

Rental Housing Market Analysis  
-- A Strategy Plan --  
Whitewater, Wisconsin

Prepared on behalf of:

City of Whitewater  
312 W. Whitewater Street  
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REAL ESTATE MARKET ANALYSIS

## INTRODUCTION

At the request of the City of Whitewater, Tracy Cross & Associates, Inc. evaluated the market potential for new construction rental housing development within its municipal boundaries over the next several years. Representing an expansion/update of our comprehensive housing study completed in June 2023, this analysis focuses upon the conventional (non-student) rental sector and establishes the following:

- Conclusions regarding the depth of market for rental housing development throughout Whitewater near- to mid-term based upon pertinent economic, demographic, and residential trends which define the marketplace.
- Conclusions regarding the overall marketability of conventional (non-student) rental housing forms to be introduced within the municipality over the next 5+ years. These conclusions are based upon factors associated with the location of Whitewater, depth of market, demographic and socio-economic characteristics of existing and future households, and the alignment of rental housing communities, both existing and planned.
- Detailed recommendations regarding those conventional rental housing products viewed to hold measurable market. Investigative uses range from lower-density idioms to higher-density offerings. These recommendations address specific product types, plan styles/sizes, features/amenities, etc., along with benchmark rental rate strategies necessary to achieve acceptable levels of absorption. Please note that these recommendations, which focus on all segments of the conventional rental housing market ranging from younger (entry level) profiles to active adult (55+) households, give full consideration to current proposals being considered by the City of Whitewater.
- A geographic positioning strategy for the introduction of new rental housing products throughout the city of Whitewater.

## WORK PLAN AND PROCESS

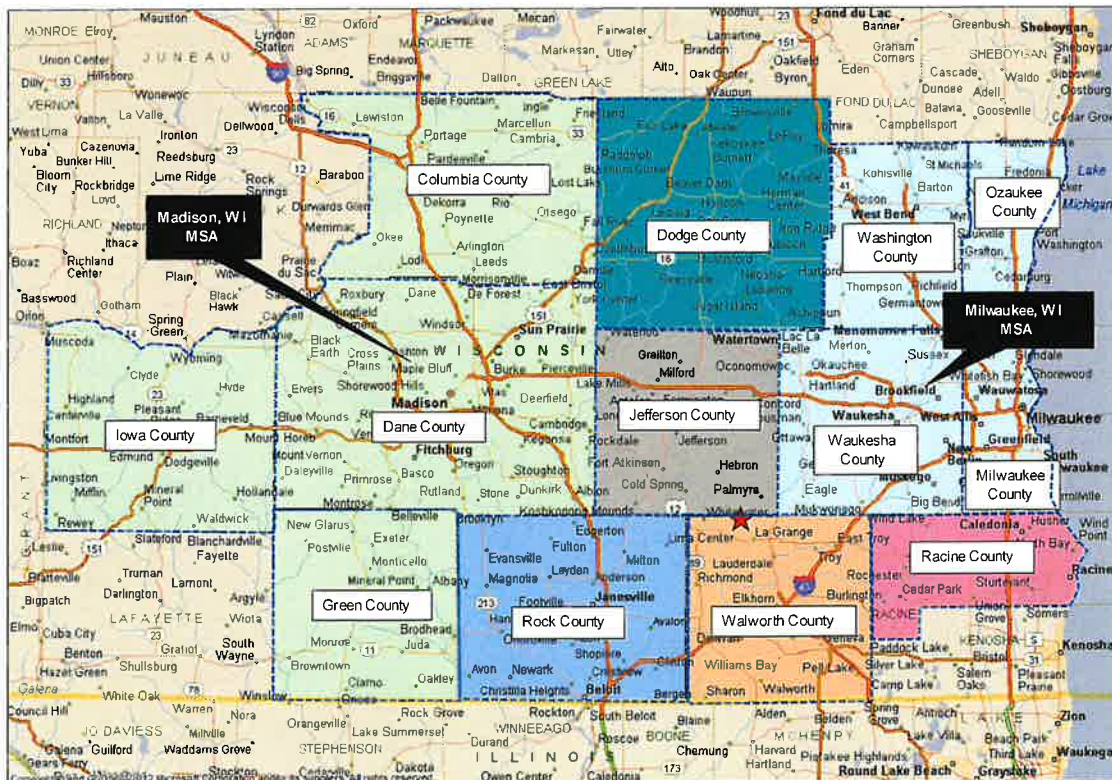
The work plan for this assignment involved a series of inter-related research investigations as summarized below:

- A thorough investigation (re-visit) of Whitewater and surrounding areas to determine geographic boundaries of the local market area; identify factors which may impact rental housing potentials within the municipality; and examine areas that may be suitable for new conventional development.
- A detailed analysis of all relevant employment, demographic, and residential trends/statistics including a comprehensive evaluation of key socio-economic and income variables of area households.
- A thorough assessment of the rental housing market locally (and adjoining areas as applicable).
- A demand forecast for rental housing development in and around Whitewater over the next 5+ years.
- Case study evaluations of "like" rental housing initiatives throughout similar markets in the Midwest in order to assess trends, products, performance levels, etc.

**WHITEWATER, WISCONSIN**

Whitewater is a self-contained city situated in southern Wisconsin straddling the Jefferson County/Walworth County line. It is located between the four-county Milwaukee, WI Metropolitan Statistical Area (MSA) and the four-county Madison, WI MSA. It is also proximate to both Rock County to the southwest and Racine County to the southeast. One of the driving forces behind Whitewater's economy is the University of Wisconsin-Whitewater with a total enrollment of nearly 10,500 students and over 2,300 full-time employees. According to estimates by EnviroNics Analytics through its review of Census data and the Census Bureau's American Community Surveys, the city of Whitewater supported a 2023 population base of 15,032 persons distributed among 4,867 households, although these figures drop by +/-40 percent once Census-counted students are excluded from the estimates.

**GEOGRAPHIC DELINEATION OF WHITEWATER AND SURROUNDING AREAS**

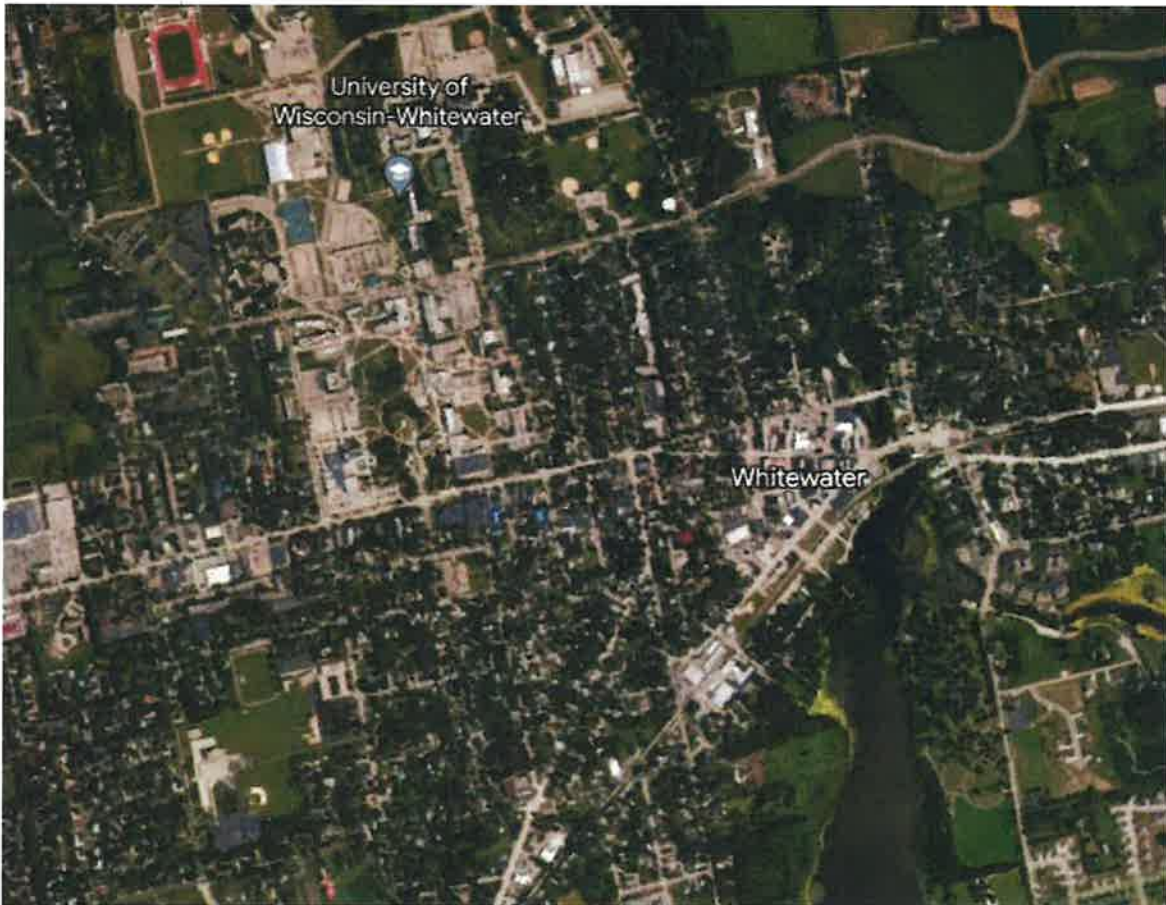


Source: Microsoft Streets & Trips and Tracy Cross & Associates, Inc.

Whitewater maintains a quaint, yet vibrant downtown area with shops, services, eateries, night spots, civic venues, concentrations of employment, and open space. Feathering out from the downtown area in all directions are the UW-Whitewater campus; various residential neighborhoods; additional shopping and services; various employment centers; and local public schools. Referencing the local school system, three public elementary schools, one middle school and one high school are represented within the Whitewater Unified School District. Lakeview Elementary School, Lincoln Elementary School, Whitewater Middle School and Whitewater High School recently received accountability scores that earned them all a "meets expectations" ranking from the Wisconsin Department of Public Instruction. Washington Elementary School, however, earned an "Exceeds Expectations" ranking based upon recent accomplishments and test scores.

As mentioned, Whitewater is a “college town” with the University of Wisconsin-Whitewater located just northwest of the downtown area. UW-Whitewater is a public institution founded over 150 years ago. Undergraduate enrolment totals nearly 8,800, with another 1,700+/- graduate students represented. The campus size is roughly 400 acres. UW-Whitewater offers a wide range of degree programs through its College of Arts and Communications; Business and Economics; Education and Professional Sciences; and Letters and Sciences divisions. It also offers master’s degrees in about a dozen fields. Students at UW-Whitewater can join more than 170 campus organizations, 15+ fraternities and sororities, and student government. Student athletes can play at the intramural, club or varsity levels. At the varsity level, more than 20 teams are members of the NCAA Division III Wisconsin Intercollegiate Athletic Conference (WIAC).

UW-Whitewater recently received a Top 50 ranking (among all regional universities throughout the entire Midwest) from U.S. News.



The city of Whitewater is well-served by local and regional transportation systems, primarily US-12, which is accessible within minutes from most points within the city. This highway connects with Interstate 43 in East Troy roughly 17 miles to the east which, in turn, provides linkage to the Milwaukee metropolitan region. To the west, US-12 runs through Fort Atkinson and Cambridge, where it connects with US-18 leading to the Madison metropolitan area. In addition, WI-59, which also traverses Whitewater, provides access to the western suburbs of Milwaukee to the northeast and the Janesville area of Rock County to the southwest.

Residentially (and excluding student-based housing at the university), the city of Whitewater is characterized by an aging housing stock. Specifically, over 76 percent of all housing units within the municipality were constructed prior to 2000 including 50 percent prior to 1980. In addition, according to the Census Bureau’s C-40 construction reports, less than 20 new dwelling units, on average, have been built annually in Whitewater over the last five years (except for some recent student-oriented housing adjacent to the University).

**RENTAL HOUSING POTENTIALS**

Based upon a detailed analysis of those economic, demographic, residential and demand-related variables expected to influence the introduction of new conventional rental housing in Whitewater over the next several years, *opportunities do exist* for properly positioned product. This favorable conclusion is supported by the following key factors, which lay the foundation for the recommendations that follow:

- ❑ Despite the limited amount of new construction housing development in the city of Whitewater over the past five years (as measured by residential building permit activity), there are clear market indicators that new housing products are needed in and around the municipality – and that the strategic positioning of new rental offerings throughout the city of Whitewater could help satisfy demand both internally and within a broader market area. From a very practical standpoint, future housing development will derive its demand support from both the host city of Whitewater and from nearby areas within a reasonable distance of the municipality, i.e., within a 15-mile radius. Defined for the purposes of this analysis as the Whitewater Market Area, a sizeable 2023 population base of 108,429 (excluding Census-counted college students) was reflected within a 15-mile radius of Whitewater, distributed among some 42,720 households. This area includes portions of Walworth, Jefferson, Rock and Waukesha counties and primarily the communities of Whitewater, Fort Atkinson, Palmyra, Jefferson, Milton, Elkhorn, Hebron, Sullivan and Eagle, along with several other smaller jurisdictions and unincorporated areas. As highlighted in the following table, household additions in the defined Whitewater Market Area were generally healthy during the 2010-2020 period totaling 1,915, or 197 yearly. And, while not immune to Covid-19 pandemic, the market area still recorded positive household gains between 2020 and 2023, i.e., 453 total or 151 per year. Moreover, household growth in the Whitewater Market Area over the next five years will total another 1,277 new households, or 255 annually. As a result, the market area will approach the 44,000-household level by 2028.

**POPULATION AND HOUSEHOLD TRENDS  
WHITESTER MARKET AREA**

Area	2010	2020	2023 (Estimate)	2028 (Projected)	Average Annual Change		
					2010 - 2020	2020 - 2023	2023 - 2028
<b>Population</b>							
Whitewater Market Area	105,774	107,845	108,429	109,912	+207	+195	+297
<b>Households</b>							
Whitewater Market Area	40,352	42,267	42,720	43,997	+192	+151	+255

Source: U.S. Census Bureau, Environics Analytics and Tracy Cross & Associates, Inc.

- Relative to households by age classification, not only is there a rather large base of existing households in most of the market area’s various age categories, but all segments show growth over the next five years – led by those households between the ages of 65 and 74.

**HOUSEHOLD GROWTH BY AGE GROUP  
-- WHITEWATER MARKET AREA --**

Age Range	Whitewater Market Area	
	2023	2028
Under 35	7,855	8,102
35-44	6,386	6,420
45-54	7,038	7,087
55-64	8,540	8,599
65-74	7,516	8,153
75-84	3,862	4,009
85 and over	1,523	1,627
<b>Total</b>	<b>42,720</b>	<b>43,997</b>

Source: Environics Analytics: 2023 Demographic Snapshot

- The current composition of area households also lends support to the development of a variety of rental housing products throughout the Whitewater Market Area. As highlighted in the adjacent table, there is an ample number of one- and two-person households for moderate- to higher-density market rate (non-student oriented) rental housing, and also a significant number of three- and four-person households for lower-density offerings.

Most notable among all household classifications are one- and two-person occupied housing units which, together, comprise 63.5 percent of the market area’s total household base.

**2023 COMPOSITION OF AREA HOUSEHOLDS:  
WHITEWATER MARKET AREA**

Attribute	Whitewater Market Area
<b>Total Households</b>	<b>42,720</b>
1-Person Household	11,008
2-Person Household	16,119
3-Person Household	6,676
4-Person Household	5,182
5-Person Household	2,206
6 or More Person Household	1,529
<b>1 Person Households</b>	
Percent	25.8
Number	11,008
<b>2 Person Households</b>	
Percent	37.7
Number	16,119

Source: Environics Analytics; 2023 Demographic Snapshot

- Households in the Whitewater Market Area support slightly higher incomes than the nation as a whole as evidenced by an estimated 2023 median of \$77,314, a level 7.6 percent above the \$71,852 median noted for the United States. *Upon close examination of area incomes in the host market area, 53 percent of all current households earn between \$35,000 and \$124,999 annually, which represents the mainstream of the market, i.e., those earning between 50 and 150+ percent of the market area's median. This signifies the threshold of the market and a target point where new conventional rental housing should, for the most part, be directed.*

HOUSEHOLDERS BY AGE AND INCOME: 2023  
-- WHITewater MARKET AREA --

Income Range	Number of Households by Age of Householder							
	Total Households	Under 35	35 - 44	45 - 54	55 - 64	65 - 74	75 - 84	85 and Over
Under \$15,000	2,748	879	106	204	398	545	388	228
15,000 - 24,999	2,606	592	154	220	395	526	446	273
25,000 - 34,999	3,804	809	361	344	488	856	671	275
35,000 - 49,999	4,518	698	520	509	745	1,096	680	270
50,000 - 74,999	7,076	1,630	1,036	918	1,176	1,401	681	234
75,000 - 99,999	6,123	1,140	1,017	1,162	1,427	938	339	100
100,000 - 124,999	5,009	784	1,079	1,060	1,111	683	243	49
125,000 - 149,999	3,865	553	765	895	985	463	165	39
150,000 - 199,999	3,577	533	828	795	828	441	120	32
200,000 and Over	3,394	237	520	931	987	567	129	23
<b>Total</b>	<b>42,720</b>	<b>7,855</b>	<b>6,386</b>	<b>7,038</b>	<b>8,540</b>	<b>7,516</b>	<b>3,862</b>	<b>1,523</b>
<b>Median</b>	<b>\$77,314</b>	<b>\$63,832</b>	<b>\$99,988</b>	<b>\$103,643</b>	<b>\$93,499</b>	<b>\$62,001</b>	<b>\$43,657</b>	<b>\$34,435</b>

Sources: U.S. Bureau of the Census; Environics Analytics; and Tracy Cross & Associates, Inc.

- Residentially, the Whitewater Market Area has recorded an average of 227 building permits annually since 2000 ranging from a recessionary-impacted low of 56 units in 2012 to a high of 595 units in 2002 (see **Exhibit 1**). Most recently, the market area registered an average of 182 residential permit authorizations annually during the five-year period from 2015 through 2019 period (prior to the pandemic), up 60.4 percent compared to average annual volumes posted during the five years prior, albeit still well below construction volumes realized during the 2000-2007 period when more ample supply was available and market conditions were stronger.

*Of particular note is the fact that home building activity within the Whitewater Market Area regressed during the 2020-2022 period with just 85 units permitted annually market-wide, a drop of more than 50 percent compared to the pace set between 2015 and 2019. This resulted primarily from a building hiatus during a portion of the pandemic, coupled with supply chain issues which caused a dramatic increase in construction costs. In addition, while an uptick occurred in 2023, this resulted primarily from the influx of new student-targeted housing located aligning the University of Whitewater campus (i.e., Accent Apartments along Tratt Street). All told, the limited amount of new conventional residential construction recently is having a significant impact on the housing market today, including the rental housing sector where demand is exceeding supply. This will be emphasized in more detail later in this report.*

- Despite the recent limitations relative to residential construction in recent years, new housing is entering the market, albeit at a slower pace than it should, and is virtually non-existent in the conventional rental housing sector. With this said, the current amount of new home construction that is occurring, coupled with positive levels household growth recently, has been fostered by economic activity in the three primary counties that encompass/surround the defined market area. While one cannot discount the effect that the Great Recession had on the area's economy, along with the Covid-19 pandemic, employment growth throughout the combined area of Jefferson, Rock

**RESIDENTIAL BUILDING PERMIT TRENDS**  
**WHITEWATER MARKET AREA**  
**2000 - 2023**

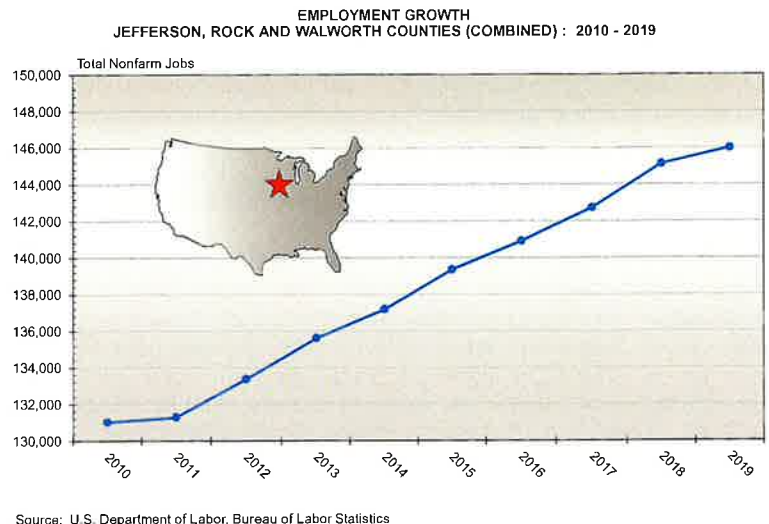
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<b>Year</b>	<b>Total</b>	<b>Single Family</b>	<b>Multi-Family</b>
2000	445	257	188
2001	391	199	192
2002	595	245	350
2003	505	335	170
2004	573	390	183
2005	431	358	73
2006	313	225	88
2007	234	133	101
2008	145	89	56
2009	121	71	50
2010	63	52	11
2011	67	38	29
2012	56	38	18
2013	84	56	28
2014	90	48	42
2015	196	78	118
2016	151	117	34
2017	216	125	91
2018	170	136	34
2019	175	121	54
2020	110	94	16
2021	76	70	6
2022	69	61	8
2023 (Prelim.)	162	83	79
<b>Averages</b>			
2000 - 2023	227	142	84

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports*



and Walworth counties was strong during the 2010-2019 period (prior to the pandemic). For example, after losing roughly 6.0 percent of its total nonagricultural wage and salary employed workforce from 2007 through 2009 (the heart of the Great Recession), the three-county area saw its job rosters increase by 14,953 total workers during the subsequent 2010-2019 period, or 1,661 annually.



More recently, the three-county area, like practically every part of the country, was affected by the coronavirus pandemic and ensuing economic constraints, compounded by lockdowns and periods of social unrest. Specifically, in 2020, the three selected counties experienced year-over-year job losses of 7,865 or 5.4 percent of total nonfarm employment, which compares with the 5.8 percent contraction witnessed nationwide during the same 12-month period. On a more positive note, however, the three-county area's economic recovery was in full swing in 2021 and 2022 – *erasing all job losses experienced during the pandemic*. Moreover, preliminary 2023 figures show the three-county area around Whitewater posting aggregate job gains of 3,416, equal to a growth rate of 2.4 percent. This compares with the nation's growth rate of 2.3 percent during the same timeframe.

Fostered by a stable/growing economy, and on the heels of expected household growth, construction requirements for new housing in the Whitewater Market Area will average 400 units annually during the next five years. This 400-unit forecast can be tied specifically to household growth levels estimated at 255 per annum through 2028, along with 145 units representing the replacement of residences lost to demolition and abandonment and the need to provide a vacancy allowance for filtering or movement from one residence to another. Of the 400 units which could be constructed annually within the market during the forecast period, 225 will occur among for sale housing forms with 175 represented in the rental housing sector.

**RESIDENTIAL ABSORPTION POTENTIALS BY PRODUCT TYPE  
-- WHITewater MARKET AREA --  
2023 - 2028**

Product Type	Annual	Total Through 2028
<b>Total</b>	<b>400</b>	<b>2,000</b>
<b>For Sale</b>	<b>225</b>	<b>1,125</b>
Single Family Detached	150	750
Townhome/Duplex/Condominium	75	375
<b>For Rent</b>	<b>175</b>	<b>875</b>

Source: Tracy Cross & Associates, Inc.

- Given supply-side constraints in the conventional rental market (which will be discussed in the following sections of the report), it is highly likely that the “derived” demand of 875 units through 2028 will exceed supply near term. This market reality represents an opportunity for conventional rental housing initiatives across the market area (and Whitewater in particular), if properly planned and executed.
  
- Moreover, not only is “derived demand” likely to outstrip supply near term, but the overall base of rental housing construction requirements could be *higher* during any given year where properly positioned supply is made available. This *upside potential* factors pent-up demand; additional household growth if properly positioned development were actually to occur; the limited amount of new construction rental housing alternatives throughout the market (again, to be discussed later); and spillover potentials from areas outside the defined market area.
  
- As referenced above, current conditions in the rental housing market point to *new construction* development opportunities, and fully signify the supply-side constraints that exist in the conventional sector. Excluding all forms student-oriented or student-targeted housing serving UW-Whitewater, just six apartment communities (of relative scale) have been constructed in the entire Whitewater Market Area since 2000, yet there are over 8,000 “non-student” renter households within a 15-mile radius of Whitewater. As such, current renter households have limited new product to choose from. In fact, there have been no new rental housing communities of relative scale (i.e., 25 or more units) constructed in the last 10 years throughout the entire market area as the six newest developments were all introduced between 2001 and 2014. These six newer developments, which are located in either the city of Whitewater itself or in Elkhorn to the southeast, include Lakeside Townhomes (28 Units), Springbrook (44 units), Waters Edge (48 units), Market Street Village (66 units), Meadow Blossom (112 units) and Bluff Ridge (120 units). Among them, a collective vacancy rate of just 0.7 percent is represented, with five of the six developments currently 100 percent occupied with waiting lists. As such, the local conventional apartment market is considered *extremely tight (in addition to being undersupplied)*. For reference, in a normal (or balanced) market, vacancies of 5.0 to 6.0 percent are typically required for filtering, or movement between developments.

**CONVENTIONAL APARTMENT COMMUNITIES OF REASONABLE SCALE CONSTRUCTED IN 2000 OR LATER  
WHITewater MARKET AREA  
APRIL 2024**

Development	Municipality	Year Built	Total Units	Number Vacant	Percent Vacant	Average Unit Size (Sq. Ft.)	Average Posted Base Monthly Rent	
							\$	\$/Sq. Ft.
Lakeside Townhomes	Whitewater	2014	28	0	0.0	1,670	\$1,835	\$1.10
Springbrook <sup>(1)</sup>	Whitewater	2008	44	0	0.0	806	1,363	1.69
Water's Edge	Whitewater	2008	48	0	0.0	1,057	1,336	1.26
Bluff Ridge	Whitewater	2005	120	3	2.5	1,360	1,401	1.03
Market Street Village	Elkhorn	2003	66	0	0.0	1,238	1,434	1.16
Meadow Blossom	Elkhorn	2001	112	0	0.0	1,163	1,114	0.96
<b>Total/Weighted Avg.</b>	---	---	<b>418</b>	<b>3</b>	<b>0.7</b>	<b>1,216</b>	<b>\$1,347</b>	<b>\$1.11</b>

<sup>(1)</sup> May get one or two students a year, but is not a student-oriented community.

Source: Tracy Cross & Associates, Inc.

Note: While primarily attracting students, although not restricted to them, Accent Apartments recently introduced the first of two new rental apartment buildings at along Tratt Street near the western edge of UW-Whitewater. The first building, which leased all units before construction was completed, is currently 100 percent occupied. According to management, just a small portion of the tenant-base are non-students. The second building, which will contain 45 total units, is already pre-leasing and slated for occupancy later this year. Rents within these two buildings generally extend from \$1,100 per month for studio apartments up to \$2,000+ monthly for four-bedroom offerings.



In addition, we would be remiss not to mention the smaller-scale 20-unit single family rental community in the southeast portion of Whitewater (Parkside Rental Homes), which was constructed starting in 2014. These 20 homes, which rent for just over \$2,100 monthly for roughly 1,500 square feet are currently 100 percent occupied with a deep waiting list.



- Just outside the defined Whitewater Market Area, similar “tight” conditions exist. For example, expanding the competitive market area to include communities such as Cambridge, East Troy, Lake Mills, Mukwonago, and Whales, just 10 apartment communities of a larger scale, i.e., 25 more total units each, have been constructed since 2000 in this broad geographic area. Among these, the current vacancy rate stands at just 1.1 percent, with many communities, again, at 100 percent occupancy with waiting lists.

**APARTMENT COMMUNITIES (OF LARGER SCALE) CONSTRUCTED IN 2000 OR LATER  
EXPANDED WHITEWATER MARKET AREA  
APRIL 2024**

Development	Municipality	Year Built	Total Units	Number Vacant	Percent Vacant (Absorption Rate in Units)	Average Unit Size (Sq. Ft.)	Average Posted Base Monthly Rent	
							\$	\$/Sq. Ft.
The Vineyards at Cambridge	Cambridge	2018	70	2	2.9	835	\$1,308	\$1.57
Honey Creek	East Troy	2006	274	0	0.0	1,027	1,318	1.28
Lofts at Honey Creek	East Troy	2022	177	2	1.1	902	1,500	1.66
Wildwood	East Troy	2001	80	0	0.0	1,373	1,511	1.10
Pond View	Lake Mills	2004	60	0	0.0	1,175	1,325	1.13
Rock Creek	Lake Mills	2019	144	3	2.1	929	1,498	1.61
Summer Ridge	Lake Mills	2023	56	2	3.6	1,035	1,709	1.65
Lincolnshire Place	Wales	2015	100	2	2.0	1,057	1,601	1.51
Phantom Woods Estates	Mukwonago	2017	68	0	0.0	1,224	1,563	1.28
The Pointe	Mukwonago	2020	89	1	1.1	950	1,494	1.57
<b>Total/Weighted Avg.</b>	---	---	<b>1,118</b>	<b>12</b>	<b>1.1</b>	<b>1,024</b>	<b>\$1,457</b>	<b>\$1.42</b>

Source: Tracy Cross & Associates, Inc.

- ❑ Since our original housing study was completed in June 2023, rents among conventional market rate communities have increased, and without negatively impacting occupancies. This market condition provides further affirmation of the supply constraints that exist both inside and outside the defined Whitewater Market Area. For example, among the six (6) newer conventional (non-student) communities within the host market area, the average development has increased rents by 6.5 percent in the last 10 months, while rents among those surveyed communities just outside the local market area are up 6.0 percent during the same timeframe.
- ❑ Finally, according to planning and zoning officials throughout the Whitewater Market Area, there is not enough rental housing formally in the planning pipeline to satisfy demand – another factor supporting the need for more conventional rental housing. In fact, while there are early discussions of some new projects in various municipalities, only Elkhorn is formally reporting new rental housing within their pipeline. With this said, the city of Whitewater could capture a disproportionate share of market-wide demand if it chooses to take the lead on introducing new conventional rental housing products at multiple locations.

#### PRODUCT RECOMMENDATIONS – A GUIDE

As summarized in previous paragraphs, future conventional rental housing potentials in Whitewater and surrounding areas are considered *strong*. In other words, the city of Whitewater is *well suited* for the introduction of various forms of market rate “non-student” rental offerings. This favorable conclusion is based upon: 1) more than adequate demand support; 2) notable supply-side constraints; 3) an ample base of existing (and future) households with strong demographic profiles; 4) tightness in the market; 5) in-place employment, transportation, shopping/services, recreation, etc.; and 6) the opportunity to introduce new and differentiated product in a market where such product is needed.

Given this opportunity, *practically any well-designed and properly positioned rental housing product could be successfully introduced within the market*. However, from a strategic planning perspective, and to help guide future development initiatives, the following bullet-point summary provides specific (and detailed) guidelines for establishing what should be viewed as the two most practical and marketable products:

- ❑ Mirroring a number of successful mainstream apartment communities throughout the Midwest, including southern Wisconsin, the City of Whitewater should focus on the introduction of, primarily, two different market rate rental housing series, one consisting of a two-story garden-style walkup idiom directed to all renter households and the other representing a value-oriented ranch villa program targeting the active adult aged 55-74, but not restricted to this segment since other profiles will find this product desirable. Together, these two product forms, which are extremely efficient and cost effective to build, will allow for a broad and varied mix of unit types, sizes, and rents capable of penetrating the threshold of mainstream conventional renter households in the marketplace – and those emanating to Whitewater in the years to come. In other words, the introduction of these two new construction product lines in Whitewater would allow the full breadth of mainstream renter profiles to be targeted. These include Millennials, also known as Echo Boomers or Generation Y, along with Centennials, also known as Generation Z (i.e., younger singles and couples without children), together with traditional and non-traditional households such as divorcees, middle-age singles, never-nested couples, singles living together as couples in a roommate condition, young families, etc., and, of course, the move-down empty-nester/active adult/pre-retiree/retiree aged 55 to 74 – *a segment which shows substantial growth near term*.
- ❑ The ***two-story garden apartment program*** would (ideally) consist of a “private entry” product with a component of attached, direct-access garages. In this regard, one of the most successful garden-style developments in the Midwest (and in portions of southern Wisconsin) consists of a series of

eight-unit buildings (each with four direct-access one-car garages) or 16-unit buildings (each with eight direct-access one-car garages). With 50 percent direct-access garages suggested per structure, two different versions of the garden apartment building should be designed in order for each of the individual floorplans to be offered *with a direct access garage* in one of the two building types. By following this formula, each plan offering would have a 50 percent representation of direct-access one-car garages.




- Individual designs for the garden apartment product should be broad and varied consisting of eight (8) plan offerings including one-, two- and three-bedroom options ranging in size from 600 to 1,250 square feet. Please note that this product line would also be accompanied by buildings with optional detached garages. As such, renter profiles could elect either surface parking only; a detached garage; or a unit with an attached garage, thus giving future residents a full continuum of rental options to choose from as it relates to their choice of parking cast against their desired (or needed) monthly payment based upon income. This scenario will also provide competitive consistency with other developments in the market, current and future.
- If elevated properly, the two-story garden apartment buildings (and the separate structures with detached garages) can exemplify tasteful suburban architecture and be very complimentary to other existing and future housing forms (including for sale products) throughout Whitewater.
- The **ranch villa apartment program**, which would target households aged 55+, although not be restricted to this consumer segment, would consist of direct-entry single-level ranch-type townhome plans, each with a one-car attached garage. Modeled, in part, after very successful empty nester ranches in Watertown, Wisconsin (and other parts of the Midwest), this product line would consist of four different plan designs ranging from a one-bedroom residence at 725 square feet to a three-bedroom unit with 1,275 square feet. This product line would be configured in 3-, 4-, 5- and 6-unit buildings (duplexed where necessary).
- Mirroring competitive counterparts overall, size increments between floorplans (for both rental products) should not exceed 200 square feet (and be narrower in most instances). This discipline will keep lease rate differentials between plans small and in concert with the gradual upward movement of household incomes.



For a detailed outline of the two rental housing programs described above, including individual plan criteria, unit sizes, *current dollar* rents, etc., consult **Exhibits 2 and 3**. As depicted, plan offerings are broad and varied, and reflect some of the best-selling floorplan alternatives among successful “like” products throughout the Midwest and southern Wisconsin. This detailed information should give both the City of Whitewater and interested builders/developers the guidance necessary for properly penetrating the market.

It is important to note that the detailed planning guidelines and rents suggested for the two product lines are not arbitrary, but rather *strategic*. Specially, these guidelines will allow for a full range of plan styles and rent levels, in order to directly align mainstream household profiles and incomes in the market. In other words, the suggested product lines will provide a full continuum of plans – a continuum capable of drawing consumers from both the city Whitewater and other nearby areas (both inside and outside the Whitewater Market Area).

**PRODUCT CRITERIA AND BENCHMARK RENTS - TWO-STORY GARDEN APARTMENTS  
-- CONVENTIONAL RENTAL HOUSING --  
WHITEWATER, WISCONSIN**

Product Line Summary								
<b>Product Form:</b>	<i>Two-Story Garden Apartments (8- or 16-Unit Buildings with 4 or 8 Direct Access One-Car Garages Per Building)</i>							
<b>Density in Units Per Acre:</b>	16.0							
<b>Average Plan Size (Sq. Ft.):</b>	925							
<b>Average Benchmark Base Rent w/50 % Garages: Per Sq. Ft.:(1)</b>	\$1,473 \$1.59							
								
Plan Detail								
Plan Designation	A-1	A-2	A-3	B	C-1	C-2	C-3	D
Percent Distribution	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Plan Type	1BR	1BR	1BR	1BR DEN	2BR	2BR	2BR	3BR
Bedroom/Bath Mix	1/1.0	1/1.0	1/1.0	1+Den/1.0	2/2.0	2/2.0	2/2.0	3/2.0
Unit Size (Sq. Ft.)	600	700	775	875	975	1,075	1,150	1,250
Benchmark Base Rent w/o Garage:(1) Per Sq. Ft.:(1)	\$1,165 \$1.94	\$1,240 \$1.77	\$1,315 \$1.70	\$1,390 \$1.59	\$1,465 \$1.50	\$1,540 \$1.43	\$1,595 \$1.39	\$1,670 \$1.34
<b>Benchmark Base Rent w/ Garage:(2) Per Sq. Ft.:(2)</b>	<b>\$1,265 \$2.11</b>	<b>\$1,340 \$1.91</b>	<b>\$1,415 \$1.83</b>	<b>\$1,490 \$1.70</b>	<b>\$1,565 \$1.61</b>	<b>\$1,640 \$1.53</b>	<b>\$1,695 \$1.47</b>	<b>\$1,770 \$1.42</b>
Unit Features and Community Amenities								
<b>UNIT STANDARDS</b> <ul style="list-style-type: none"> <li>■ Painted Trim</li> <li>■ Plank Flooring in Living Areas</li> <li>■ "White" Interior Paint Finish</li> <li>■ Direct Wire Smoke Detectors</li> <li>■ Cable/Satellite Access</li> <li>■ High-Speed Internet Connectivity</li> <li>■ USB Ports</li> <li>■ Air Conditioning</li> <li>■ Quality Door Hardware</li> <li>■ Quality Lighting Package</li> <li>■ Private Balcony/Patio</li> </ul>			<b>KITCHEN FEATURES</b> <ul style="list-style-type: none"> <li>■ Quality Wood Cabinetry</li> <li>■ Plank Flooring</li> <li>■ Self Clean Range Oven</li> <li>■ Built-In Dishwasher</li> <li>■ Refrigerator with Ice-Maker</li> <li>■ Garbage Disposal</li> <li>■ Microwave with Vent</li> <li>■ Hard Surface Countertops</li> <li>■ Stainless Steel Sink</li> </ul>			<b>BATH/POWDER ROOM STANDARDS</b> <ul style="list-style-type: none"> <li>■ Plank Flooring</li> <li>■ Hard Surface Vanity Tops</li> <li>■ Quality Cabinetry</li> <li>■ Ceramic Tub/Shower Surround</li> <li>■ Framed Glass Mirror Over Vanity</li> </ul>		
<b>COMMUNITY FEATURES/AMENITIES</b> <b>-- FOR LARGE-SCALE DEVELOPMENTS SHARED W/RANCH VILLA RENTALS --</b> <b>(AMENITIES TO BE SCALED DOWN ACCORDINGLY FOR SMALLER PROJECTS)</b>								
<b>CLOSETS, UTILITIES, AND STORAGE</b> <ul style="list-style-type: none"> <li>■ Walk-In MBR Closet (Per Plan)</li> <li>■ Wire Closet Shelving</li> <li>■ Full Size Washer/Dryer (Stacked or Side-by-Side)</li> <li>■ Storage Area (Either In-Unit or Separate)</li> <li>■ Linen Closet(s)</li> <li>■ Programmable Thermostat</li> </ul>			<ul style="list-style-type: none"> <li>■ Architecturally-enhanced Exteriors</li> <li>■ Secured Access Entry Per Unit</li> <li>■ Clubhouse w/ Community Room, Kitchen, Fitness Center, E-Lounge, Etc.</li> <li>■ Outdoor Fireside Lounge &amp; Grilling Stations</li> <li>■ Outdoor Swimming Pool/Deck Area</li> <li>■ Dog Park &amp; Dog Washing Station</li> </ul>			<ul style="list-style-type: none"> <li>■ Trail System</li> <li>■ Sport Courts/Playground</li> <li>■ Extensive Landscaping/Hardscaping</li> <li>■ Wi-Fi in all Common Areas</li> <li>■ Direct Access Garages at 50%</li> <li>■ Adequate Surface Parking</li> <li>■ Detached Garages @ \$65 Monthly Per Space</li> </ul>		
<p>(1) Benchmark base monthly rents, which are presented in April 2024 dollars, reflect the posted base rents for units without direct access garages. They do not include potential premiums for corner units, floor or view. They also do not include application/administration fees, pet fees, storage rental, utilities, or detached garages.</p> <p>(2) Benchmark base monthly rents, which are presented in April 2024 dollars, reflect the posted base rents for units with direct access garages. They do not include potential premiums for corner units, floor or view. They also do not include application/administration fees, pet fees, storage rental, utilities, or detached garages.</p>								

**PRODUCT CRITERIA AND BENCHMARK RENTS - RANCH VILLA RENTALS**  
**-- CONVENTIONAL RENTAL HOUSING --**  
**WHITEWATER, WISCONSIN**

3

**Product Line Summary**

**Product Form:** *Single-Level Ranch Villas w/Attached One-Car Garages  
(3-, 4-, 5- and/or 6-Unit Buildings-Duplexed Where Necessary)*

**Density in Units Per Acre:** **10.0**

**Average Plan Size (Sq. Ft.):** **1,000**

**Average Benchmark Base Rent:** **\$1,653**  
**Per Sq. Ft.:(1)** **\$1.65**



**Plan Detail**

Plan Designation	A	B-1	B-2	C
Percent Distribution	25.0	25.0	25.0	25.0
Plan Type	1BR	1BR DEN	2BR	3BR
Bedroom/Bath Mix	1/1.0	1+Den/1.0	2/2.0	3/2.0
Unit Size (Sq. Ft.)	725	925	1,075	1,275
Benchmark Base Rent:(1)	\$1,440	\$1,590	\$1,715	\$1,865
Per Sq. Ft.:(1)	\$1.99	\$1.72	\$1.60	\$1.46

**Unit Features and Community Amenities**

**UNIT STANDARDS**

- Painted Trim
- Plank Flooring in Living Areas
- "White" Interior Paint Finish
- Direct Wire Smoke Detectors
- Cable/Satellite Access
- High-Speed Internet Connectivity
- USB Ports
- Air Conditioning
- Quality Door Hardware and Lighting Package
- Private Patio

**KITCHEN FEATURES**

- Quality Wood Cabinetry
- Plank Flooring
- Self Clean Range Oven
- Built-In Dishwasher
- Refrigerator with Ice-Maker
- Garbage Disposal
- Microwave with Vent
- Hard Surface Countertops
- Stainless Steel Sink

**BATH/POWDER ROOM STANDARDS**

- Plank Flooring
- Hard Surface Vanity Tops
- Quality Cabinetry
- Ceramic Tub/Shower Surround
- Framed Glass Mirror Over Vanity

**COMMUNITY FEATURES/AMENITIES**

**-- FOR LARGE-SCALE DEVELOPMENTS SHARED W/RANCH VILLA RENTALS --**  
**(AMENITIES TO BE SCALED DOWN ACCORDINGLY FOR SMALLER PROJECTS)**

**CLOSETS, UTILITIES, AND STORAGE**

- Walk-In MBR Closet (Per Plan)
- Wire Closet Shelving
- Full Size Washer/Dryer (Stacked or Side-by-Side)
- Storage Area (Either In-Unit or Separate)
- Linen Closet(s)
- Programmable Thermostat

- Architecturally-enhanced Exteriors
- Secured Access Entry Per Unit
- Clubhouse w/ Community Room, Kitchen, Fitness Center, E-Lounge, Etc.
- Outdoor Fireside Lounge & Grilling Stations
- Outdoor Swimming Pool/Deck Area
- Trail System

- Dog Park
- Dog Washing Station
- Sport Courts/Playground
- Extensive Landscaping/Hardscaping
- Wi-Fi in all Common Areas
- Direct Access Garages at 100%
- Additional Surface Parking

<sup>(1)</sup> Benchmark base monthly rents, which are presented in April 2024 dollars, reflect the posted base rents, each of which includes an attached one-car garage. They do not include potential premiums for corner units or view. They also do not include application/administration fees, pet fees, storage rental, or utilities.

As it relates to the suggested mix of units, not only will the two product lines collectively appeal to the current composition of area households (as noted earlier), but the unit styles will adhere to the overall mix of plans represented among new/newer conventional counterparts inside (and just outside) the Whitewater Market Area.

**UNIT MIX ANALYSIS: SELECTED RENTAL HOUSING DEVELOPMENTS**  
**-- INSIDE/JUST OUTSIDE THE WHITEWATER MARKET AREA --**

Unit Type	Suggested Products (Combined)			Selected Rental Housing Communities <sup>(1)</sup>		
	Total Units <sup>(2)</sup>		Plan Size (Sq. Ft.)	Total Units		Plan Size (Sq. Ft.)
	Number	Percent	Range	Number	Percent	Range
1BR	125	50.0	600 - 925	600	39.1	650 - 1,091
2BR	83	33.2	975 - 1,150	691	45.0	946 - 1,400
3BR	42	16.8	1,250 - 1,275	245	15.9	1,100 - 1,756
<b>Total</b>	<b>250</b>	<b>100.0</b>	<b>--</b>	<b>1,536</b>	<b>100.0</b>	<b>--</b>

<sup>(1)</sup> Includes those rental housing communities identified earlier that were constructed since 2000 both inside/just outside the Whitewater Market Area.  
<sup>(2)</sup> Assumes an estimated total development size of 250 units for the purposes of this exercise, i.e., 150 garden-style apartments and 100 ranch villa rentals at a single location.

Source: Tracy Cross & Associates, Inc.

In addition, our product recommendations and suggested *current dollar* rental rates will also property align similar new construction offerings in the market. For example, the two rental products will each occupy an appropriate (and competitive) rent/value variance when cast against the newest apartment communities, i.e., those developments introduced in the last five years, all of which are located just outside the Whitewater Market Area.

**APARTMENT COMMUNITIES CONSTRUCTED IN THE LAST 5 YEARS**  
**-- JUST OUTSIDE THE WHITEWATER MARKET AREA --**  
**APRIL 2024**

Development	Location	Garage Condition	Year Built	Total Units	Current Vacancy Rate	Average Unit Size (Sq. Ft.)	Average Posted Base Monthly Rent	
							\$	\$/Sq. Ft.
<i>Suggested Garden Apts</i>	<i>Whitewater</i>	<i>1-Car Incl. (50%)</i>	<i>---</i>	<i>---</i>	<i>---</i>	<i>925</i>	<i>\$1,473</i>	<i>\$1.59</i>
<i>Suggested Ranch Villas</i>	<i>Whitewater</i>	<i>1-Car Incl. (100%)</i>	<i>---</i>	<i>---</i>	<i>---</i>	<i>1,000</i>	<i>1,653</i>	<i>1.65</i>
The Vineyards of Cambridge	Cambridge	1-Car Incl. (100%)	2018	70	2.9	835	\$1,308	\$1.57
Lofts at Honey Creek	East Troy	1-Car Incl. (100%)	2022	120	1.1	902	1,500	1.66
Rock Creek	Lake Mills	1 or 2-Car Incl. (100%)	2019	144	2.1	929	1,498	1.61
Summer Ridge	Lake Mills	1-Car Incl. (100%)	2023	56	3.6	1,035	1,709	1.65
The Pointe	Mukwonago	1-Car Opt.	2020	89	1.1	950	1,494	1.57

Source: Tracy Cross & Associates, Inc.

Because each product line has been positioned competitively (and strategically) relative to the market, absorption rates for the rental products are expected to be "at" or "above the market average, especially considering supply-side constraints. And, while absorption is dependent upon other factors such as the scale of a development or phase, i.e., number of total units; site location; community amenities, etc., the following text table offers a general outline of what a typical development or phase would be capable of attaining per product series:



**ABSORPTION SUMMARY - A GUIDE  
SUGGESTED RENTAL HOUSING PRODUCTS: WHITEWATER, WISCONSIN**

Product Line	Estimated Total Units For a Typical Development or Phase (of Relative Scale)	Annual Absorption Potential (In Units) At Benchmark Rents	Monthly Absorption Equivalent (In Units) At Benchmark Rents	Total Absorption Period (In Months)
Two-Story Garden Apts	150	102	8.5	18.0 <sup>(1)</sup>
Ranch Villa Rental	100	72	5.5	18.0 <sup>(1)</sup>
<sup>(1)</sup> Marketing life will actually be slightly shorter to get to a stabilized occupancy level of 95 percent.				

Source: Tracy Cross & Associates, Inc.

As depicted, and considering the total unit count estimates, the two rental products could achieve absorption rates close to 8.5 units monthly for the garden apartments and 5.5 units per month for the ranch villa rentals, rates that are consistent with typical lease-up trends. For instance, at an average absorption pace of 8.5 units monthly across the 150 estimated total units (per development or phase) and 5.5 per month across 100 total units, again per development or phase, these two rental idioms will each be absorbed at a rate equal to approximately 5.5 percent of their total unit counts. Among most apartment developments throughout similar Midwest locations, absorption rates *among properly positioned communities* generally hover between 4.0 and 7.0 percent of their total unit counts.

In addition, absorption rates among other surveyed developments generally fall within the forecasted range including the 8.8 unit-per-month pace recently achieved by Summer Ridge in Lake Mills, not to mention the recent 8.5 pace recently registered by Lofts at Honey Creek in East Troy and the 7.7 rate achieved at The Pointe in Mukwonago.

**PRODUCT CLARIFICATION AND OTHER CONSIDERATIONS**

Please keep in mind that while our product recommendations are very specific in terms of successfully introducing new conventional rental offerings in Whitewater, there are a wide variety of derivatives to each of the two recommended generic forms that could evolve through the design efforts of individual builders/developers – and still be successful considering ample demand and limited new construction supply. For example, there are no less than 10 different two-story garden-style apartment product forms (with a component of attached garages) represented throughout southern Wisconsin. When considering any derivatives during the course of the planning process, however, it is still important to follow (as best as possible) the general parameters outlined for each of the recommended products relative to unit types, bedroom/bathroom counts, rents, garage conditions, etc., in order to insure acceptable absorption, and most importantly, to appeal to the mainstream of the market who are currently disenfranchised by the lack (or limited amount) of similar products.

Beyond the garden apartments and ranch villa rentals, consideration can be given to the introduction of other generic forms based upon the imbalance that exists market-wide between supply and demand, albeit done so with the same general planning strategy in mind – that being differentiation, efficiency, tasteful architecture, and rent positioning. Examples of other products to be considered are highlighted below:

- Higher-density apartments in the form of, say, two or three residential floors over one level of enclosed structured parking is another popular apartment product in southern Wisconsin. This building configuration, which can achieve a density allocation of 24-30 units per acre, could

certainly be introduced successfully at locations throughout Whitewater. One only has to look at the Lofts at Honey Creek in East Troy, where 177 units of a similar form were fully absorbed in less than 24 months, to see the acceptability of this product line. It is extremely important to note, however, that construction costs are higher for this concept (compared to garden apartments) – a condition that must be considered to achieve appropriate rent levels (i.e., those consistent with the rents recommended for the garden apartments for comparable unit types and sizes).



- Given the lack of new construction mainstream single family housing in the *for sale* sector of the local market, and considering the desirability of the Parkside single family rentals in Whitewater, consideration could also be given to the introduction of more single family rental units, especially if new construction single family ownership housing in the city (and surrounding areas) remains priced in the higher ranges. Representing a compliment to both the garden apartments and attached ranch villa rentals, and as an extension of the overall plan continuum, a modicum of **small-lot single family rental homes** could be introduced within a larger-scale community with multiple product lines. Targeting a broad range of consumer profiles ranging from young families to empty-nesters not interested in homeownership, but desirous of a new detached single family housing form, this product line should include at least one ranch plan at roughly 1,350 square feet and three two-story offerings in the 1,500-1,700 square foot band (all with two-car garages). Rent levels, in turn, could be placed within the \$2,000-\$2,500+ range.



Again, given the lack of new construction supply, other generic forms such as two- or three-story townhome rentals (among others) can also be evaluated.

## GEOGRAPHIC POSITIONING

Given the supply deficiencies that exist in the conventional rental housing market, practically any suitable location within the city of Whitewater could be considered for development or redevelopment. With this said, however, it is strongly suggested that future rental housing products (ideally) be generally removed from the *immediate environs* of the University as they are to be marketed to the mainstream of the market not directed to students.

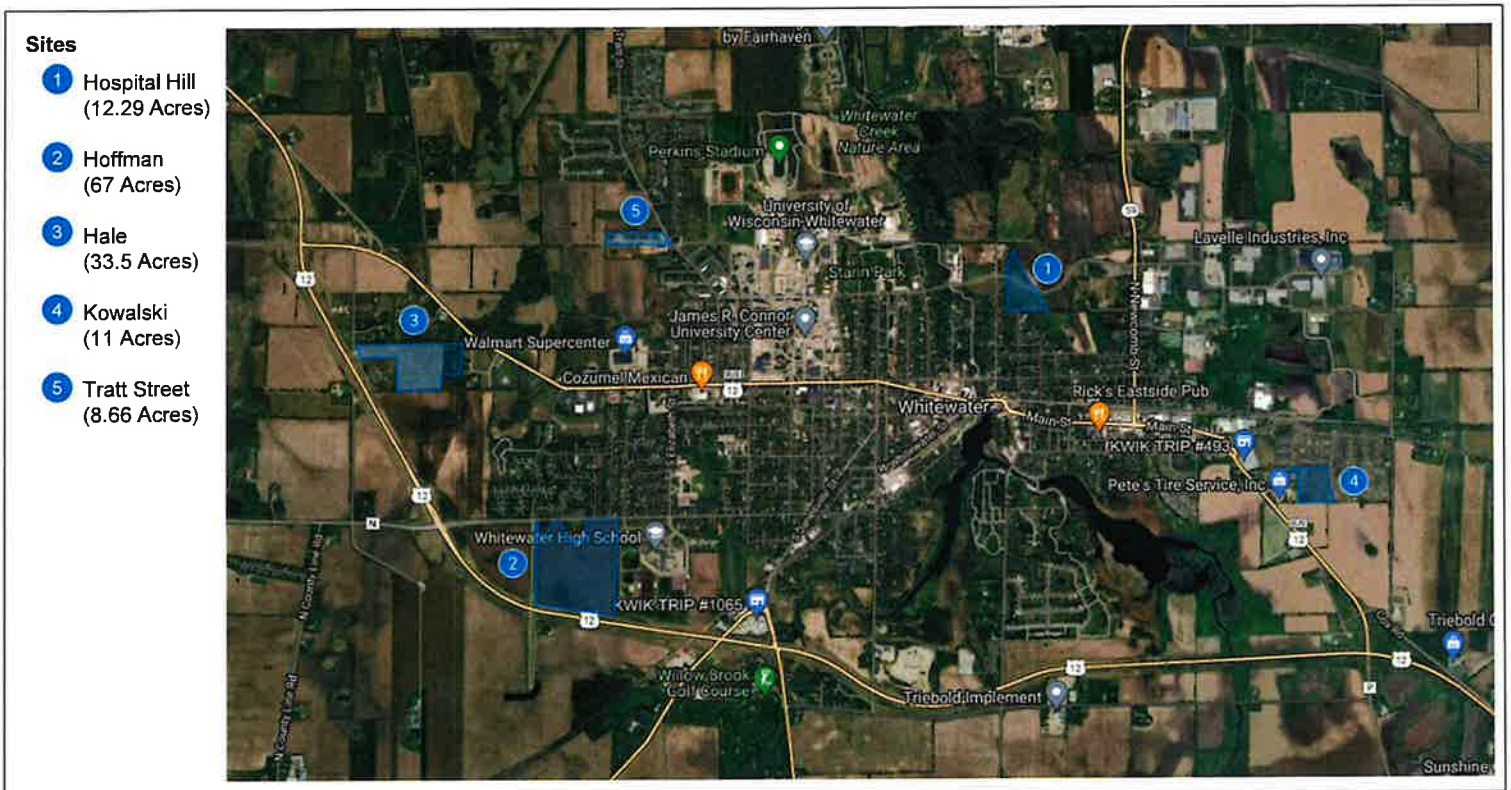
Upon reviewing five separate site locations provided by the City of Whitewater as potential candidates for conventional (non-student) rental housing development (see **Exhibit 4**), it is our contention that the larger-scale *Hoffman* and *Hale* properties are well suited to carry multiple rental housing products (as well as a component of for sale/ownership housing given the magnitude of their acreage), while the Kowalski site at 11 acres and the Hospital Hill site at 12.29 acres are well suited for a single product line.

The Tratt Street property, however, given its close alignment with UW-Whitewater and its proximity to various student-oriented housing communities, should be reserved for alternate consideration.

## KOWALSKI PROPERTY – A SITE SPECIFIC FOCUS

The City of Whitewater has been approached by a developer interested in pursuing new construction rental housing within the 11-acre Kowalski site. A preliminary concept plan presented by the developer shows the configuration of eight separate 16-unit garden-style buildings with 16 attached direct access garages.

### GEOGRAPHIC DELINEATION OF POTENTIAL RENTAL HOUSING SITES WHITEWATER, WISCONSIN



Source: Google Maps and Tracy Cross & Associates, Inc.

Inside each building will be 12 two-bedroom residences, each measuring 1,170 square feet, along with four three-bedroom apartments at 1,500 square feet.



While the proposed mix of unit types and styles for the Kowalski site does not represent the broadest range of offerings as it relates to the full breadth of demographic profiles, the market would support this development considering: 1) the overall lack of new conventional product in Whitewater and surrounding areas; 2) an ample demand base; and 3) the current tightness of the market. In fact, at rent levels of approximately \$1,700 monthly for the two-bedroom units and \$1,950 per month for the three-bedroom residences, an absorption rate of roughly 6.0 units monthly could be achieved. As such, the 128-unit community would achieve stabilized occupancy of 95 percent in just over 18 months.

Ideally, if the developer could modify the unit mix to include, say, two different one-bedroom style/sizes; two different two-bedroom types/sizes; and a three-bedroom unit with slightly less square footage than that currently represented, the achievable rent per square foot would increase by approximately 11.0 percent and the absorption rate would jump over 30 percent.

#### CLOSING REMARKS

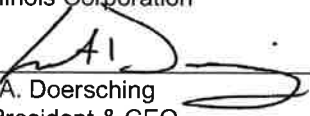
It is possible that the City of Whitewater will need to consider some type of incentive or concession to help bring properly positioned rental housing product to market. While this will be determined through the planning process, it is something to consider. With this said, however, it is unlikely that *abnormal* incentives/concessions would be required as the established benchmark rents are generally consistent with new/newer market comparables, although rising construction costs may require some assistance in this regard. An example of incentives being utilized by other municipalities to bridge the gap between costs and "needed" rents include Tax Increment Financing (TIF) and/or land subsidies or land subordination, i.e., reducing the cost of land.

#### CERTIFICATION AND SIGNATURE

This analysis represents our objective and independent opinion regarding the market potential for new construction conventional rental housing development in Whitewater, Wisconsin as certified below:

#### TRACY CROSS & ASSOCIATES, INC.

An Illinois Corporation

By:   
Erik A. Doersching  
Its: President & CEO

Date: April 12, 2024



## GENERAL LIMITING CONDITIONS

Tracy Cross & Associates, Inc. has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with developers/property managers and their agents, government officials, and other third parties. Although Tracy Cross & Associates, Inc. believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information provided by third parties.

Conclusions and recommendations established in this analysis represent a professional opinion and are based upon forecasts into the future which could be significantly altered by outside occurrences. These include, among others, the possible interplay of unforeseen social, economic, physical/environmental, and governmental actions. In this regard, Tracy Cross & Associates, Inc., its owners, and its employees shall be held harmless of changes in conditions that may materially result from these occurrences.



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