

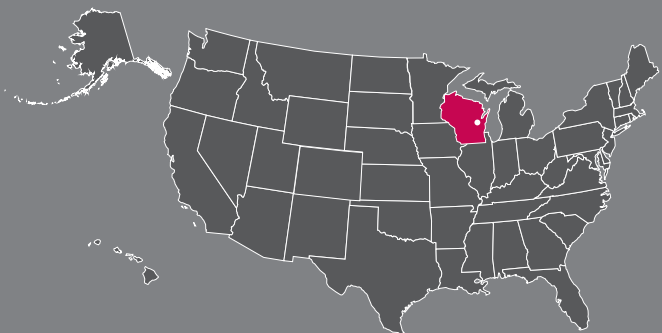
HUD PD&R Housing Market Profiles

Appleton-Oshkosh-Neenah, Wisconsin



Quick Facts About Appleton-Oshkosh-Neenah

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: tight.**
- **The metropolitan area developed into a major paper manufacturer in the 1850s because of access to multiple water sources; however, new technology has decreased demand for paper, and several paper mills have closed. Historically an industrial area, the metropolitan area is also known for military-vehicle manufacturing and dairy production, with 82,700 cows producing 2.23 billion pounds of milk in 2016 (Wisconsin 2016 Agricultural Statistics).**



By Diana Villavicencio | As of October 1, 2017

Overview

The Appleton-Oshkosh-Neenah, WI Combined Statistical Area (hereafter, Appleton metropolitan area) is coterminous with Calumet, Outagamie, and Winnebago Counties. The Appleton metropolitan area is on the northern shore of Lake Winnebago, along the Fox River, and approximately 100 miles northeast and northwest of Madison and Milwaukee, Wisconsin, respectively.

- As of October 1, 2017, the estimated population of the metropolitan area is 408,200, an average increase of 2,750, or 0.7 percent, annually since 2014. Relatively stronger economic conditions since 2014, compared with 2010 through 2013, contributed to average net in-migration of 1,250 people, annually, since 2014 (Wisconsin Department of Administration, Demographic Services Center, with adjustments by the analyst). Population growth since 2014 has been concentrated in Outagamie and Winnebago Counties, which include the cities of Appleton, Neenah, and Oshkosh.
- Population growth averaged 1,550 people, or 0.4 percent, annually from 2010 through 2014. During the period, net natural increase (resident births minus resident deaths) accounted for

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all population growth, because net out-migration averaged 180 a year. Net out-migration was primarily to the cities of Madison and Milwaukee, where job growth was greater.

- Prior to 2010, weak economic conditions and the impact of the national housing crisis caused population growth to average 1,725 people, or 0.4 percent, a year from 2008 through 2010.

Economic Conditions

Economic conditions in the Appleton metropolitan area have been relatively strong since 2014, although nonfarm payroll growth slowed during 2017. Following the local economic downturn, which occurred in 2009, nonfarm payroll growth averaged 0.6 percent annually from 2010 through 2013 and accelerated to an average of 1.5 percent a year from 2014 through 2016.

During the 3 months ending September 2017—

- Nonfarm payrolls increased by 2,800 jobs, or 1.3 percent, to 226,200 compared with a 4,300-job, or 1.9-percent, increase during the same 3-month period in 2016.
- The most significant gain occurred in the mining, logging, and construction sector, up by 1,100 jobs, or 7.9 percent, to 15,000 jobs. Gains in the sector were partly the result of two construction projects—a \$30.6 million, 87,000-square-foot downtown campus expansion by Outagamie County and a new sheriff office. The projects are expected to be complete by May 2019; the number of expected new jobs has not been announced. Additional job growth in the sector was the result of the repurpos-

ing of several abandoned paper mills and other manufacturing sites into residential and nonresidential structures.

- The education and health services sector expanded by 1,000 jobs, or 3.8 percent, to 27,500. Two of the top three employers in the metropolitan area, ThedaCare™ and Affinity Health System, are in the education and health services sector, which accounts for 12 percent of total nonfarm payrolls in the metropolitan area.
- As job growth moderated, the unemployment rate declined to an average of 3.0 percent from 3.5 percent during the same period 1 year earlier. The current unemployment rate is significantly lower than the 8.0-percent peak during 2009. The unemployment rate in the metropolitan area has generally trended below the national average since 2010.

During the 3 months ending September 2017, the manufacturing sector was one of two sectors to lose jobs, declining by 300 jobs, or 0.6 percent, to 46,100 jobs. The closure of Appleton Coated LLC, a coated paper manufacturer that laid off 620 workers in

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Only two sectors in the Appleton area contracted during the 3 months ending September 2017.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	223.4	226.2	2.8	1.3
Goods-producing sectors	60.3	60.9	0.6	1.0
Mining, logging, and construction	13.9	15.0	1.1	7.9
Manufacturing	46.4	46.1	-0.3	-0.6
Service-providing sectors	163.1	165.3	2.2	1.3
Wholesale and retail trade	32.7	32.7	0.0	0.0
Transportation and utilities	6.7	6.7	0.0	0.0
Information	3.2	3.1	-0.1	-3.1
Financial activities	11.4	11.5	0.1	0.9
Professional and business services	27.3	27.3	0.0	0.0
Education and health services	26.5	27.5	1.0	3.8
Leisure and hospitality	19.8	20.2	0.4	2.0
Other services	12.7	12.9	0.2	1.6
Government	22.9	23.2	0.3	1.3
	(percent)	(percent)		
Unemployment rate	3.5	3.0		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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September 2017, caused part of the reduction in jobs. Despite this decline, the manufacturing sector dominates the local economy, accounting for 20 percent of all nonfarm payroll jobs in the metropolitan area. In 2017, the sector benefited from several government contracts, including a \$36.1 million contract for 148 Family of Medium Tactical Vehicles at Oshkosh Defense, LLC, a subsidiary of Oshkosh Corporation, the second largest employer in the metropolitan area.

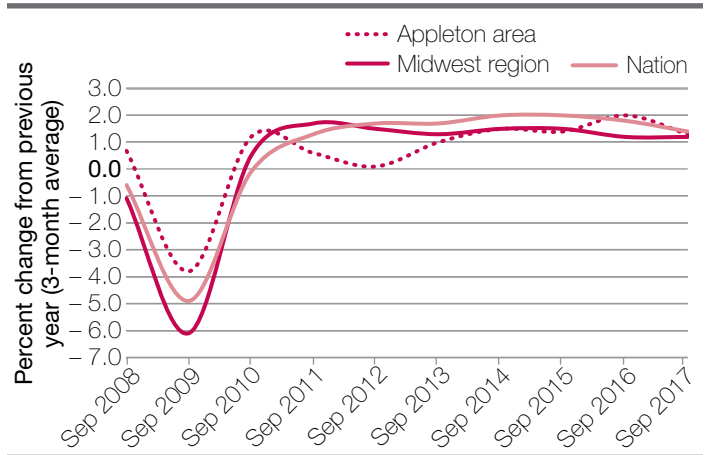
Largest employers in the Appleton area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
ThedaCare™	Education and health services	6,800
Oshkosh Corporation (includes Pierce Manufacturing)	Manufacturing	5,125
Affinity Health System	Education and health services	4,300

Note: Excludes local school districts.

Sources: Fox Cities Regional Partnership Major Employers; Outagamie County Comprehensive Annual Financial Report, 2016; Winnebago County Comprehensive Annual Financial Report, 2016

Although nonfarm payroll loss in the Appleton area was slower than the regional and national rates in 2009, subsequent job gains generally were not as strong as the nation.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the Appleton metropolitan area is balanced and market conditions have improved since the housing market downturn that occurred from 2008 through 2011. The estimated sales vacancy rate is currently 1.3 percent, down from 1.9 percent in April 2010. Local job gains and recovery after the local economic downturn contributed to the improved sales market. A relatively lower rate of seriously delinquent mortgage loans (loans that are 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status during 2010 in the metropolitan area is one of the reasons the local market fared better than the nation during the housing crisis. In April 2010, 4.1 percent of mortgages were seriously delinquent or had transitioned into REO status compared with 5.0 and 8.2 percent for Wisconsin and the nation, respectively (CoreLogic, Inc.). As of September 2017, the rate of seriously delinquent loans and REO properties declined to 1.1 percent compared with rates of 1.4 and 2.2 percent for Wisconsin and the nation, respectively.

During the 12 months ending August 2017—

- The number of new homes (including single-family homes, townhomes, and condominiums) sold totaled 400, down 13 percent from the 460 homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst) and down by more than one-half from the average of 820 homes sold during 2007, when homes sales were at a record high since 2000. New home sales are currently 14 percent higher than during 2011, when sales bottomed out.

- The average sales price for new homes was \$221,500, slightly down from \$221,700 during the same period 1 year earlier but 19 percent above the peak of \$186,200 in 2007 before the downturn and 23 percent above the \$180,000 averaged during the local housing market downturn from 2008 through 2011.
- Existing home sales totaled 6,800, down approximately 3 percent from the 6,975 sold during the 12 months ending August 2016. The recent decline in existing home sales resulted from 38 and 49 percent declines in REO and short sales to 170 and 130, respectively, and a 1-percent rise in regular resales to 6,500. Existing home sales increased an average of 11 percent every year from 2012 to 6,550 in 2015.
- The average sales price for existing homes was \$163,300, an increase of 3 percent compared with the average price during the 12 months ending August 2016. The current existing home sales price is 21 percent greater than the \$134,700 averaged during the local housing market downturn from 2008 through 2011, when an elevated level of REO sales negatively affected the average sales price in the metropolitan area, and 17 percent above the average \$138,700 previous peak reached in 2007.

Although single-family homebuilding activity, as measured by the number of single-family homes permitted, increased during the most recent 12-month period, single-family permitting is below the 2012-through-2015 annual average.

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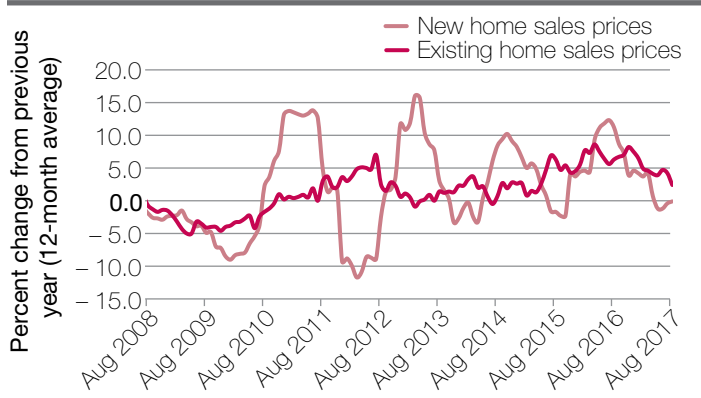
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- The number of single-family homes permitted totaled 670 during the 12 months ending September 2017, up from the 640 homes permitted during the previous 12 months (preliminary data). Outagamie County accounted for 54 percent of all single-family homes permitted in the metropolitan area.
- During 2008, a total 900 homes were permitted before declining every year to 500 homes permitted in 2011 in response to the local economic contraction and housing market downturn. The sales housing market began to improve in 2012, and by 2015, building permitting increased to 870 homes permitted.
- New single-family home construction is active in the town of Greenville in Outagamie County at Towering Pines, a 70- to

80-lot subdivision. Construction began in 2016 and is divided into phases, with 20 to 25 lots in each phase. Prices start at \$274,900 for a three-bedroom, two-bathroom home.

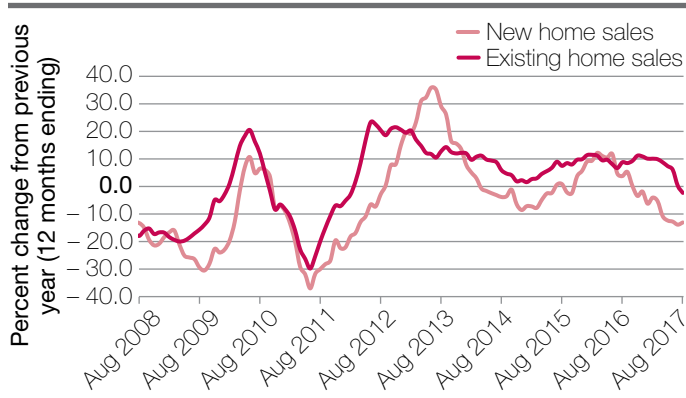
- Another development in Outagamie County is The Cedars at Kimberly in the village of Kimberly. Approximately 9 acres of a former 90-acre paper mill site is currently being redeveloped and will feature 70 condominiums and townhomes. Prices are estimated to range from \$235,000 to \$275,000 for 1,500- to 2,000-square-foot homes. The Cedars at Kimberly master-planned community also includes apartments, offices, stores, restaurants, and a hotel. The project is expected to be complete in the next 15 years.

New and existing home sales prices in the Appleton area have had similar trends since 2008, although new home sales prices have been more volatile.



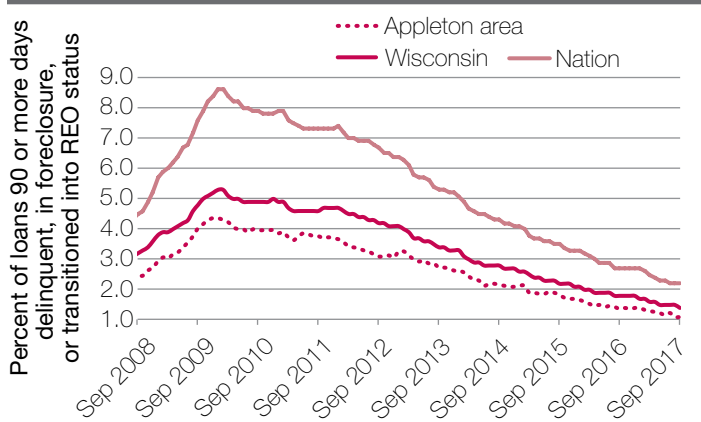
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

New and existing home sales in the Appleton area slowed in 2017 as the growth in nonfarm payrolls moderated.



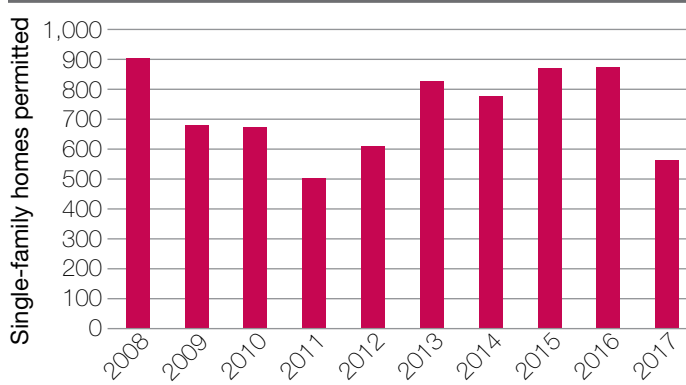
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

The Appleton area consistently had a lower rate of seriously delinquent loans and REO properties than the state and the nation.



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

Single-family home permitting in the Appleton area has been greater since 2012 compared with 2009-through-2011 levels.



Note: Includes preliminary data from January 2017 through September 2017. Source: U.S. Census Bureau, Building Permits Survey

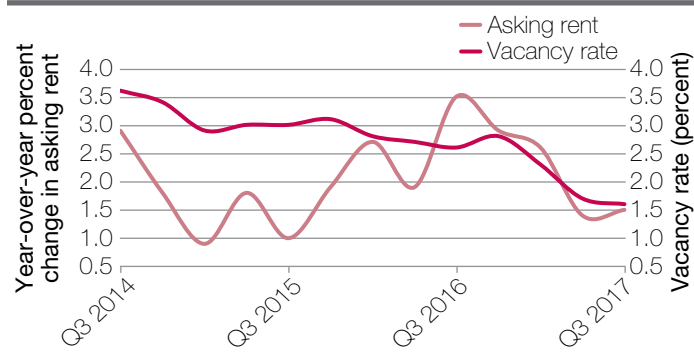


Apartment Market Conditions

Rental housing market conditions in the Appleton metropolitan area currently are balanced, with an estimated 5.5-percent vacancy rate for all rental units (including single-family homes, townhomes, manufactured homes, and apartments) as of October 1, 2017, down from 6.7 percent in April 2010, when market conditions were soft. The decline in the sales market that occurred at the end of the previous decade caused a shift in household preferences toward renting and contributed to the absorption of excess rental units since the late 2000s.

- The apartment market, which comprises 48 percent of all occupied rental units, was tight during the third quarter of 2017 with an estimated vacancy rate of 1.6 percent, down from 2.6 percent 1 year earlier (Reis, Inc.).
- The average apartment rent increased nearly 2 percent to \$722 from the third quarter of 2016 to the third quarter of 2017.
- The average monthly apartment rents by bedroom count were \$559, \$632, \$750, and \$857 for studio, one-, two-, and three-bedroom units, respectively.
- During the third quarter of 2017, the average rent for units built after 2009 was \$947, and the vacancy rate was higher than the overall apartment market at 3.0 percent. The tightest segment of the apartment market was for units built from 1980 through 1989, which had a vacancy rate of 1.1 percent and an average rent of \$666.

Apartment market conditions in the Appleton area have been tight since 2014, with low vacancy rates and positive rent growth.

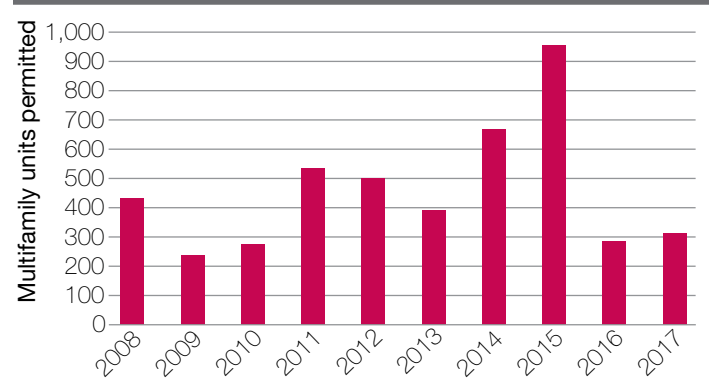


Q3 = third quarter.
Source: Reis, Inc.

Similar to single-family home construction, multifamily construction activity, as measured by the number of units permitted, increased during the 12-month period ending September 2017, but permitting is lower than the 2011-through-2015 annual average. Since 2011, 57 percent of apartment development occurred in Outagamie County in former paper mill and other manufacturing sites.

- During the 12 months ending September 2017, approximately 390 multifamily units were permitted, up from the 220 units permitted during the previous year (preliminary data).
- An average of 610 multifamily units were permitted annually from 2011 through 2015, when economic and rental market conditions strengthened, compared with an average of 310 permitted, annually, from 2008 through 2010.
- Since 2014, apartment construction in the city of Appleton has been primarily adjacent to the Fox River in the River Heath community on the former Consolidated Paper Company and MI Drilling Fluids plants site and includes the 32-unit Evergreen Square Apartments and the 40-unit Prairie Apartments. Monthly rents start at \$1,200, \$1,650, and \$2,700 for one-, two-, and three-bedroom units, respectively, at both properties. Construction of a third residential building is expected to begin in 2018; proposed asking rents have not yet been released.
- In Winnebago County in the city of Neenah construction is under way at the \$14 million, 184-unit Pendleton Park on redeveloped farmland. When the project is completed in 2018, the property will feature two-bedroom units with rents ranging from \$895 to \$1,250.

Multifamily permitting in the Appleton area surged in 2014 and 2015, then dropped to lower levels as newly constructed units were absorbed.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey