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Analysis of the
**RACINE, WISCONSIN
HOUSING MARKET**

as of June 1, 1969

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
U.S. FEDERAL HOUSING ADMINISTRATION
4 WASHINGTON, D. C. 20411

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FHA Housing Market Analysis
Racine, Wisconsin, as of June 1, 1969

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Field Market Analysis Service as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Field Market Analysis Service
Washington, D. C.

FHA HOUSING MARKET ANALYSIS - RACINE, WISCONSIN
AS OF JUNE 1, 1969

The Racine, Wisconsin, Housing Market Area (HMA) is defined as the Racine Standard Metropolitan Statistical Area, which consists of Racine County. The HMA, with a population of about 175,000 as of June 1, 1969, is located in southeastern Wisconsin, bordered by the Milwaukee SMSA on the north, the Kenosha SMSA on the south, and Lake Michigan on the east.

The Racine economy is diversified, with durable goods industries, trade, services, and government providing the greatest number of jobs. During the past year, the growth of the Racine area economy was slowed by employment declines in durable goods industries and construction. These employment decreases have been partially offset by increases in other industries. A reduction in residential construction since 1965 has helped to reduce the large number of vacancies resulting from excessive building activity in the early to mid-1960's.

Anticipated Housing Demand

Based on anticipated trends in economic and demographic factors taken into consideration in this analysis, and after making adjustments for the current vacancy rate and the number of housing units expected to be demolished, there will be a demand for an average of 825 new private, nonsubsidized housing units a year in the Racine HMA during the period from June 1, 1969 to June 1, 1971. The nonsubsidized housing units would be most readily absorbed if annual

construction consisted of 625 single-family houses and 200 units in multifamily structures. Annual demand for single-family houses by price class is shown in table I. The 200 units of multifamily housing should consist of 10 efficiency units, 75 one-bedroom apartments, 95 two-bedroom units and 20 three-bedroom units at or near the minimum achievable rents of \$120, \$140, \$170, and \$190 monthly, respectively.

The present demand estimates are not intended to be predictions of short-term construction volume, but rather suggested levels of construction designed to provide stability in the housing market based on long-term trends evident in the area. However, even short-term deviation in the level of construction from the indicated demand may hamper the restoration and maintenance of a balance in supply and demand forces in the housing market.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through four different programs administered by FHA--monthly rent-supplement payments, principally in rental projects financed with market-interest-rate mortgages insured under Section 221(d)(3); partial payments for interest for home mortgages insured primarily under Section 235; partial payment for interest for project mortgages insured under Section 236; and below-market-interest-rate financing for project mortgages insured under Section 221(d)(3).^{1/}

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be alternatively eligible for assistance under one or more of these programs or under other assistance programs using federal or state support. Since the potential for each program is estimated separately, there is no attempt to eliminate the overlaps among program estimates. Accordingly, the occupancy potentials discussed for various programs are not additive. Furthermore, future approvals under each program should take into account any intervening approvals under other programs which serve the same requirements. The potentials^{2/} discussed in the following paragraphs reflect estimates adjusted for housing provided or under construction under alternative FHA or other programs.

^{1/} At the present time, funds for allocations under Section 221(d)(3) BMIR are available only from recaptures resulting from reductions, withdrawals, and cancellation of outstanding allocations.

^{2/} The occupancy potentials referred to in this analysis have been calculated to reflect the capacity of the market in view of existing vacancy. The successful attainment of the calculated potential for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents and sales prices over the complete range attainable for housing under the specified programs.

The annual occupancy potentials for subsidized housing in FHA programs discussed below are based upon 1969 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on April 1, 1969 income limits, and on available market experience.^{1/} The occupancy potentials by size of units required are shown in table II.

Rent-Supplement. Under the rent-supplement program there is an annual occupancy potential for approximately 25 units for families and 142 units for elderly couples and individuals. Although there is presently no public housing in the Racine HMA, all families eligible for rent-supplements would also be eligible for public housing.

Section 235, Sales Housing. Sales housing for families can be provided for low- to moderate-income families under Section 235. Utilizing exception income limits, there is an occupancy potential for about 80 units during each of the next two years. Utilizing regular income limits, the occupancy potential would be reduced to about 70 percent of that number. All of the families eligible for Section 235 housing are also eligible under the Section 236 program, but are not additive thereto. There are currently 25 units under construction and funds have been allocated for another 25 units under the Section 235 program.

Section 236, Rental Housing. Utilizing exception income limits, the annual occupancy potential under Section 236 is estimated at 80 units for families and 58 units for elderly couples and individuals. Using regular income limits, the occupancy potential for families would be about 70 percent of the above figure, while the occupancy potential for elderly couples and individuals would be only slightly reduced. About 70 percent of the families and individuals eligible under this program are also eligible for public housing. Generally, families and individuals eligible under this program also are eligible under Section 235, but are not additive thereto.

The Sales Market

The market for existing sales housing presently is fairly strong in the Racine HMA. The number of new single-family homes built in 1968, however, was the lowest in this decade. This can be accounted for by rising interest rates and rapidly increasing construction costs, which have forced some people to look to the less-expensive existing inventory to fulfill their needs, rather than buy a new house.

^{1/} Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing. However, little or no housing has been provided under some of the subsidized programs and absorption rates remain to be tested.

An FHA survey early in 1969 of housing built in eleven subdivisions found that of 194 houses completed in 1968 (in small subdivisions on the north, west, and south sides of Racine), only 34 (17.5 percent) were speculatively built, and seven of those remained unsold after construction was completed. It should be noted, however, that these units comprised only about one-third of the total number built and that a large proportion of the higher priced units were not included in the survey. Most sales housing was built in scattered areas throughout the HMA. Of the 194 houses in the FHA survey, about 34 percent were priced from \$17,500 to \$19,999, 37 percent from \$20,000 to \$24,999, 11 percent from \$25,000 to \$29,999, and 18 percent sold for over \$30,000.

The Rental Market

The rental market in the Racine HMA has strengthened slowly over the past few years. In 1964 and early 1965, a large number of multi-family rental units were authorized in order to avoid the impact of a new zoning ordinance that took effect in May 1965. The vacancy rate has decreased since 1965, but is still relatively high at about 8.1 percent. Decreased levels of multifamily construction since 1965 have aided in lowering the rental vacancy rate, but a leveling off of employment in the HMA has tended to limit absorption because the amount of in-migration decreased.

Rents in the apartments completed in recent years most of which are located along the north, west, and south sides of Racine, generally range from \$90 to \$105 for efficiencies, \$125 to \$145 for one-bedroom units, \$140 to \$165 for two-bedroom units, and \$170 to \$190 for three-bedroom units. Reflecting increasing construction costs, higher rents will be required for new construction during the forecast period.

Economic, Demographic, and Housing Factors

The anticipated annual demand for 825 new nonsubsidized housing units is based on the projected trends in employment, income, population, and housing factors summarized below.

Employment. Nonagricultural wage and salary employment in the Racine HMA averaged 53,800 monthly in 1968 (see table III). Employment in 1968 represented a decrease of 100 from the 1967 level, and an increase of only 100 over the 1966 level. This is a sharp change from the 1962-1966 period, during which employment increased by an average of 2,500 yearly, mainly in durable goods manufacturing, trade, and government. Since 1966, employment in government has continued to grow, with increases also occurring in services, and transportation and utilities. In other sectors of the economy, employment has remained stable or has declined. The volume of production in some durable goods industries has decreased, and automation is further reducing the number of jobs.

Employment growth is expected to be small in the Racine HMA over the two-year projection period. While employment in some durable goods industries will decrease, overall manufacturing employment will increase slightly, due to expansion in some individual manufacturing firms. Employment in services, government, and a few other industries will experience moderate growth. Net employment gains are expected to total 350 annually over the next two years.

There were 2,600 workers unemployed in the Racine HMA in the average month in 1968, representing 4.1 percent of the work force, down from 4.5 percent in 1967. In the years preceding, the unemployment rate declined from a high of 6.3 percent in 1961 to a low of 3.6 percent in 1965, followed by an increase to 4.1 percent in 1966.

Income. In June 1969, the median annual income of all families in the Racine HMA was about \$10,200 after deduction of federal income tax. The median after-tax income of renter households of two or more persons was \$8,975 a year. By June 1971, it is expected that the median annual after-tax income of all families in the HMA will approximate \$10,850; income of all renter households of two or more persons is expected to increase to \$9,575. Detailed distributions of families and renter households by annual after-tax income as of June 1969 and June 1971 are presented in table IV.

Population and Households. As of June 1, 1969, the population of the Racine HMA was approximately 175,000, reflecting an average annual gain of about 3,625 persons since 1960. Expansion of employment opportunities between 1961 and 1966 resulted in a relatively high rate of population growth. Since 1966, however, economic growth in the area has slowed substantially, and the population growth rate has also declined. With the recent completion of Interstate 94, residing in the Racine HMA has become more attractive for persons working in Milwaukee, and migration into Racine County is expected to increase. Based on the anticipated low levels of economic growth and increased in-migration, it is expected that the population of the Racine HMA will increase by an average of about 3,300 persons annually over the next two years to approximately 181,600 by June 1, 1971.

There were approximately 50,800 households in the Racine HMA as of June 1, 1969 (see table V). The total number of households has increased by about 10,050 (1,100 annually) since 1960. Household growth trends have approximately paralleled population gains. Based on the projected population increase, it is expected that during the next two years the number of households in the Racine HMA will increase by an annual average of about 975--325 in the city of Racine and 650 in the remainder of the HMA.

Housing Inventory and Residential Construction. As of June 1, 1969, there were approximately 54,500 housing units in the Racine HMA, reflecting a net increase of about 10,600 units over the 1960 inventory (see table VI). This increase in the housing inventory resulted from approximately 11,250 units added through new construction, the

loss of about 900 units through demolition and other causes, and the addition of about 250 trailers. There were approximately 300 units under construction on June 1, 1969, including about 210 single-family homes and 90 units in multifamily structures.

Privately financed building activity in the Racine HMA, as measured by building permit information available for the entire county, indicated a decrease each year from a high of nearly 2,900 units in 1965 to under 650 units in 1968 (see table VII). Declining construction during the 1966-1968 period is attributed to the following factors: tightening credit and mortgage restrictions, rapidly increasing construction costs, new zoning restrictions on multifamily structures and a general weakening in the economy.

Vacancy. There were approximately 3,600 vacant housing units in the HMA as of June 1, 1969; 460 units were for sale, 1,390 units were for rent, and 1,750 units were vacant but were either unsuitable or unavailable for rent or sale. The available units for sale or rent represented vacancy rates of 1.3 and 8.1 percent, respectively. Of the 1,750 units not available, about 1,500 are seasonal units.

Table I

Estimated Annual Demand for New Nonassisted Single-family Housing Units
Racine, Wisconsin, Housing Market Area
June 1, 1969 to June 1, 1971

<u>Price class</u>	<u>Number of units</u>
\$15,000 - \$17,499	10
17,500 - 19,999	75
20,000 - 22,499	90
22,500 - 24,999	110
25,000 - 29,999	165
30,000 - 34,999	90
35,000 and over	85
Total	625

Source: Estimated by Housing Market Analyst.

Table II

Estimated Annual Occupancy Potential for Subsidized Housing
Racine, Wisconsin, Housing Market Area
June 1, 1969 to June 1, 1971

A. Subsidized Sales Housing, Section 235

<u>Eligible family size</u>	<u>Number of units^{a/}</u>
Four persons or less	59
Five persons or more	<u>21</u>
Total	<u>80</u>

B. Privately Financed Subsidized Rental Housing

<u>Size of unit</u>	<u>Rent-Supplement</u>		<u>Section 236</u>	
	<u>Families</u>	<u>Elderly</u>	<u>Families</u>	<u>Elderly^{b/}</u>
Efficiency	-	115	-	37
One bedroom	4	27	8	21
Two bedrooms	10	-	37	-
Three bedrooms	6	-	20	-
Four bedrooms or more	<u>5</u>	<u>-</u>	<u>15</u>	<u>-</u>
Total	<u>25</u>	<u>142</u>	<u>80</u>	<u>58</u>

a/ All of the families eligible for Section 235 housing also are eligible for the Section 236 program, and about 70 percent are eligible for low-rent public housing. The estimates are based upon exception income limits.

b/ Applications, commitments, and housing under construction under Section 202 are being converted to Section 236 in accordance with instructions issued March 7, 1969.

Table III

Civilian Work Force Components
Racine, Wisconsin, HMA 1964-1968
 (Annual average in thousands)a/

<u>Components</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Total work force	<u>57.8</u>	<u>61.1</u>	<u>63.3</u>	<u>63.2</u>	<u>63.0</u>
Unemployment	2.2	2.2	2.6	2.8	2.6
Percent unemployed	3.9%	3.6%	4.1%	4.5%	4.1%
Agricultural employment	2.0	2.1	1.8	1.5	1.8
Nonagricultural employment	<u>53.5</u>	<u>56.8</u>	<u>58.9</u>	<u>58.8</u>	<u>58.4</u>
Nonag. wage & salary employment	<u>48.3</u>	<u>51.5</u>	<u>53.7</u>	<u>53.9</u>	<u>53.8</u>
Manufacturing	<u>23.6</u>	<u>25.4</u>	<u>26.6</u>	<u>26.4</u>	<u>25.1</u>
Durable goods	<u>17.6</u>	<u>19.3</u>	<u>20.4</u>	<u>20.3</u>	<u>18.9</u>
Nonelectrical machinery	9.4	10.6	11.4	11.4	10.1
Other durable goods	8.2	8.7	9.0	8.9	8.8
Nondurable goods	6.0	6.1	6.1	6.0	6.2
Nonmanufacturing	<u>24.6</u>	<u>26.1</u>	<u>27.2</u>	<u>27.5</u>	<u>28.6</u>
Contract construction	1.7	1.9	2.2	2.0	1.8
Trans., comm., & utilities	1.9	2.0	2.0	2.0	2.2
Trade	8.6	9.1	9.4	9.3	9.3
Wholesale	1.8	1.8	1.8	1.8	1.8
Retail	6.8	7.2	7.6	7.6	7.6
Finance, ins., & real est.	1.3	1.3	1.3	1.3	1.3
Services	6.0	6.4	6.6	6.9	7.3
Government	5.1	5.4	5.7	6.0	6.7
Other nonagricultural employment	5.2	5.3	5.2	4.9	4.6

a/ Components of columns may not add correctly because of rounding.

Source: Wisconsin State Employment Service.

Table IV

Estimated Percentage Distribution of All Families and Renter Households ^{a/}
By Annual Income After Deducting Federal Income Tax
Racine, Wisconsin, Housing Market Area
1969 and 1971

<u>Income</u>	<u>All families</u>		<u>Renter households</u>	
	<u>1969</u>	<u>1971</u>	<u>1969</u>	<u>1971</u>
Under \$ 4,000	7	6	10	8
\$ 4,000 - 4,999	3	3	3	4
5,000 - 5,999	3	3	5	4
6,000 - 6,999	6	5	8	6
7,000 - 7,999	8	5	11	10
8,000 - 8,999	9	8	13	12
9,000 - 9,999	11	10	10	10
10,000 - 12,499	21	22	20	20
12,500 - 14,999	13	15	10	13
15,000 - 17,499	8	9	4	5
17,500 - 19,999	4	5	2	3
20,000 and over	<u>7</u>	<u>9</u>	<u>4</u>	<u>5</u>
Total	100	100	100	100
Median	\$10,200	\$10,850	\$8,975	\$9,575

a/ Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table V

Population and Household Trends
Racine, Wisconsin, Housing Market Area
April 1960 to June 1971

<u>Component</u>	April 1, <u>1960</u>	June 1, <u>1969</u>	June 1, <u>1971</u>	<u>Average annual change</u>			
				<u>1960-1969</u>		<u>1969-1971</u>	
				<u>Number</u>	<u>Rate^{a/}</u>	<u>Number</u>	<u>Rate^{a/}</u>
<u>Population</u>							
HMA total population	<u>141,781</u>	<u>175,000</u>	<u>181,600</u>	<u>3,625</u>	2.3	<u>3,300</u>	1.9
Racine	89,144	98,500	100,500	1,025	1.1	1,000	1.0
Remainder of HMA	52,637	76,500	81,100	2,600	4.1	2,300	2.9
<u>Households</u>							
HMA total households	<u>40,736</u>	<u>50,800</u>	<u>52,750</u>	<u>1,100</u>	2.4	<u>975</u>	1.9
Racine	27,064	30,250	30,900	350	1.2	325	1.1
Remainder of HMA	13,672	20,550	21,850	750	4.4	650	3.1

a/ Derived through the use of a formula designed to calculate the percentage rate of change on a compound basis.

Sources: 1960 Censuses of Population and Housing; 1969 and 1971 estimated by Housing Market Analyst.

Table VI

Components of the Housing Supply
Racine, Wisconsin, HMA
April 1960 - June 1969

<u>Components</u>	<u>April 1960</u>	<u>June 1969</u>
Total housing supply	<u>43,895</u>	<u>54,500</u>
Occupied housing units	<u>40,736</u>	<u>50,800</u>
Owner-occupied	<u>28,292</u>	<u>35,100</u>
Percent	69.5%	69.1%
Renter-occupied	12,444	15,700
Percent	30.5%	30.9%
Vacant housing units	<u>3,159</u>	<u>3,600</u>
Available vacant	<u>862</u>	<u>1,850</u>
For sale	272	460
Homeowner vacancy rate	1.0%	1.3%
For rent	590	1,390
Renter vacancy rate	4.5%	8.1%
Other vacant ^{a/}	2,297	1,750

a/ Includes seasonal units, dilapidated units, units sold or rented awaiting occupancy, and units held off the market.

Sources: 1960 Census of Housing; 1969 estimated by Housing Market Analyst.

Table VII

Housing Units Authorized by Building Permits by Type of Structure
Racine, Wisconsin, HMA
1960-1969

<u>Year</u>	<u>Single- family</u>	<u>2-4 family</u>	<u>5 family or more</u>	<u>All units</u>
1960	868	65	96	1,029
1961	721	53	19	793
1962	778	80	24	882
1963	889	104	162	1,155
1964	973	97	518	1,588
1965	917	188	1,788	2,893
1966	710	172	228	1,110
1967	821	90	122	1,033
1968	585	47	10	642
1969 (2 mos.)	59	13	48	120

Source: U.S. Census Bureau, C-40 Construction Reports.

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