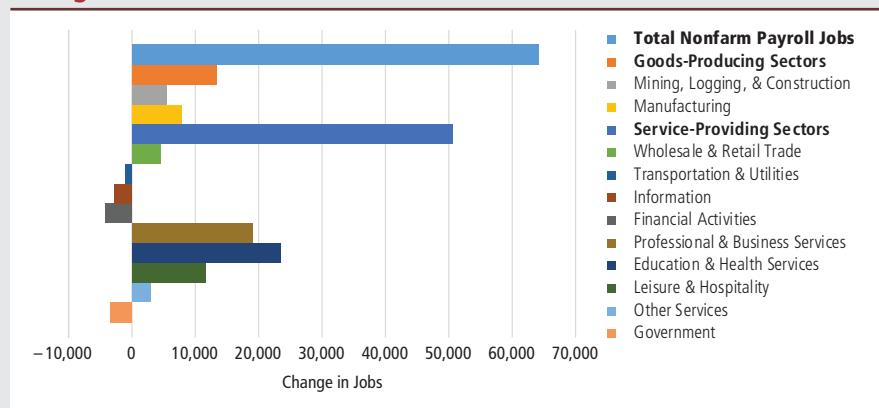
Nonfarm payrolls averaged 861,300 in 2007, the highest level since 2001, but payrolls fell from 2008 through 2010 to an average of 808,500 during 2010, the lowest level since 1994. Like the period of decline in the early 2000s, the manufacturing sector had the largest share of losses, accounting for nearly 40 percent of jobs lost from 2008 through 2010. Nonfarm payrolls have been rising since 2011, returning to 2007 levels during 2016, nearly 2 years after the nation recovered. Jobs in the education and health services sector led growth nearly every year during recovery and expansion, and jobs in the manufacturing sector are above the 2010 low (Figure 4). Jobs added during 2017 and 2018 are considered postrecession expansion. Since 2017, job growth has averaged 5,000, or 0.6 percent, annually.

Figure 3. 12-Month Average Nonfarm Payrolls in the Milwaukee HMA



Source: U.S. Bureau of Labor Statistics

Figure 4. Sector Growth in the Milwaukee HMA, 2010 to Current



Source: U.S. Bureau of Labor Statistics



2008 through 2010

The economy in the HMA was severely weakened by the Great Recession. From 2008 through 2010, payrolls fell by an average of 17,600 jobs, or 2.1 percent, annually. During the same period, payrolls in the nation fell by 1.9 percent annually. Payrolls in the HMA declined in 9 of the 11 sectors. Jobs in the goods-producing sectors accounted for nearly 60 percent of the loss, with the manufacturing sector declining an average of 6,800 jobs, or 5.4 percent, annually, and the mining, logging, and construction sector declining an average of 3,300 jobs, or 10.2 percent, annually. Declining sales in products manufactured in the HMA contributed to the job loss, as companies reduced payrolls. Shipments of domestic beer, which includes MillerCoors products, fell an average of nearly 6 percent a year, nationally (Beer Marketer's Insights), and domestic shipments of Harley Davidson motorcycles fell an average of 18 percent, annually (Harley Davidson).

Job growth in the education and health services sector partially offset losses. Payrolls in the sector increased by an average of 2,400 jobs, or 1.7 percent each year from 2008 through 2010. During the period, Children's Hospital and Health System completed a 13-story addition, Froedtert Hospital opened a cancer research facility, and Columbia St. Mary's and Wheaton Franciscan each built new or expanded existing healthcare facilities.

2011 through 2016

Payrolls in the Milwaukee HMA were in recovery from 2011 through 2016, taking 6 years to regain the jobs lost during the previous 3 years. The HMA added an average of 9,200 jobs, or 1.1 percent, annually, during the period. Total nonfarm payrolls exceeded the prerecession peak for the first time during 2016, averaging 863,800 jobs, or 2,500 above the average of 861,300 jobs in 2007. By comparison, the nation returned to prerecession payroll levels in

2014. Job losses in the education and health services sector in 2011 and in the manufacturing sector in 2016 offset gains in other sectors, contributing to the relatively slow recovery in the HMA.

Despite adding jobs each year during the Great Recession, the education and health services sector had a short period of payroll decline as other sectors began to recover. The number of jobs in the sector fell by 2,000, or 1.4 percent, during 2011 before increasing by an average of 4,300 jobs, or 2.8 percent, annually from 2012 through 2016. The decline during 2011 was partially because of a loss of 1,200 jobs at hospitals. Multiple new healthcare facilities opened during the 2012-through-2016 period, including a \$120 million transplant center, part of the Froedtert & the Medical College of Wisconsin system. Marquette University, the largest private university in the HMA, added approximately 100 employees, also contributing to job growth in the sector.

The manufacturing sector added an average of 1,600 jobs, or 1.4 percent, annually from 2011 through 2015, the first period of gains for the sector since 1998. A new manufacturing industry, water technology, which builds on existing local expertise in water filtration, developed with the beer-brewing industry, emerged during the early 2010s, and supported job gains in the sector. Water-related manufacturing businesses supported \$211.6 million in capital investment from 2010 through 2014 in the Water Technology District, an area south of downtown Milwaukee and were estimated to include more than 200 companies in the HMA (The Water Council). Despite growth in the early 2010s, some manufacturers struggled to return to prerecession levels of production. Harley-Davidson, which had an increase in domestic motorcycles shipped each year from 2011 through 2014, has had a decline in domestic shipments each year since 2015. During 2016, manufacturing jobs fell by 1,800, or 1.5 percent. Closure of a Joy Global crane manufacturing facility resulted in the loss of 130 jobs, contributing to the 1,000 jobs lost in the machinery manufacturing industry during 2016.



Commuting Patterns

Jobs in the HMA are concentrated in downtown Milwaukee and along the Interstate-94 corridor in the western suburbs of Milwaukee and Waukesha Counties. Approximately 40 percent of jobs in the HMA are in the city of Milwaukee, with 30 percent in the west suburban communities of Wauwatosa, West Allis, Brookfield, and Waukesha and the remainder in other parts of the HMA. (U.S. Census, OnTheMap, 2015)

Among jobs in the HMA, approximately 80 percent are filled by a person that lives in the HMA, 10 percent are filled by residents of other areas in southeastern and south-central Wisconsin near but outside the HMA, and the remaining workers reside in other locations.

Employment Forecast

During the next 3 years, payrolls are expected to increase an average of 0.5 percent annually, continuing at a pace similar to the average growth rate since 2017. Another expansion at Milwaukee Tool, adding up to 350 jobs, and a new plant with 450 additional jobs for the Komatsu Mining Corporation are expected to contribute to job growth. Also expected to support job growth during the 3-year forecast period is a new \$100 million corporate venture capital fund that was announced in early 2018. Four companies with corporate offices in the HMA—Northwestern Mutual, Advocate Aurora Health, Johnson Controls, and Foxconn—will contribute to the fund, which is expected to invest in startup companies in the healthcare, technology, manufacturing, and financial services industries.



Population and Households

Current population: 1.58 million

Net natural change (resident births minus resident deaths) has accounted for nearly all population growth since 2000. Population growth has slowed since 2010, partially because of the increasing share of residents age 60 and over.

Population Trends

Population growth has been relatively slow in the Milwaukee HMA since 2000 because of net out-migration. Since 2000, population growth in the HMA has generally been higher during periods of payroll decline and early recovery and lower during periods of job growth. Job growth in the HMA has tended to lag behind the nation during periods of economic expansion, giving residents incentive to move away for job opportunities elsewhere. Conversely, residents have been more likely to stay in the HMA during periods of job losses for the nation, as opportunities elsewhere are limited.

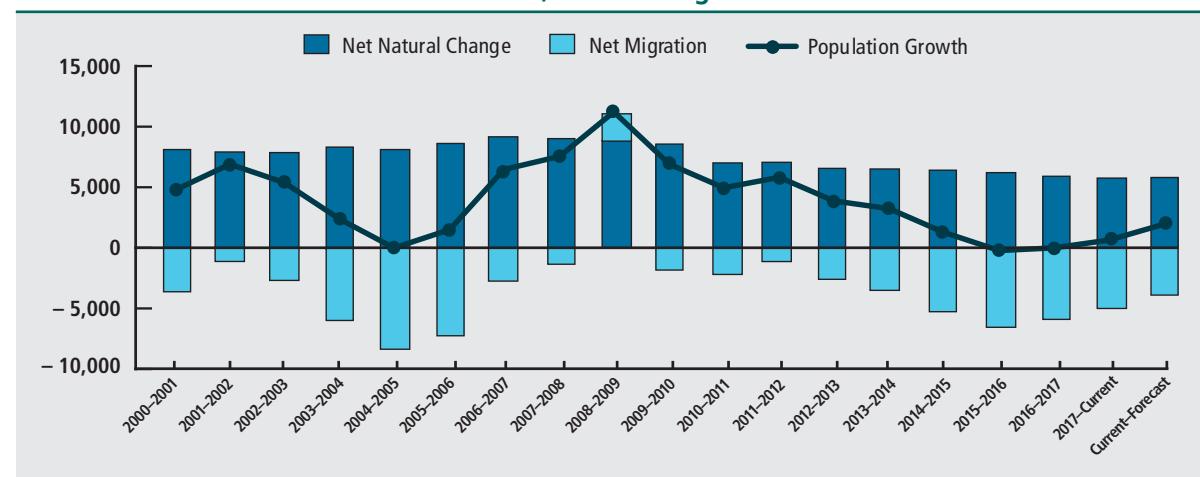
Nearly all population gains since 2000 are attributed to net natural change because net out-migration has occurred every year except from 2008 to 2009 (Figure 5, U.S. Census Bureau population estimates as of July 1). Net natural

change has declined during the current decade compared with the 2000s, further slowing population growth.

From 2000 to 2003, a period of declining payrolls in the HMA, population growth averaged 5,850 people, or 0.4 percent, annually, including out-migration of 2,475. From 2003 to 2007, as the rate of job growth in the nation exceeded the rate in the HMA, population growth slowed to an average of 2,675 people, or 0.2 percent, annually, and net out-migration rose to 6,050 people annually.

From 2007 to 2014, during the Great Recession and through recovery for the nation, population growth in the HMA averaged 6,350 people, or 0.4 percent a year, including net out-migration of 1,500 people a year. As payrolls in the nation shifted from recovery to expansion, net out-migration from the HMA accelerated and population growth slowed. Since 2014, population growth has averaged 530 people, or less than 0.1 percent, annually, including net out-migration of 5,700 people a year.

Figure 5. Components of Population Change in the Milwaukee HMA, 2000 Through the Forecast



Note: Net natural change and net migration totals are average annual totals over the time period.

Sources: U.S. Census Bureau; Bureau of Labor Statistics



Population Forecast

Population growth is expected to be higher during the 3-year forecast period compared with the average annual increase since 2014 but lower than the average annual increase from 2007 to 2014. Recently announced expansions in the manufacturing industry are expected to reduce net out-migration. During the next 3 years, the population of the HMA is expected to increase by an average of 2,000, or 0.1 percent annually (Table 3).

Age Cohort Trends

The largest age cohort in the HMA is residents age 20 to 39, which makes up approximately 27 percent of the population, a relatively unchanged share from 2010 (Figure 6). The fastest growing cohort was residents age 60 and over, rising from 18 percent of the population in 2010 to 22 percent in 2017, as existing residents of the “baby boom” generation age in place. The increasing share of older residents partially contributed to the decline in net natural increase during the current decade.

Enrollment at the largest university in the HMA, the University of Wisconsin-Milwaukee (UWM) has fallen from a high of 30,500 in 2010 to 25,400 in 2017. It is expected that enrollment changes had a limited effect on net migration because 70 percent of students resided in the HMA before enrolling (UWM, 2017) and the share of residents age 20 to 39 has remained relatively steady. Student households are estimated to currently compose 3 percent of all renter households, a relatively small share of renter households, compared with an estimated 12 percent of all renter households in the Madison, Wisconsin, metropolitan area, where the largest University of Wisconsin campus is located.

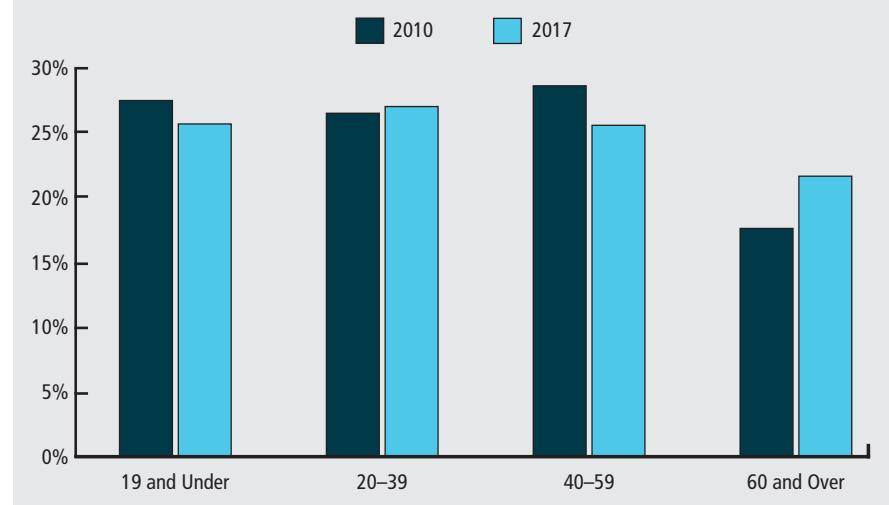
Table 3: Milwaukee HMA Quick Facts

Population Quick Facts	2010	Current	Forecast	
	Population	1,555,908	1,577,000	1,583,000
	Average Annual Change	5,525	2,500	2,000
	Percentage Change	0.4%	0.2%	0.1%
Household Quick Facts	2010	Current	Forecast	
	Households	622,087	637,800	642,200
	Average Annual Change	3,450	1,850	1,475
	Percentage Change	0.6%	0.3%	0.2%

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Population by Age in the Milwaukee HMA



Source: American Community Survey, 2010 and 2017, 1-year data



Migration Trends

Net out-migration has occurred nearly every year since 2000, with nonmetropolitan areas the most common destination for people moving out of the HMA (Figure 7). The nearby Madison, Wisconsin, metropolitan area, which recovered more quickly from the Great Recession, was the most common metropolitan area destination for people moving out of the HMA. Nonmetropolitan areas have also been the most common source of in-migration, although notable in-migration has also originated from the Chicago-Naperville-Elgin metropolitan area, with the nearest communities approximately 25 miles south of the HMA.

Population by Geography

Milwaukee County, the most populated county in the HMA, is also the slowest growing, with an average population increase of 220, or less than 0.1 percent, annually since 2010. The outlying counties of Waukesha, Washington, and Ozaukee have had a combined average population increase of 2,300, or 0.4 percent, annually since 2010. Notable areas of growth throughout the HMA include downtown Milwaukee, the west suburban I-94 corridor in Milwaukee and Waukesha Counties, and southern portions of Ozaukee and Washington Counties, closer to major employment centers.

The fastest growing area in the HMA is the downtown area within the city of Milwaukee (Map 3), with population growth in downtown census tracts averaging more than 5 percent a year (2007–2011 and 2012–2016 American Community Survey 5-year data). The areas with the largest population decline are also in the city of Milwaukee, with several census tracts on the north and southwest sides each declining by an average of 2 percent annually.

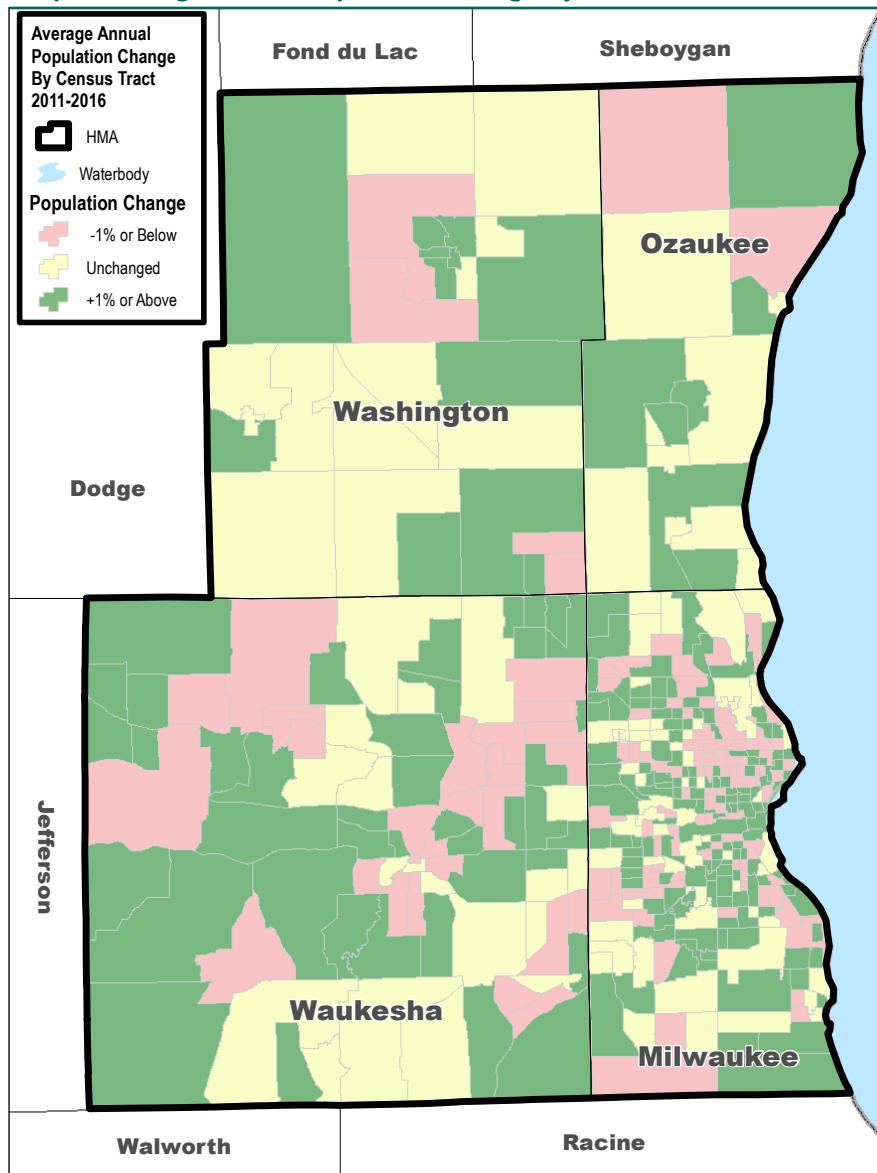
Figure 7. Metro-to-Metro Migration Flows in the Milwaukee HMA, 2011–2015

	Into the HMA	Out of the HMA
Outside Metro Area within U.S. or Puerto Rico	8,747	8,710
Chicago-Naperville-Elgin, IL-IN-WI	6,936	3,632
Racine, WI	2,982	2,485
Madison, WI	2,326	4,343
Minneapolis-St. Paul-Bloomington, MN-WI	1,342	1,482

Notes: 2011–2015 American Community Survey, 5-year data. Excludes international immigration.

Source: U.S. Census Metro-to-Metro Migration Flows

Map 3. Average Annual Population Change by Census Tract 2011–2016



Source: American Community Survey, 2011 and 2016, 5-year data



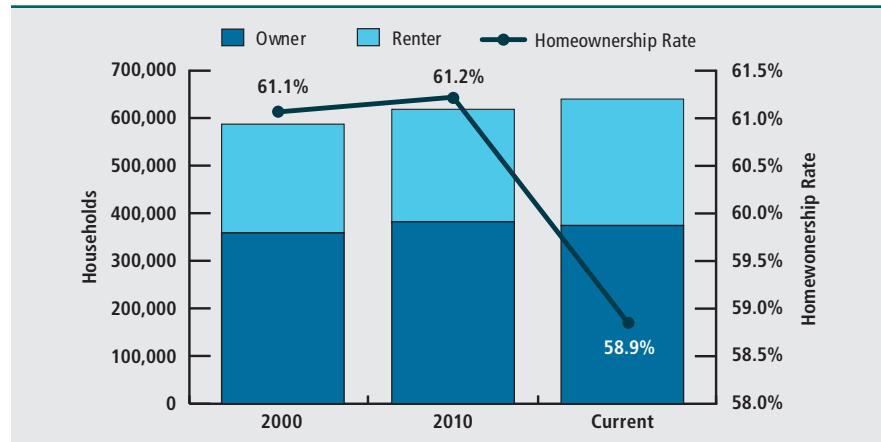
Household Trends and Forecast

Similar to population growth, household growth has also slowed during the current decade. Since 2010, the number of households has increased by an average of 1,850, or 0.3 percent, annually, compared with an increase of 3,450, or 0.6 percent, a year from 2000 to 2010. During the forecast period, the number of households is expected to increase more slowly, by an average of 1,475, or 0.2 percent, annually, partially because of the slowdown in population growth.

Recent household growth has been concentrated in the outlying counties, where population growth has been fastest. Approximately 90 percent of the increase in households since 2010 has occurred in Waukesha, Washington, and Ozaukee Counties.

During the 2000s, approximately two-thirds of household growth was owner households, contributing to an increase in the homeownership rate from 61.1 percent in 2000 to 61.2 percent in 2010 (Figure 8). Since 2010, all household growth has been attributed to renter households, which has resulted in declining homeownership. The homeownership rate is currently estimated at 58.9 percent. During the forecast period, the homeownership rate is expected to continue to decline but at a slower rate.

Figure 8. Households by Tenure and Homeownership Rate in the Milwaukee HMA



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Home Sales Market Conditions

Market Conditions: Slightly soft

Average home sales prices in the HMA exceeded the 2007 peak for the first time during 2017.

Current Conditions

The home sales market in the Milwaukee HMA is currently slightly soft but improving. The average home sales price, including new and existing homes, has generally trended upward since 2014 and exceeded the prerecession high for the first time in 2017. The number of homes sold remained largely unchanged during the most recent 12 months but has trended upward since 2012 despite a significant decline in distressed sales. The average home sales price during the 12 months ending September 2018 was \$218,600, up 1 percent from \$215,500 a year earlier and 1 percent higher than the previous peak of \$213,800 in 2007 (CoreLogic, Inc., with adjustments by the analyst). Total home sales were 26,150, largely unchanged from the 12 months ending September 2017 (Table 4) but 73 percent higher than the recent low of 15,150 in 2011. The home sales vacancy rate is currently estimated at 1.8 percent, down slightly from 1.9 percent during 2010.

The home sales market has been slow to recover from the housing market crisis partially because of the age of the existing housing inventory. Approximately 55 percent of all owner-occupied homes in the HMA were built before 1970, including approximately 20 percent built before 1940 (2017 American Community Survey 1-year data). By comparison, only 35 percent of owner-occupied homes in the nation were built before 1970 and 10 percent were built before 1940. The outlying counties, which tend to have a large share of newer homes and faster population growth, have been faster to recover, however.

Table 4. Home Sales Quick Facts in the Milwaukee HMA

Home Sales Quick Facts	Milwaukee HMA	Nation
Vacancy Rate	1.8%	NA
Months of Inventory	3.8	4.4
Total Home Sales	26,150	6,061,000
1-year change	-0.1%	-1.7%
Average Price-New	\$282,700	\$379,300
1-year change	1.0%	2.0%
Average Price-Existing	\$216,800	\$288,100
1-year change	1.6%	5.9%
Mortgage Delinquency Rate	1.6%	1.8%

NA = data not available.

Notes: Vacancy Rate is as of the current date; home sales and prices are for the 12 months ending September 2018; and months of inventory and mortgage delinquency data are as of September 2018. Sources: Months of inventory: Wisconsin REALTORS® Association and National Association of Realtors; Sales, Prices, and Delinquency Rate: CoreLogic, Inc.

Market conditions vary within the HMA, with softer conditions in Milwaukee County and more balanced conditions in the outlying counties. In Milwaukee County, the median home sales price has not yet returned to prerecession levels. During the third quarter of 2018, the median home sales price in Milwaukee County was \$163,500, approximately \$2,050, or 1 percent, below the 2007 peak (Wisconsin REALTORS® Association). By contrast, median home sales prices in the outlying counties are all above the prerecession peak. In Ozaukee County, the median home sales price was \$311,800, approximately \$56,300, or 22 percent, above the 2007 peak. Sales prices in Waukesha and Washington Counties were \$42,100 and \$30,500, or 16 and 15 percent, respectively, above the 2007 peak.

New Home Sales

Since reaching a low in 2011, new home sales have made up less than 5 percent of total home sales in the HMA, including approximately 3 percent of sales



during the past 24 months. New home sales peaked during 2006 at 3,400, or 11 percent of total sales, and then fell by an average of 540 homes, or 27 percent, annually to a low of 710, or 5 percent of total sales, in 2011 (Figure 9, CoreLogic, Inc., with adjustments by the analyst), with sales declining partially because of the decline in payrolls in the HMA. Despite improving economic conditions since 2011, new home sales have remained relatively low due in part to the large inventory of comparable existing homes for sale at competitive prices. From 2012 through 2017, new home sales averaged 820 a year. During the 12 months ending September 2018, 740 new homes were sold, down 7 percent from the 790 new homes sold during the previous 12 months.

Existing Home Sales

Existing home sales peaked in 2005, with 34,900 homes sold, and fell by an average of 3,400, or 14 percent, a year to a low of 14,450 in 2011. As payrolls recovered and expanded, existing home sales have also risen. From 2012 through 2017, existing home sales increased by an average of 1,850, or 10 percent, annually. Distressed sales, including real estate owned (REO) and short sales, constituted less than 1 percent of existing sales in 2005, peaked at 24 percent

Figure 9. 12-Month Average Sales Totals by Type of Sale in the Milwaukee HMA



Source: CoreLogic, Inc., with adjustments by analyst

in 2011, and have fallen to approximately 6 percent of existing sales during the 12 months ending September 2018. Existing home sales totaled 25,450 during the past 12 months, relatively unchanged from the 25,400 homes sold during the previous 12 months.

Delinquent Mortgages

The rate of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and REO properties in the HMA peaked below, and remains below, the nation. During September 2018, the rate was 1.6 percent, down from 2.0 percent a year earlier and down from a peak of 6.2 percent in early 2010 (CoreLogic, Inc.). The rate for the nation was 1.8 percent in September 2018, down from 2.2 percent in September 2017 and from a peak of 8.6 percent in early 2010.

New Home Sales Prices

Average new home sales prices exceeded the 2007 peak for the first time during 2017. During 2007, new home sales prices averaged \$278,100, and then declined by an average of \$8,425, or 3 percent, annually to a low of \$227,600 in 2013 (Figure 10). From 2014 through 2017, the average new home sales price

Figure 10. 12-Month Average Sales Price by Type of Sale in the Milwaukee HMA



Source: CoreLogic, Inc., with adjustments by analyst

rose by an average of \$14,000, or 6 percent, annually to a high of \$283,700 in 2017. During the 12 months ending September 2018, the average new home sales price was \$282,700, up 1 percent from a year earlier, and approximately \$4,600, or 2 percent, above the average price for a new home in 2007.

Approximately one-half of new home sales during the 12 months ending September 2018 were between \$300,000 and \$500,000, one-third of sales were priced below \$300,000, and the remainder were above \$500,000 (Figure 11; Metrostudy, a Hanley Wood Company). The highest priced new construction homes tended to be in Waukesha and Ozaukee Counties.

Existing Home Sales Prices

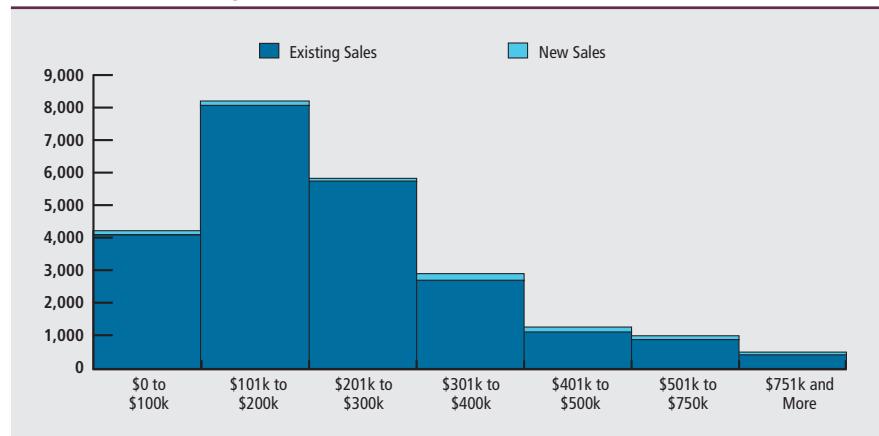
Existing home sales prices also exceeded the 2007 peak for the first time during 2017, and prices have continued to rise as the number of distressed homes has declined. During 2007, existing home sales prices averaged \$207,200 but then fell by an average of \$7,575, or 4 percent, annually to a low of \$176,900 in 2011. From 2012 through 2017, prices increased by an average of \$6,250, or 3 percent, annually. During the 12 months ending September 2018, existing home sales prices averaged \$216,800, up 2 percent from the previous year and 5 percent above the average price for an existing home in 2007.

Approximately one-half of existing home sales during the 12 months ending September 2018 were below \$200,000. Homes priced between \$200,000 and \$500,000 accounted for 40 percent of sales, and homes priced above \$500,000 accounted for 6 percent of sales. A larger number of lower priced homes were in Milwaukee County, compared with the rest of the HMA.

Inventory of Homes for Sale

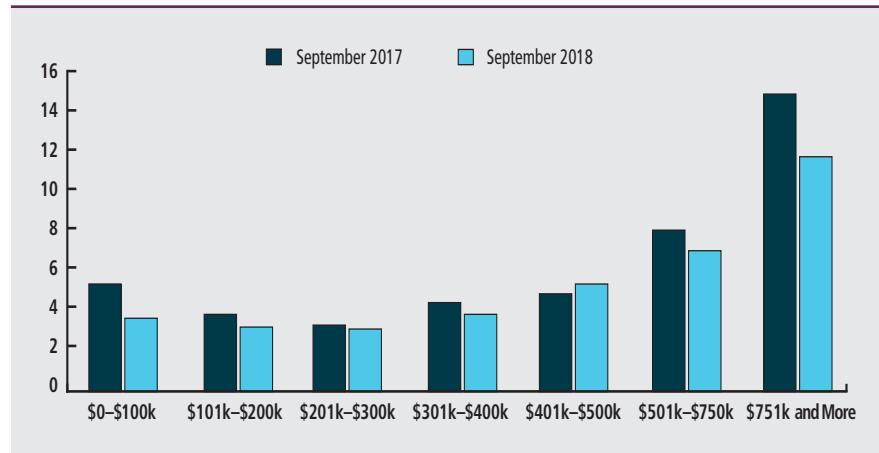
The supply of homes for sale, as measured by months of unsold inventory, was 3.8 months in September 2018, down from 4.4 months in September 2017 (Wisconsin REALTORS® Association). The months of unsold inventory fell in nearly every price range, with the exception of homes priced from \$400,000 to \$499,999 (Figure 12). The months of unsold inventory priced under \$400,000 was below 4 months, and on average, homes above that price took longer to sell.

Figure 11. Sales by Price Range During the 12 Months Ending September 2018 in the Milwaukee HMA



Source: Metrostudy, A Hanley Wood Company

Figure 12. Months of Inventory of Homes for Sale by Price in the Milwaukee HMA

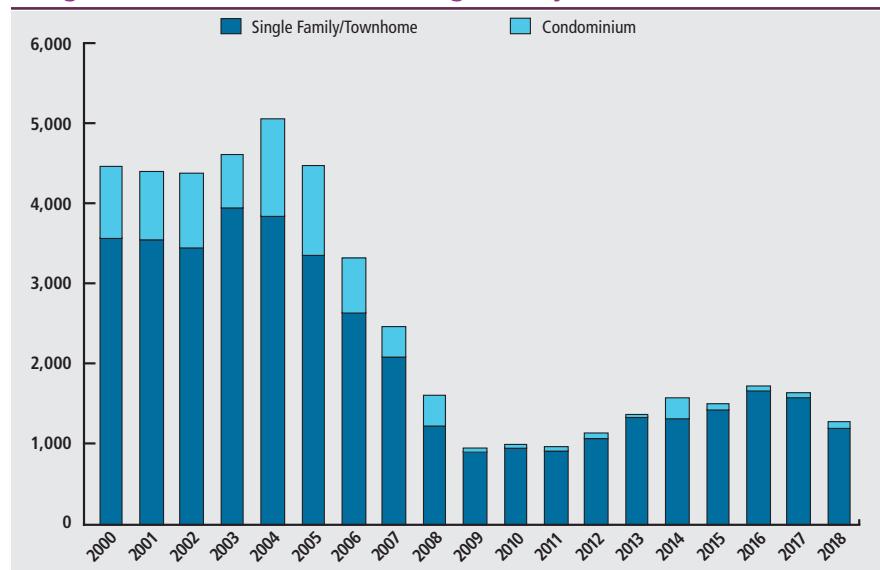


Source: Wisconsin Realtors® Association

Sales Permit Activity

The highest level of permitting of sales housing, including single-family homes, townhomes, and condominiums, during the past two decades occurred from 2000 through 2005, with an average of 4,575 homes permitted annually, including approximately 20 percent condominiums (Figure 13). Permitting fell by an average of 890 homes a year from 2006 through 2009 and averaged only 960 homes a year from 2009 through 2011. The number of sales units permitted increased during the economic recovery, rising by an average of 150 homes a year from 2012 through 2016, peaking at 1,700 homes during 2016. Permitting slowed during the 12 months ending September 2017 but again increased during the 12 months ending September 2018 to 1,750 homes, up 8 percent from the previous 12 months (preliminary data). Development of new condominiums has been limited since the late 2000s. Less than 5 percent of homes built since 2009 have been condominiums.

Figure 13. Annual Sales Permitting Activity in the Milwaukee HMA



Note: 2018 includes data through September 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

For-sale housing has accounted for approximately 40 percent of all housing units built since 2012, compared with approximately 75 percent of housing built from 2000 to 2005. Recent new for-sale housing development has been concentrated in the suburban parts of the HMA, where population growth has been fastest and undeveloped land is readily available. Approximately 40 percent of the single-family homes, townhomes, and condominiums built since 2012 are in Waukesha County, with one-fourth in Washington County and 15 percent in Ozaukee County. Only 10 percent of the for-sale housing units built in the HMA 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.

New Construction Properties

Home builders in the HMA tend to build smaller subdivisions with fewer than 100 homes. The five largest single-family home builders in the southeastern Wisconsin region, which includes the HMA and other nearby counties, each built between 60 and 210 homes in the region during 2017. Tim O'Brien Homes, one of the largest builders, is currently constructing homes in the 59-lot Autumn Ridge Estates, which is in the city of Hartford. Prices range from \$295,000 for a three-bedroom, two-bathroom home to \$340,000 for a four-bedroom, three-bathroom home.

Forecast

During the next 3 years, demand is expected for an additional 4,100 homes (Table 5). The 680 homes under construction are expected to meet a portion of demand. Demand is expected to increase during each year of the forecast period as job growth continues but remain strongest for homes priced below \$500,000 in the outlying counties.

Table 5. Demand for New Sales Construction Units in the Milwaukee HMA During the Forecast Period

Sales Units	
Demand	4,100 Units
Under Construction	680 Units

Source: Estimates by analyst



Rental Market Conditions

Market Conditions: Soft

Apartment construction, as measured by the number of rental units permitted, has been elevated since 2014, despite slowing population growth and net out-migration.

Rental Market Conditions and Recent Trends

Rental housing market conditions are currently soft. The rental market vacancy rate in the Milwaukee HMA is currently estimated at 9.6 percent, up from 7.8 percent in 2010 (Table 6). The number of rental units added, including new construction and existing housing shifting from the sales to the rental market, has exceeded renter

household growth since 2010, contributing to the soft conditions. Renter-occupied housing consists of approximately 52 percent in small buildings with one to four units, 47 percent in buildings with five or more units, and less than 1 percent in other housing types. The rental housing stock is relatively old, with approximately 70 percent of renter-occupied housing built before 1980, compared with 55 percent for the nation. Recent increases in net out-migration in addition to the relative age of rental housing contributed to the increase in the rental vacancy rate since 2010. Also contributing to the increased vacancy rate is the growing share of single-family homes offered for rent, a portion of which are offered for rent because sales prices in some parts of the HMA have not yet recovered from the sales market downturn.

Apartment Market Conditions

Conditions in the apartment market are balanced. Large, professionally managed apartment properties tend to be newer and have a lower vacancy rate than other types of rental units. The apartment vacancy rate for stabilized apartments during the third quarter of 2018 was 3.5 percent, down from 4.0 percent during the same quarter a year earlier (RealPage, Inc., with adjustments by the analyst). Average rent was \$1,125, up 3 percent from a year earlier. Average rent in the HMA has been rising 3 percent annually since 2015. Because of the recent increase in apartment construction, 13 recently completed apartment properties are in lease up, with an estimated 1,650 vacant, available units not included in the apartment vacancy rate.

In all RealPage, Inc.-defined market areas in the HMA, apartment vacancy rates fell or remained unchanged during the third quarter of 2018 compared with a year earlier. Vacancy rates during the third quarter of 2018 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 increased 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 apartments opened since 2014 in the market area.

Table 6. Rental and Apartment Market Quick Facts in the Milwaukee HMA

	2010	Current	
	Rental Vacancy Rate	7.8%	9.6%
Rental Market Quick Facts	Occupied Rental Units by Structure		
	Single-family Attached & Detached	18%	21%
	Multifamily (2-4 units)	33%	31%
	Multifamily (5+ units)	48%	47%
	Other (including Mobile Homes)	>1%	>1%
	Current	YoY Change	
Apartment Market Quick Facts	Apartment Vacancy Rate	3.5%	- 0.5
	Average Rent	\$1,125	3%
	Studio	\$857	2%
	One-Bedroom	\$987	3%
	Two-Bedroom	\$1,206	3%
	Three-Bedroom	\$1,453	3%

YoY = year-over-year.

Note: The current date is October 1, 2018.

Sources: Occupied rental unit data: American Community Survey, 2017 1-year data; apartment data: Real Page, Inc.

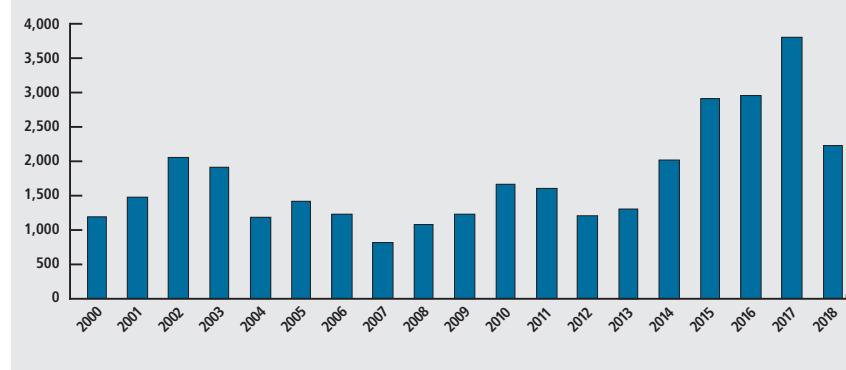
Rental Permit Activity

Rental construction, as measured by the number of rental units permitted, has been elevated since 2014. From 2000 through 2006, an average of 1,475 rental units were permitted annually (Figure 14). Permitting fell to an average of only 1,025 units a year from 2007 through 2009 and then returned to levels similar to the early 2000s, with an average of 1,425 units permitted each year from 2010 through 2013. Rental permitting rose each year from 2014 through 2017, with an average increase of 630 units a year, to a high of 3,800 units permitted in 2017. During the 12 months ending September 2018, rental permitting slowed to 2,950 units, down from 3,525 units during the 12 months ending September 2017 (preliminary data), as developers waited to see the market reaction to the high number of recently completed units.

Recently Completed Rental Properties

Rental permitting has been concentrated in Milwaukee County since 2014, particularly areas in and around downtown Milwaukee with convenient access to the economic core of the HMA (Map 4). Projects built in downtown Milwaukee and the west suburban communities of Wauwatosa and West Allis, also in Milwaukee

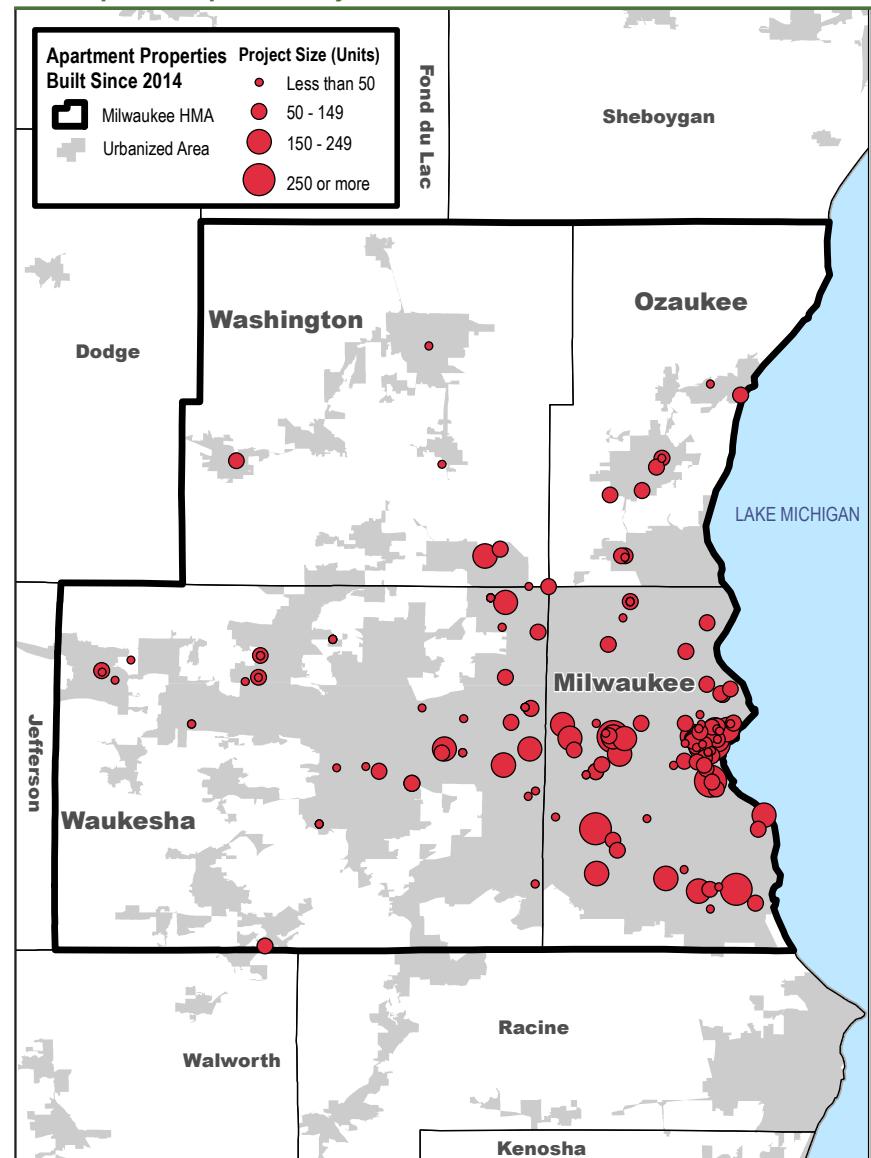
Figure 14. Annual Rental Permitting Activity in the Milwaukee HMA



Note: 2018 includes data through September 2018.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst.

Map 4. Completed Projects in the Milwaukee HMA Since 2014



Source: McGraw-Hill Construction Pipeline database, with adjustments by analyst

County, have constituted approximately 33 percent and 11 percent, respectively, of all units permitted in the HMA since 2014.

In addition to proximity to jobs, recent apartment construction has been concentrated in the downtown Milwaukee area partially because of land availability. Most land in Milwaukee County has been developed, but closure and cleanup of former industrial sites along the Milwaukee River, where breweries and tanneries used to operate, and other former industrial areas, including the Third Ward and Walker's Point neighborhoods of downtown, have allowed for redevelopment. Vim + Vigor, a 274-unit apartment property, part of the larger Pabst Brewery redevelopment site, which includes a brewery, UWM facilities, and other apartment properties, opened in early 2018. Asking rents average \$1,312, \$1,609, \$2,030, and \$2,325 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively, but effective rents are lower because the property is offering two months free rent to encourage lease up.

In the outlying counties, some apartment projects are being built in phases to allow for slower absorption. The first 35 units of the 172-unit Saxony Village apartments in the suburban community of Germantown, in Washington County, opened earlier in 2018. Asking rents are \$899, \$1,149, \$1,475, and \$1,795 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively, but

all rents are currently reduced by \$200 per month to encourage lease up. An additional 35 units and clubhouse are under construction, expected to open in Spring 2019, with all units expected to be complete by 2021.

Forecast

No demand for additional rental units is expected during the 3-year forecast period (Table 7). Although the number of renter households is expected to rise during the forecast period, all demand is expected to be met by existing vacant units. Properties under construction within the HMA may be successfully absorbed, but the additions are likely to increase the overall rental vacancy rate and prolong the current soft market conditions.

Table 7. Demand for New Rental Construction Units in the Milwaukee HMA During the Forecast Period

Rental Units	
Demand	0 Units
Under Construction	4,500 Units

Source: Estimates by analyst



Terminology Definitions and Notes

A. Definitions

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.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.



Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Forecast Period	10/1/2018–10/1/2021—Estimates by the analyst
Cost Burdened	Spending more than 30 percent of household income on housing costs.
Months of Unsold Inventory	The ratio of homes for sale to homes sold in a month.
Renter-occupied housing	Includes apartments and renter-occupied single-family homes, townhomes, condominiums, and mobile homes.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The Census Tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of 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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.



D. Photo Credit

Cover Photo	iStock
Contact Information	Marissa Dolin, Economist Chicago HUD Regional Office 312-913-8893 marissa.j.dolin@hud.gov

For additional data pertaining to the housing market for this HMA, go to huduser.gov/portal/ushmc/chma_archive.html.

