Housing Presentation

City of Whitewater – City Council
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Housing Demand: demographics and income/jobs

Wisconsin: Demographic and Housing Changes (2010-2023)

	2010	2023	Change	% Change	Ann.% Change
Population	5,691,047	5,910,955	219,908	3.9%	0.29%
Households	2,279,532	2,495,539	216,007	9.5%	0.70%
Housing units	2,625,477	2,787,388	161,911	6.2%	0.46%
Jobs	2,633,572	2,922,297	288,725	11.0%	0.80%
Inflation-adjusted to 2023$:					
Median household income (in 2023$)	$68,454	$74,631	$6,177	9.0%	0.67%
Median owner household income (in 2023$)	$86,786	$92,350	$5,564	6.4%	0.48%
Median renter household income (in 2023$)	$37,841	$46,818	$8,977	23.7%	1.65%
Median value of owner-occupied homes (in 2023$)	$236,652	$272,500	$35,848	15.1%	1.09%
Median gross rent (in 2023$)	$1,194	$1,071	-$123	-10.3%	-0.84%

Sources: US Census; Bureau of Labor Statistics (QCEW). Inflation adjustment: CPI-U from BLS.

Key messages:

- Slower than national average growth in jobs, income, and population
- Households continue to grow faster than housing units;
- Renter income growth suggests “displaced demand” – people who might otherwise have purchased homes if available/affordable

Housing Demand: demographics and income

Change in Wisconsin Households, by Size, 2010-2023

Household size	2010	2023	Change (2010-2023)	Avg. Ann. Growth Rate
1-person households	669,106	788,521	119,415	**1.27%**
2-person households	814,206	935,603	121,397	**1.07%**
3-person households	335,238	319,784	-15,454	**-0.36%**
4- or-more-person households	460,982	451,631	-9,351	**-0.16%**
Total households	***2,279,532***	***2,495,539***	***216,007***	***0.70%***

Source: US Census Bureau, 1-year American Community Survey

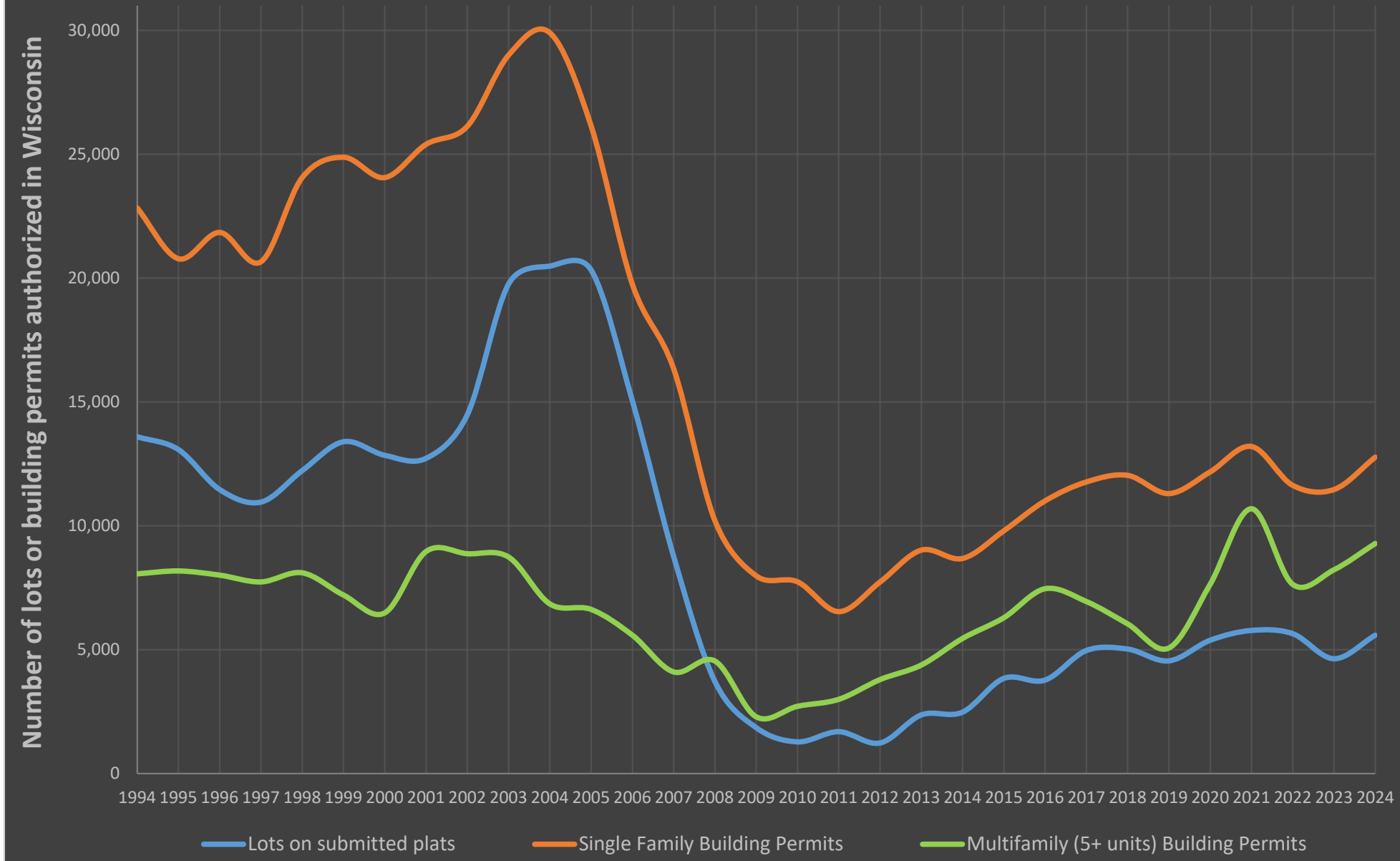
- Overall, slow rate of household growth = 0.70 percent per year
- Growth ***mostly*** in 1-person and 2-person households
- Average household size has declined
- Housing demand for 1- and 2-person households = smaller units, different housing types

Change in Wisconsin Population, by Age, 2010-2023

Age	2010	2023	Change (2010-2023)	Avg. Ann. Growth Rate
Under 5 years	355,052	307,874	-47,178	**-1.09%**
5-17 years	981,156	936,204	-44,952	**-0.36%**
18-24 years	554,544	550,661	-3,883	**-0.05%**
25-34 years	717,027	741,724	24,697	**0.26%**
35-44 years	724,623	751,404	26,781	**0.28%**
45-54 years	873,392	688,521	-184,871	**-1.81%**
55-64 years	705,743	801,172	95,429	**0.98%**
65-74 years	401,693	684,685	282,992	**4.19%**
75 years or better	377,817	448,710	70,893	**1.33%**
Total	***5,691,047***	***5,910,955***	***219,908***	***0.29%***

Source: US Census Bureau, 1-year American Community Survey

Housing Construction and Subdivision Activity in Wisconsin have not Recovered from Great Recession, Modest Increases in past 5 years

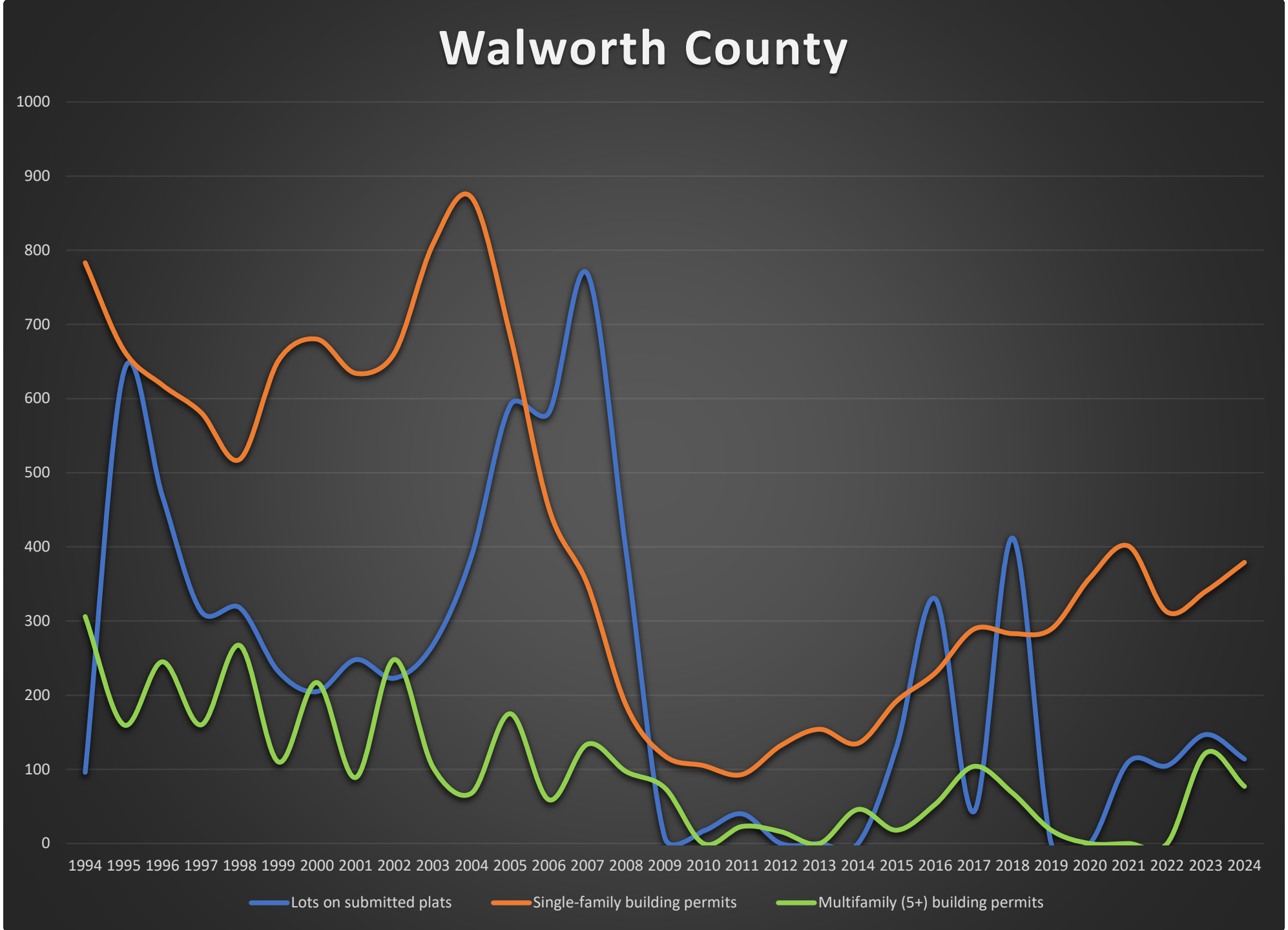


Source: Lots on subdivision plats submitted to Wis. Dept. of Admin.; Building Permits Database, U.S. Census Bureau. *2024 building permit data is preliminary.

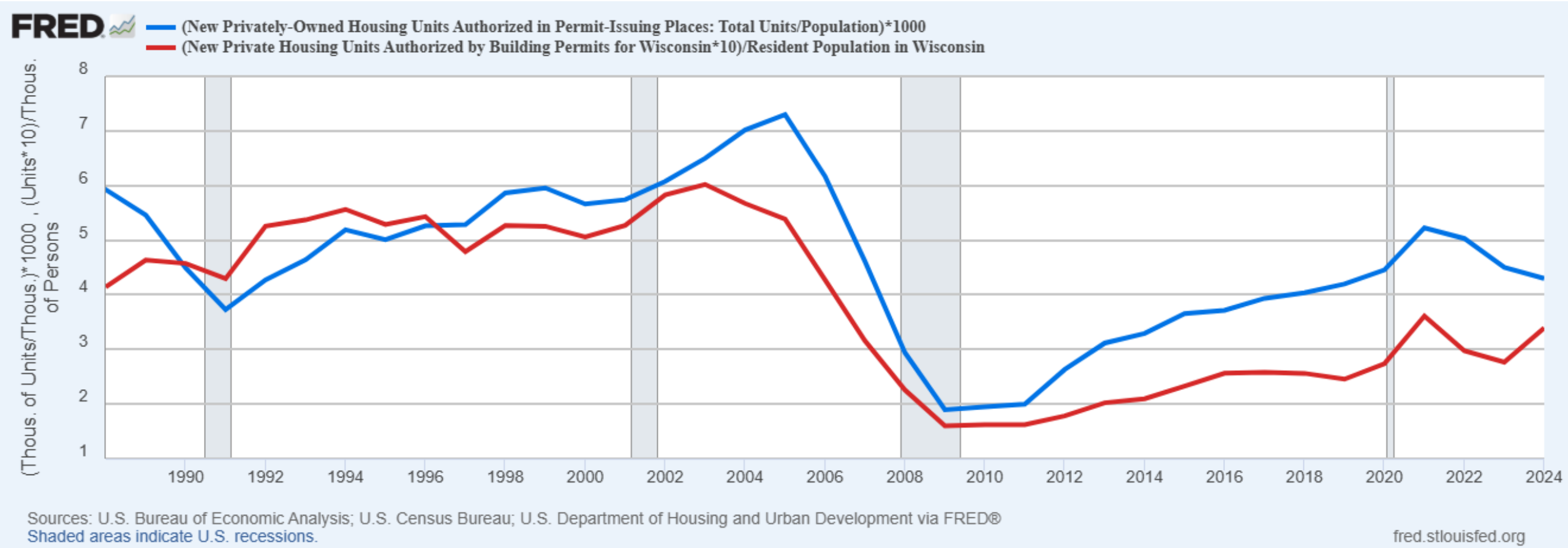
Wisconsin Building Permits and Subdivision Lot Summary

	1994 - 2004	2009 - 2018	2019 - 2024
Average yearly lots from submitted plats	14,096	2,855	5,266
Average yearly total building permits	35,909	14,722	21,742
Average yearly Single-family building permits	24,502	9,226	12,088
Average yearly Multifamily (5+) building permits	7,929	4,835	8,092
Avgerage yearly total building permits per 1,000 population	6.78	2.56	3.67

Sources and notes: Data on building lots comes from subdivision plats submitted to Wis. Dept. of Admin., Lots are not "created" until recorded with County, and prior-year estimates subject to revision when re-platted or vacated. Building permit data is from US Census, Construction Statistics; year 2024 data is considered preliminary and subject to further revision. Population data is from official January 1st estimate by Wis. Dept. of Admin, Demographic Services Center.


Walworth County
1000
900
800
700
600
500
400
300
200
100
0
1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024
Lots on submitted plats
Single-family building permits
Multifamily (5+) building permits

Wisconsin has built fewer housing units per-capita than the US since the late 1990s; gap widened after 2008.

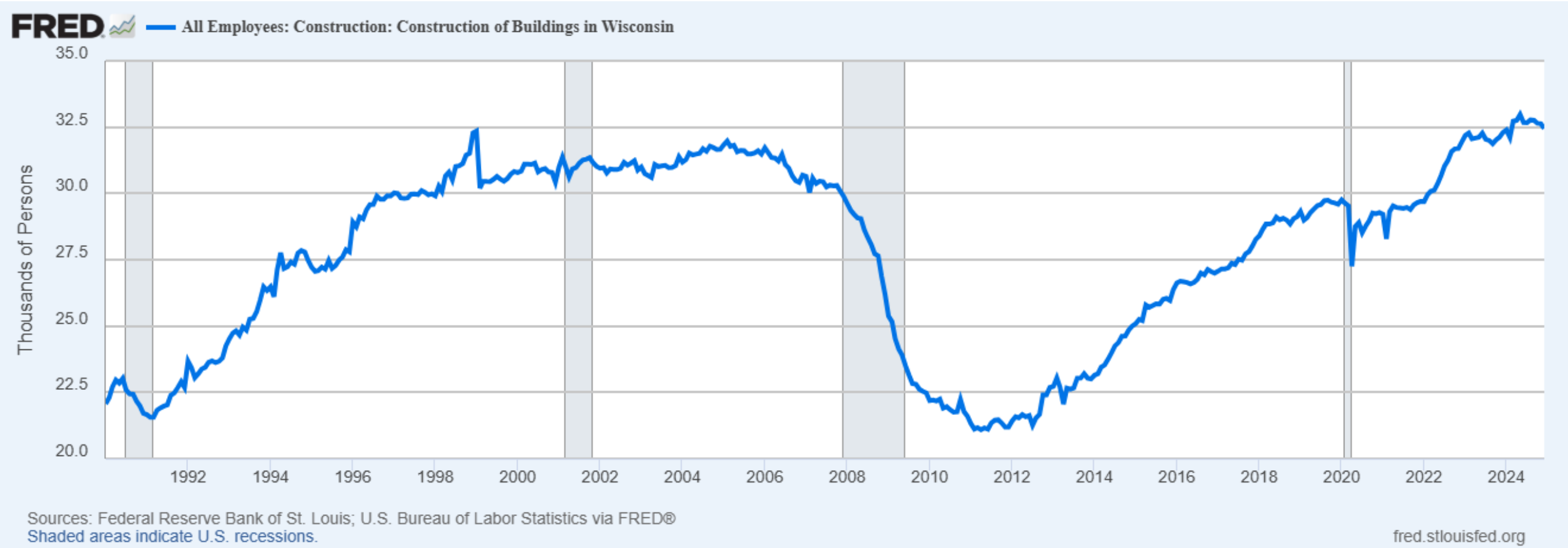


Wisconsin's 20 Largest Counties Underproduced Over 26,000 Housing Units from 2006-2023

	Growth in households (2006-2023)	Growth in housing units (2006-2023)	Housing "Underproduction" (2006-2023)	Previous Report Gap (2006-2017)
Milwaukee County	11,926	15,754		
Dane County	70,831	57,301	13,530	11,206
Waukesha County	21,836	21,446	390	2,213
Brown County	16,965	14,637	2,328	1,661
Racine County	3,912	4,659		
Outagamie County	9,721	10,262		
Winnebago County	4,689	7,012		
Kenosha County	10,098	7,125	2,973	
Rock County	3,858	4,100		1,036
Marathon County	6,203	4,993	1,210	
Washington County	6,675	7,112		
La Crosse County	6,981	7,619		
Sheboygan County	3,277	3,265	12	332
Eau Claire County	5,506	6,183		
Walworth County	5,142	4,408	734	537
Fond du Lac County	5,540	3,854	1,686	798
St. Croix County	7,390	6,852	538	
Ozaukee County	5,387	4,645	742	827
Dodge County	2,878	2,113	765	
Jefferson County	4,849	3,481	1,368	1,228
20 Largest Wisconsin Counties	***213,664***	***196,821***	***26,276***	***19,838***

Source: Author's calculations based on 2006 and 2023 1-year American Community Survey data, U.S. Census Bureau. Households are 1- or more persons who occupy a housing unit. Housing units include vacant structures for sale or rent or seasonal use.

Construction Employment in Wisconsin finally exceeds 2005 peak

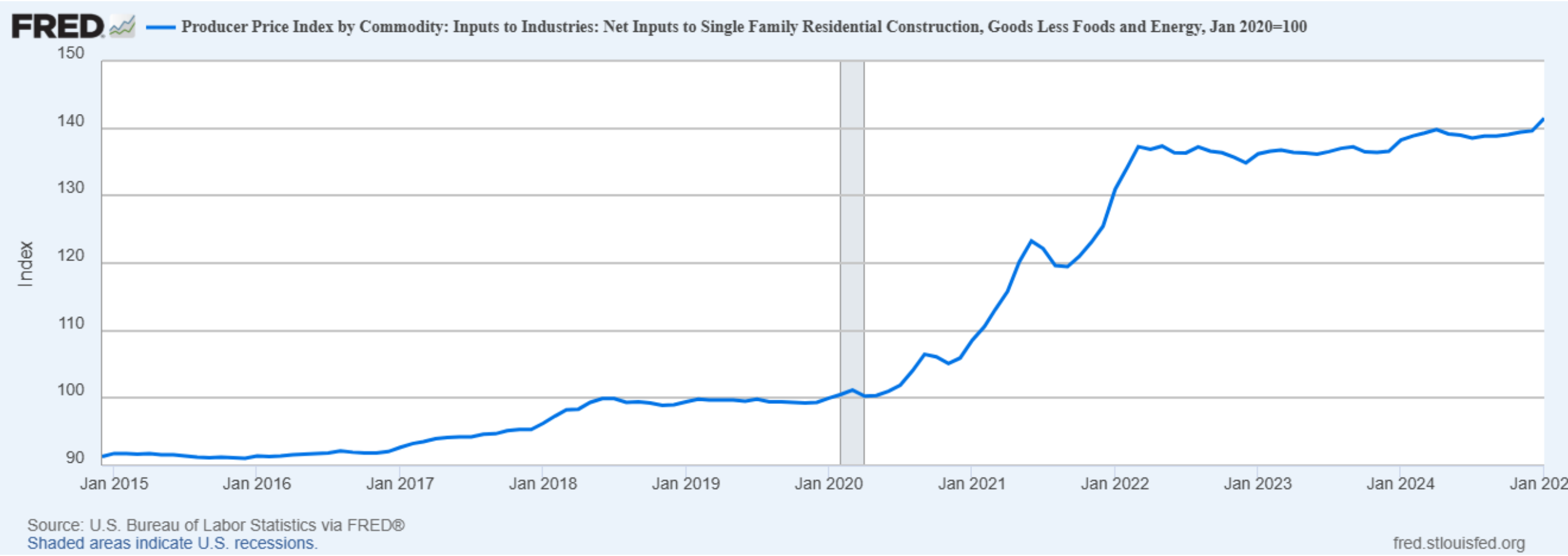


Wisconsin's Largest Counties Saw Significant House Price Increases Since 2019

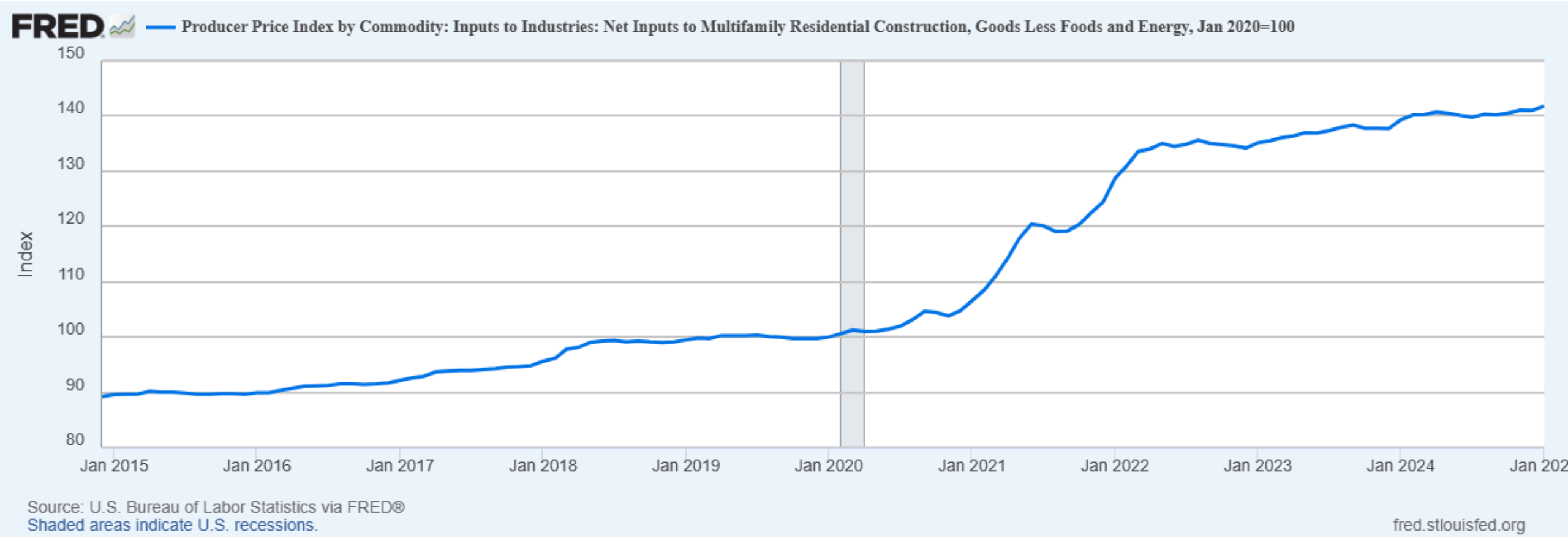
County	Population (2024)	Median Sales Price (2019)	Median Sales Price (2024)	Price Increase (2019-2024)	Percent Increase (2019-2024)
MILWAUKEE	941,139	$170,000	$260,000	**$90,000**	**52.9%**
DANE	599,930	$297,500	$443,000	**$145,500**	**48.9%**
WAUKESHA	413,728	$308,912	$456,000	**$147,088**	**47.6%**
BROWN	274,899	$195,051	$333,000	**$137,949**	**70.7%**
RACINE	198,781	$182,000	$275,000	**$93,000**	**51.1%**
OUTAGAMIE	195,388	$184,950	$310,000	**$125,050**	**67.6%**
WINNEBAGO	172,943	$155,000	$260,000	**$105,000**	**67.7%**
KENOSHA	170,693	$194,000	$285,000	**$91,000**	**46.9%**
ROCK	165,156	$168,000	$265,000	**$97,000**	**57.7%**
MARATHON	139,874	$166,250	$255,500	**$89,250**	**53.7%**
WASHINGTON	138,819	$252,500	$375,000	**$122,500**	**48.5%**
LA CROSSE	123,232	$195,000	$305,000	**$110,000**	**56.4%**
SHEBOYGAN	118,465	$160,000	$270,000	**$110,000**	**68.8%**
EAU CLAIRE	110,871	$189,900	$305,000	**$115,100**	**60.6%**
WALWORTH	106,571	$225,650	$370,000	**$90,950**	**40.4%**
FOND DU LAC	103,699	$142,500	$249,700	**$107,200**	**75.2%**
STATEWIDE	***5,989,256***	***$198,000***	***$310,000***	***$112,000***	***56.6%***

Source: Wisconsin Realtors Housing Statistics (accessed 2.7.25); population estimates from Wis. Dept. Admin.

Single-family Construction Costs up 41.5 percent (Jan. 2020 to Jan. 2025)



Multifamily Construction Costs Up *41.8* percent (Jan. 2020- Jan. 2025)

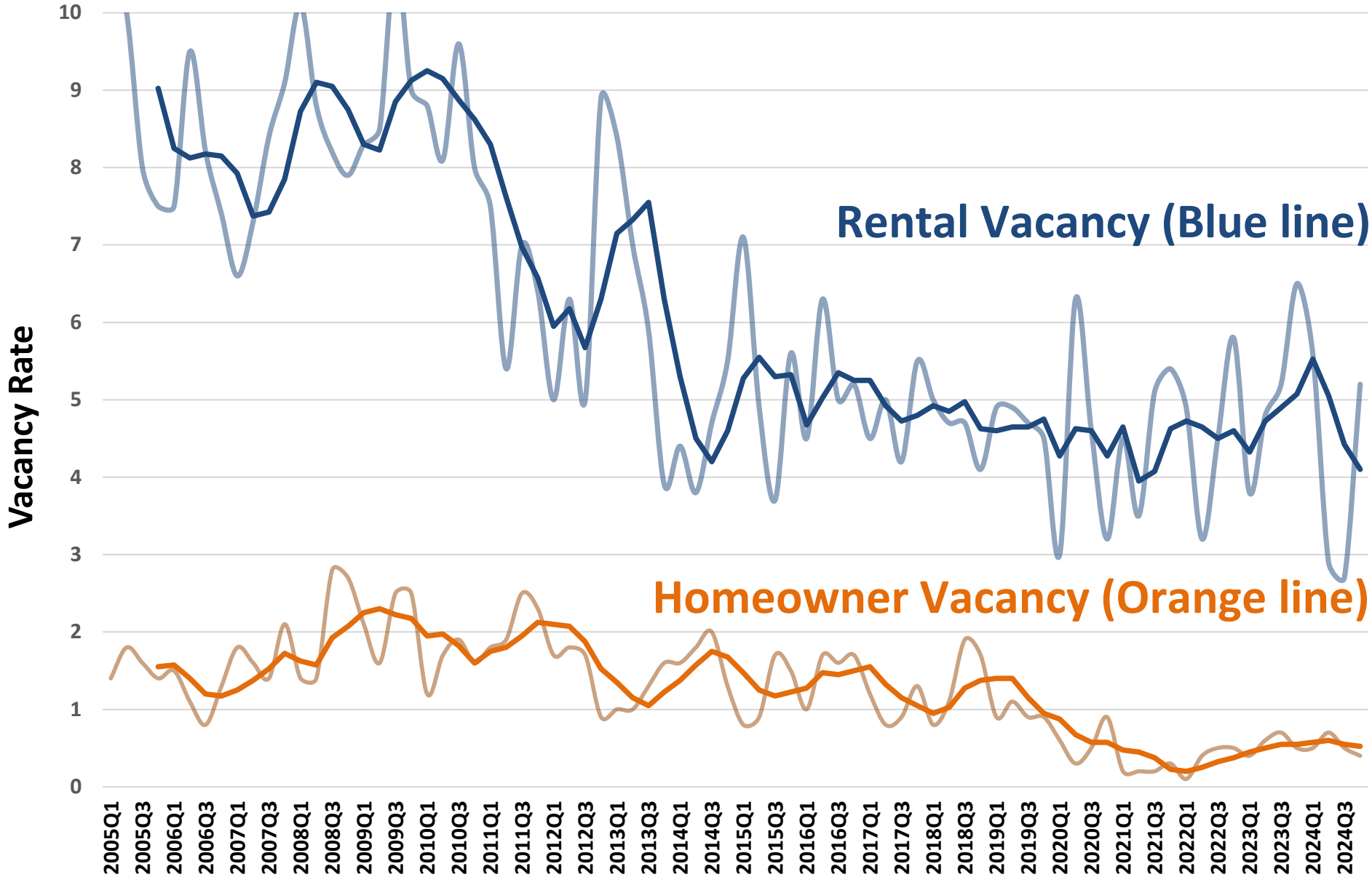


Housing Affordability Declined in Every Wisconsin Region

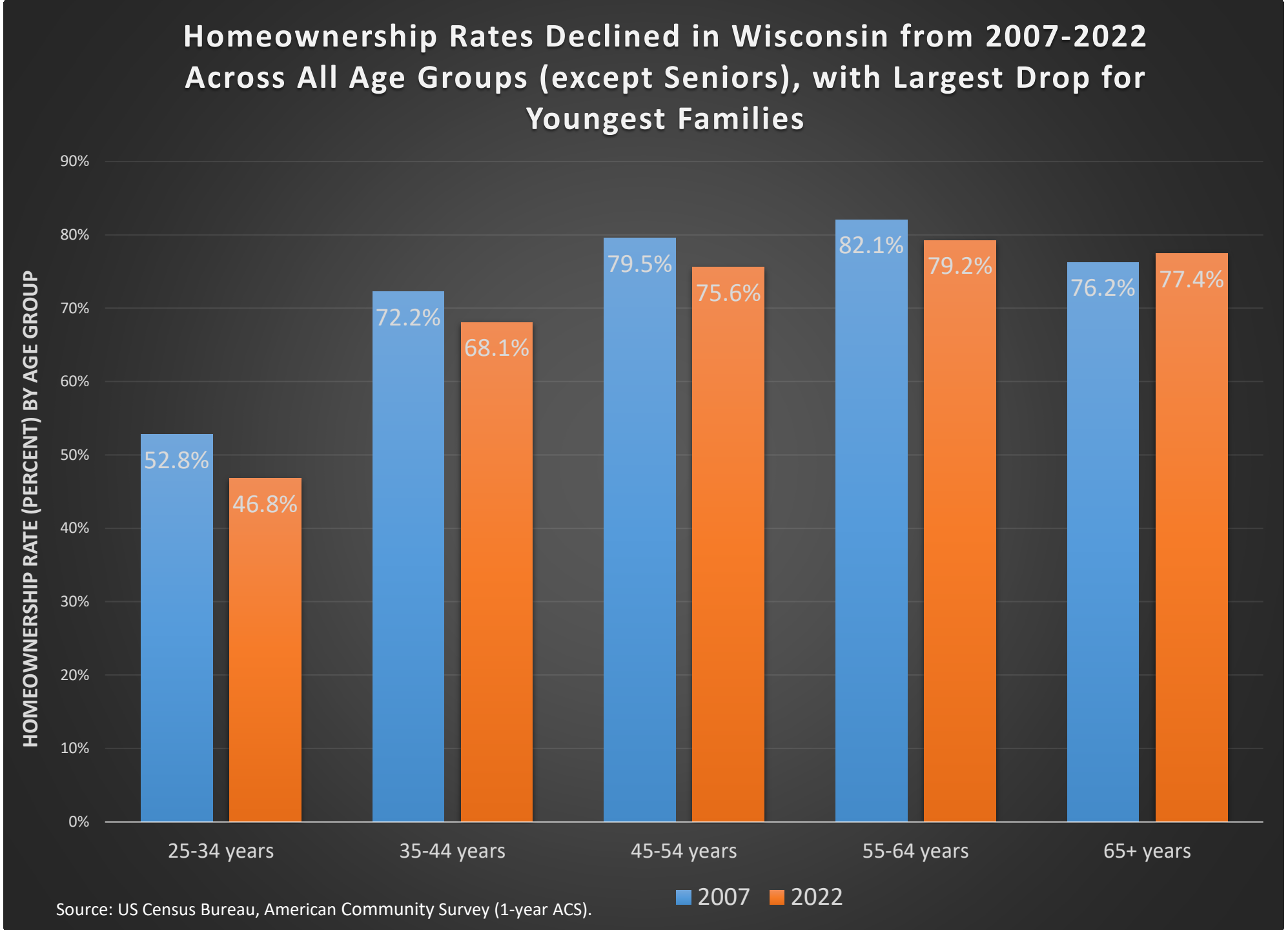
Median-Price to Median-Income Ratio (Wis. Metros)	2015	2023	Change
Sheboygan, WI	2.41	3.76	56.0%
Green Bay, WI	2.57	3.84	49.4%
Appleton, WI	2.32	3.42	47.4%
Fond du Lac, WI	2.10	3.07	46.2%
Racine, WI	2.37	3.45	45.6%
Janesville-Beloit, WI	2.34	3.35	43.2%
Oshkosh-Neenah, WI	2.41	3.35	39.0%
Madison, WI	3.68	4.69	27.4%
Milwaukee-Waukesha-West Allis, WI	3.89	4.94	27.0%
Wausau, WI	2.51	3.07	22.3%
La Crosse-Onalaska, WI-MN	2.84	3.33	17.3%
Eau Claire, WI	2.82	3.27	16.0%
Chicago-Naperville-Elgin, IL-IN-WI	3.39	4.02	18.6%
Minneapolis-St. Paul-Bloomington, MN-WI	3.11	3.96	27.3%
Duluth, MN-WI	2.81	3.81	35.6%
United States	**4.02**	**4.89**	**21.7%**

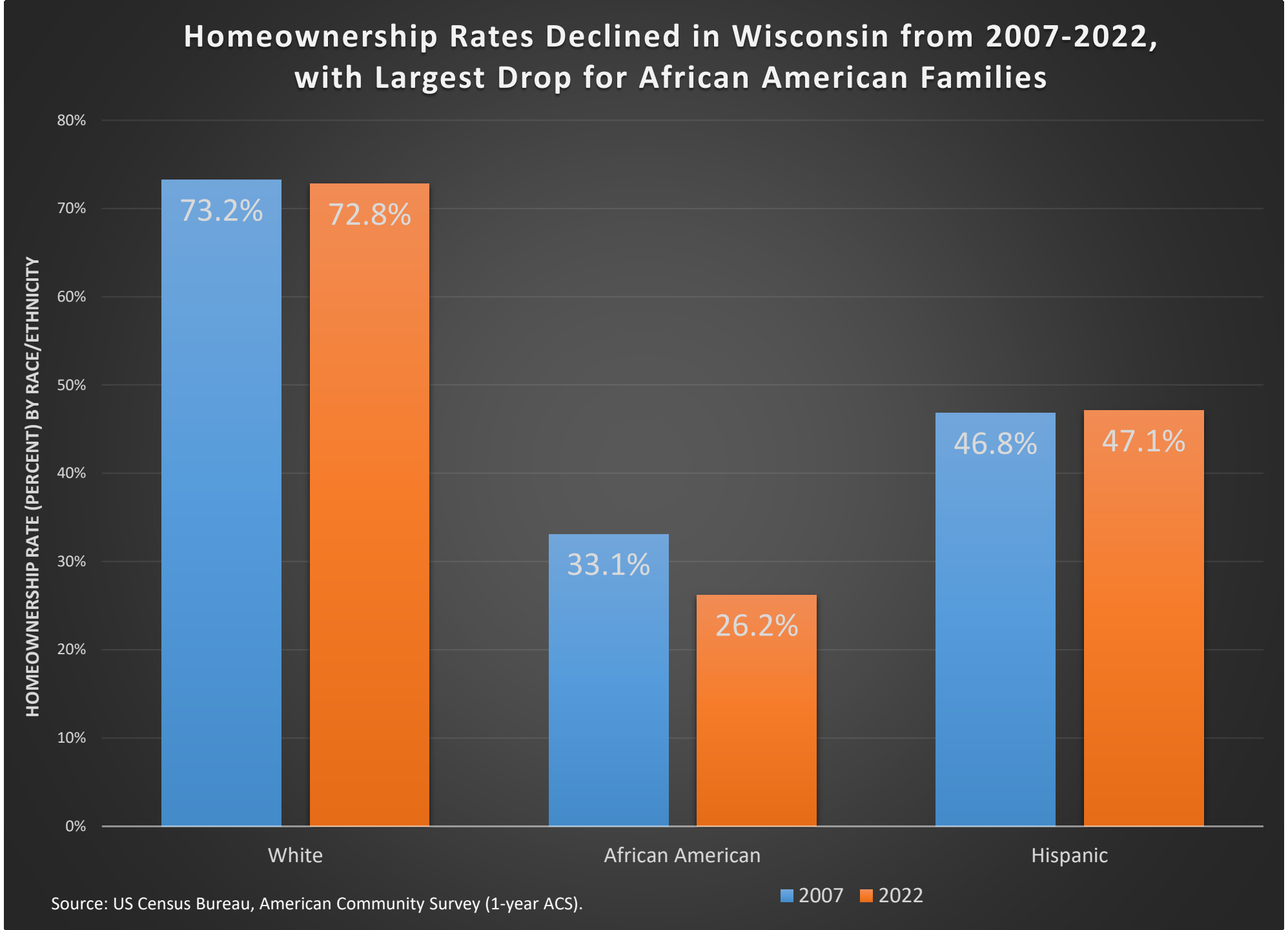
Source: Joint Center for Housing Studies, Harvard University: State of the Nation's Housing 2024. Appendix Table W-13.

Historically low housing vacancy rates in Wisconsin



Source: US Census, Current Population Survey/Housing Vacancy Survey. Trendline is yearly moving average.


Homeownership Rates Declined in Wisconsin from 2007-2022 Across All Age Groups (except Seniors), with Largest Drop for Youngest Families
HOMEOWNERSHIP RATE (PERCENT) BY AGE GROUP
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
52.8%
46.8%
72.2%
68.1%
79.5%
75.6%
82.1%
79.2%
76.2%
77.4%
25-34 years
35-44 years
45-54 years
55-64 years
65+ years
2007
2022
Source: US Census Bureau, American Community Survey (1-year ACS).


Homeownership Rates Declined in Wisconsin from 2007-2022, with Largest Drop for African American Families
HOMEOWNERSHIP RATE (PERCENT) BY RACE/ETHNICITY
80%
70%
60%
50%
40%
30%
20%
10%
0%
73.2%
72.8%
33.1%
26.2%
46.8%
47.1%
White
African American
Hispanic
2007
2022
Source: US Census Bureau, American Community Survey (1-year ACS).

TIF and Multifamily Housing

- Concept of “Break Even Rents” – The rents a property provider would need to be able to charge to cover debt service, operating costs (including reserves), and normal market investor returns.
- Or, think of it as: land costs + hard costs + finance costs +soft costs + investor return.
- The “Elasticity of Break Even Rent” relative to construction costs is about 1. (Actually 1.02, but close enough to 1). Source: Ericksen, M. and Orlando, A. 2024. A cost decomposition of break-even rents for new multifamily development. Journal of Housing Economics 66 (2024) 102012.
- ***In English: For every 1-percent increase in construction costs, there is a 1-percent increase in the break-even rents. Construction costs have skyrocketed.***
- In markets like Dane County/Madison where “break-even rents” are above or near current market rents, new market-rate multifamily housing can be constructed without the need for financial incentives.
- In markets like Whitewater where “break-even rents” are way above current market rents, new multifamily housing cannot be constructed without the need for financial incentives.

TIF and Multifamily Housing

- I examined the most recent proposed low-rise, wood-frame multifamily construction in Whitewater based on summary sheet from Ehlers. Total cost per unit is $249k. Break down is hard costs (always the biggest portion of any multifamily project) of $220k per unit, land costs about $4k per unit, soft costs about $25k per unit.
- Compare to most recent proposed low-rise, wood-frame multifamily construction in Madison/Dane County of anywhere from $330k-$380k per unit, depending on location and FF&E, building amenities, etc.
- The main differences: land costs per door in Dane County > $40k. Most Madison/Dane County use structured parking, not surface parking (adds $50k +++ to a unit cost).
- Basic take away: the hard costs of construction for equivalent units (same FFE, same parking) are the same in Madison and Whitewater (and everywhere else in the state).
- Land costs alone are too small of a component to make a project go/no go.

TIF and Multifamily Housing

- Average rents per square foot in Whitewater are about $1 to $1.25 psf. Rents in Madison are $2 to $2.50 psf. (Downtown or new build is more than $3 psf!)
- According to Zillow rent data, median 2-bedroom rent in Whitewater is $1,199. Median 2-bedroom rent in Madison is $1,740.
- If it costs the same (absent land costs and parking structures) to build in Madison or Whitewater, the current market rent in Madison means new projects pencil out, while in Whitewater they don’t. The higher rent in Madison supports a larger loan amount, reducing the need for TIF to make market-rate projects move from no-go to go.

TIF and Multifamily Housing

- TIF in Wisconsin can be (and is) used for multifamily housing in 2 main situations:
  - In expensive markets, like Madison and MKE suburbs, TIF can serve as gap-financing for LIHTC (affordable) product
  - In smaller, less expensive markets, TIF is necessary to induce even market-rate development.
- Reminder that TIF policies and plans at City level shape investment decisions, subject to Joint-Review Board approval at time of creation of TID and approval of project plan.
- TIF for multifamily housing can be included in a project plan, and consistent with other city plans and policies (land use and comp plans).
- Evaluation: but-for TIF, project not financially feasible (at normal market returns).

TIF and Multifamily Housing

- Evaluation – Compare:
  - Developer's return (IRR or yield on cost) without-TIF vs with-TIF.
  - If without-TIF return means project is no-go, offer enough TIF to make project "go" at market rates of return – but NOT TIF to provide above-market returns.
  - Specifically: if, at current construction costs and current market interest rates a developer would not be able to build multifamily at a market return (given the likely rents the project could command in this market), this deal will not pencil out but-for TIF.
  - Further compare: PAYGO loan vs City-financed vs grant – risk on developer and TIF would need to add the cost of debt to the eligible project costs.

Demand for non-student rental housing in Whitewater

- Data challenge: neither the Census nor private data vendors have this exact information.
- Solution: conservative way to “back out” the estimate from Census data.
- Data source: 5-year American Community Survey (2019-2023), US Census bureau. Variables: B25011 tenure by household type by age of householder; B25007 tenure by age of household; B25125 tenure by age of household by units in structure.
- Estimate: how many 15-34 year old household heads in Whitewater are college students = 78 %. (Age-breakdowns within 15-34 year old households shows 1,518 student renter households).
- Estimate: rental rate of single-family homes (overall) = 38.4 %, estimate 400 single-family rental households are students.
- Estimate multifamily rental housing supply: 1,538 units. Of these, estimate 921 occupied by student-headed households. This leaves 617 units of multifamily rental and 337 units of single-family rentals headed by non-student households = 954.
- Percent of housing stock non-student rentals: about 27 percent.
- We don’t have any way of knowing vacancies by student/non-student occupancy characteristics.