

The Wisconsin Multifamily Report

2019 Development/Investment Outlook



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Introduction

In this report, we examine the eleven largest metropolitan statistical areas, or MSA's, in the State of Wisconsin as well as the state itself.

Specifically, this analysis includes an examination of employment/unemployment trends and housing construction activity (as evidenced by building permits) over the past ten years. Each section of this report concludes with an analysis of the relationship between annual employment gains or losses and multifamily housing starts.

This employment/permit ratio is a very useful figure for assessing the viability of a given area for residential development and/or investment. By looking at the relationship between these two factors, we can gain a clear understanding of whether the area is trending a condition of over-supply or under-supply.

Specifically, in areas in which annual job additions, which are the primary determinant for a need for additional housing units, are increasing, and annual housing construction activity is declining, we typically find a state of under-supply. Conversely, if net annual job gains are decreasing and residential construction activity is increasing, we typically find a state of over-supply.

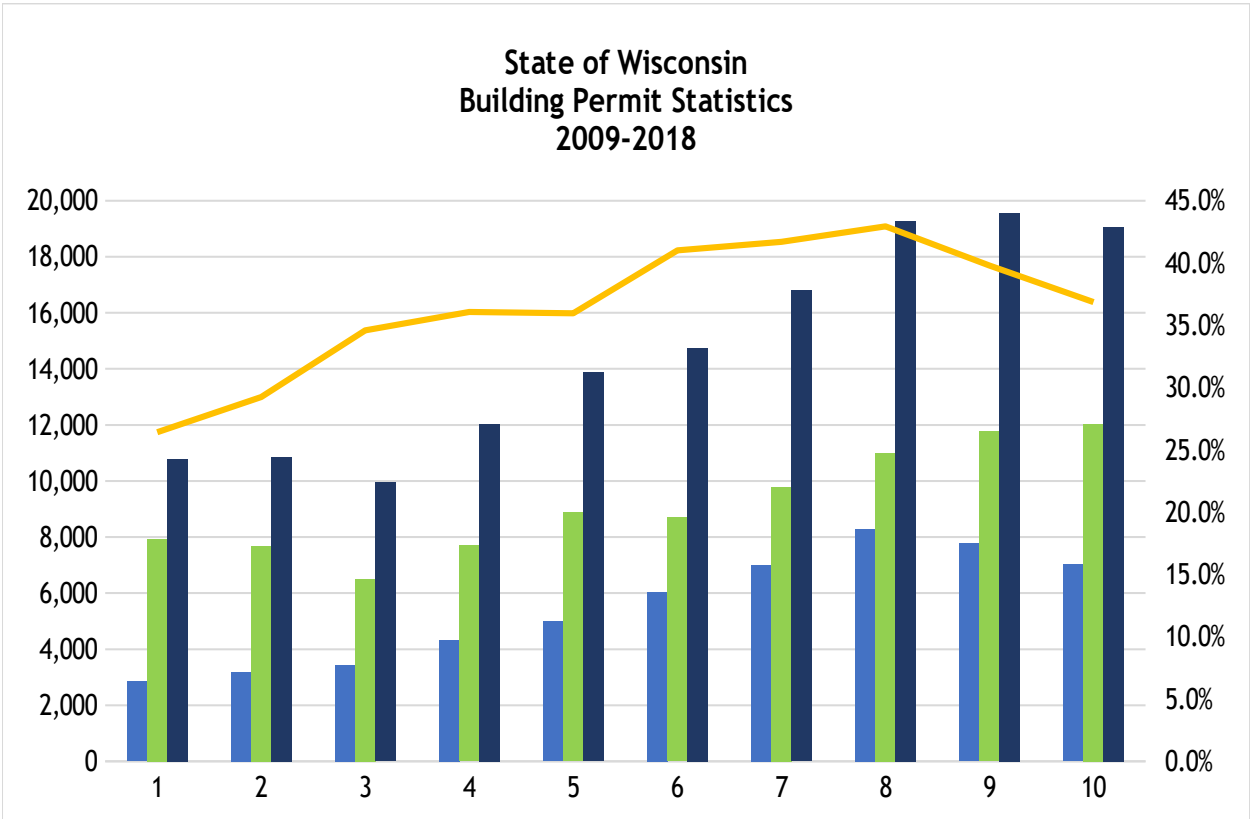
While this type of analysis is usually very useful for determining which areas offer the highest potential for future new construction/development, it is also applicable to evaluating the potential for investment in existing assets, as many of the factors that make an area appealing for development translate well to determining the attractiveness of an area for investment.

This report concludes with an assignment of a letter grade for each MSA as well as a ranking of these MSA's based upon the assigned grades. Please note that in many cases, especially in smaller MSA's these grades can change significantly from year to year.

The State of Wisconsin

As indicated in the following chart, state-wide housing starts (as evidenced by residential building permits) totaled 19,051 units in 2018 reflecting a decrease of 2.5% from the 19,545 permits issued in 2017. Among multifamily alternatives, we note a year to year decline of 9.7%, as the unit count dipped from 7,776 in 2017 to 7,023 in 2018.

Conversely, within the single family sector we find that between 2017 and 2018, permit authorizations increased by 2.2%, to a 2018 total of 12,028. Over the past three years, we also see that the multifamily sector’s share of total state-wide housing starts has dropped from 42.9% in 2016 to 36.9% in 2018.



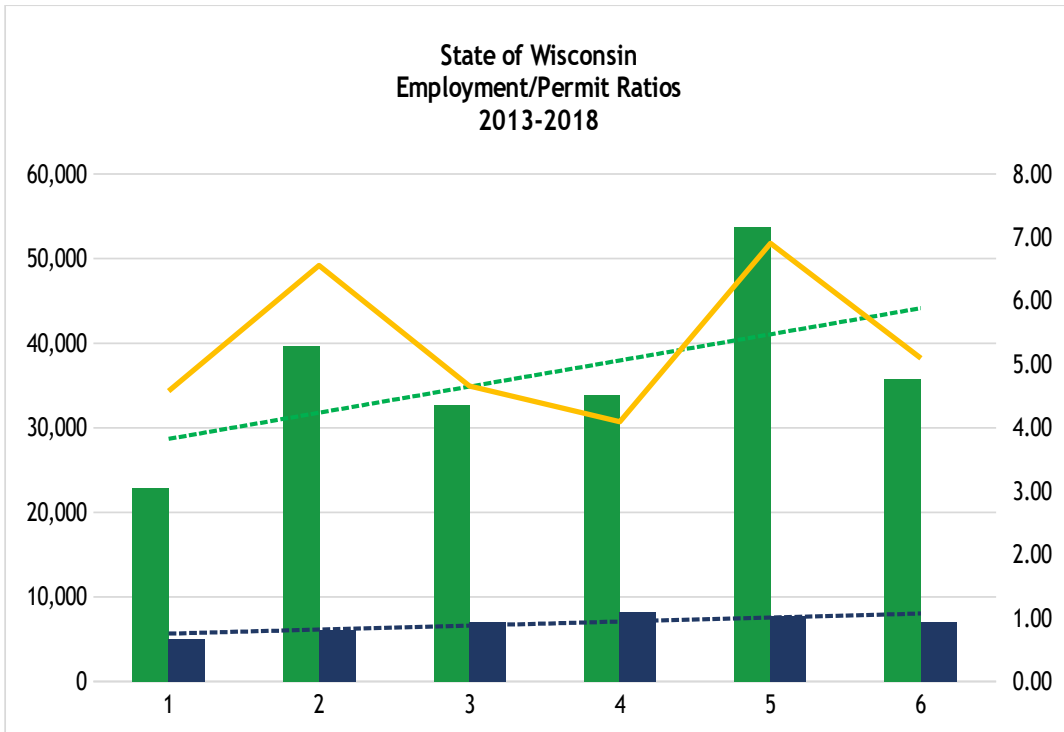
Between 2017 and 2018, overall employment in the State of Wisconsin increased by 35,791 to a current level of 3,075,879. This reflects a drop of 33.2% from the job additions of 53,699 generated in 2017. However, the 2018 figure is generally in line with

employment gains recorded over the previous five years. We also note that in 2018, the overall unemployment rate was reduced to 2.9%, as detailed in the following table.

State of Wisconsin Annual Employment Statistics 2009-2018				
Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	2,830,109	-101,792	267,891	8.6%
2010	2,810,478	-19,631	264,226	8.6%
2011	2,837,846	27,368	237,072	7.7%
2012	2,857,370	19,524	215,862	7.0%
2013	2,880,215	22,845	204,048	6.6%
2014	2,919,859	39,645	165,674	5.4%
2015	2,952,488	32,629	140,622	4.5%
2016	2,986,389	33,901	129,632	4.2%
2017	3,040,088	53,699	104,199	3.3%
2018	3,075,879	35,791	92,996	2.9%

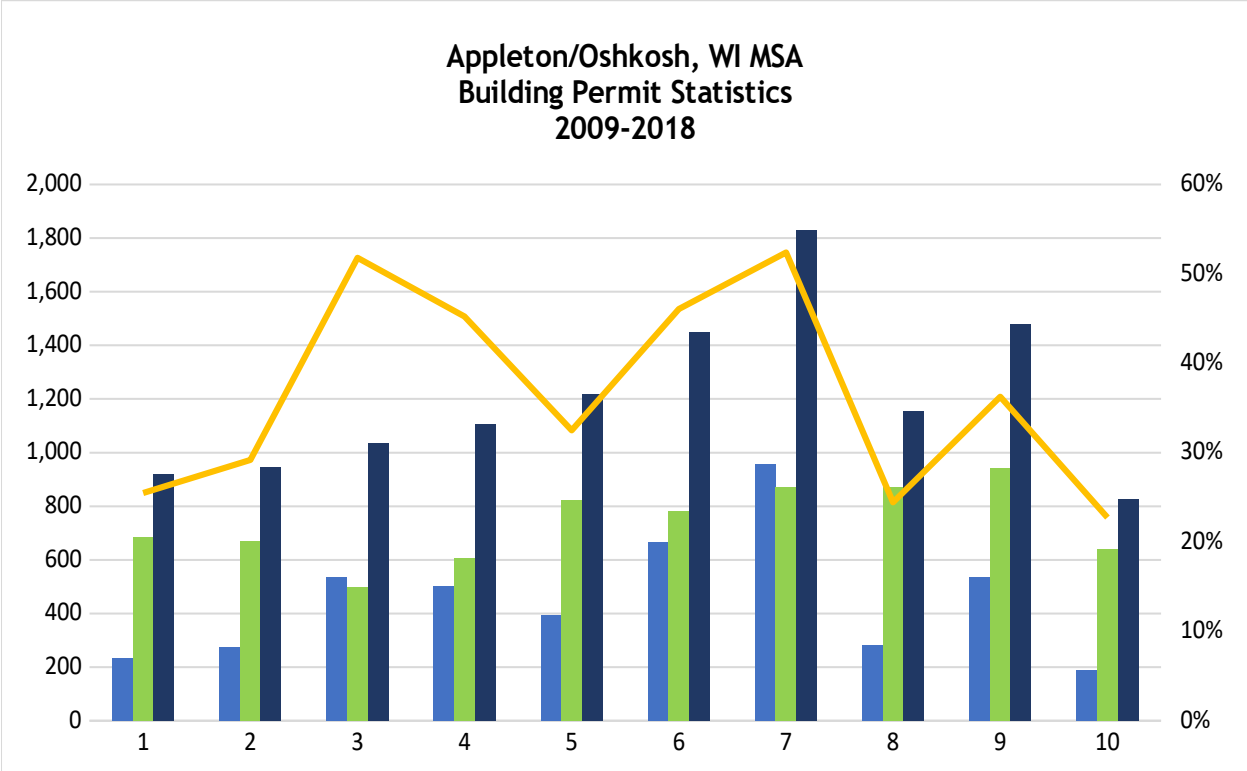
Source: U.S. Bureau of Labor Statistics

As seen in the following chart, multifamily sector development potential experienced a slight weakening over the past year as the employment/permit ratio declined moderately from 6.91 in 2017 to 5.10 in 2018. While the number of multifamily starts dropped by 2.5%, this was offset by a relatively significant decrease in job additions.



Appleton/Oshkosh

Within the Appleton/Oshkosh MSA, we find that the total number of housing starts declined from 1,479 in 2017 to 827 in 2018. This reflects a sharp drop of 44.1%. While single family authorizations dipped by 32.2% over the past twelve months, we note that multifamily sector starts decreased from 536 to only 188 in 2018, or by a significant 64.9% as seen in the chart below.



The Appleton/Oshkosh MSA generated 1,641 new jobs over the past year as the number of employed person increased from 220,285 in 2017, to a 2018 level of 221,926. This increase reflects the lowest net job gain in the MSA since 2013, when 392 job additions were recorded.

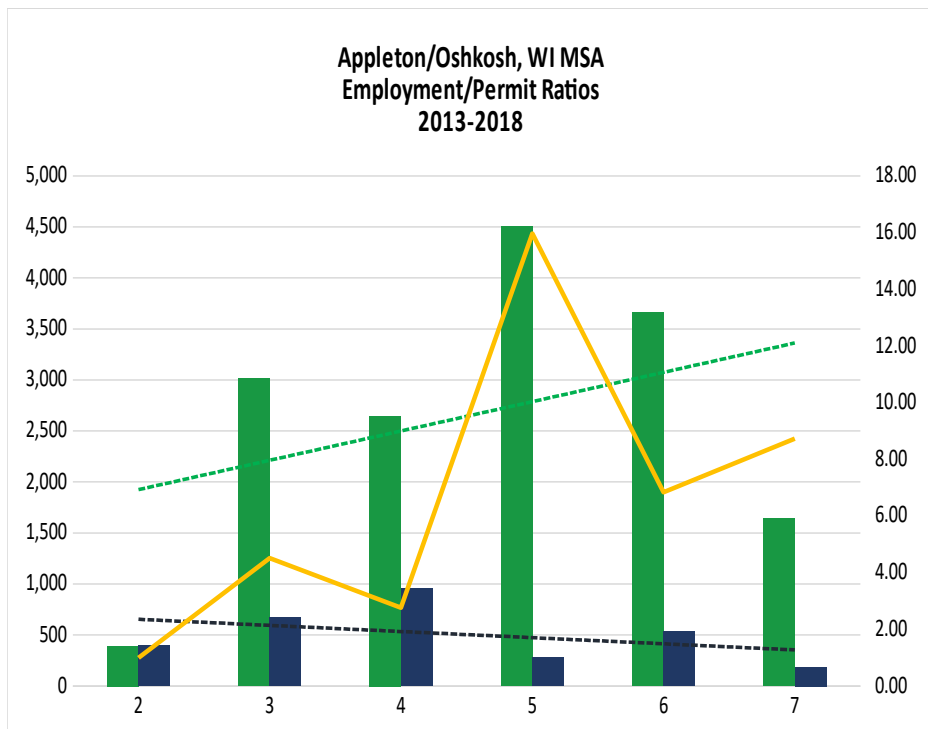
However, we find that over the past twelve months, the unemployment rate has dropped from 3.0% to 2.6% in 2018, as detailed in the table on the following page.

**Appleton/Oshkosh, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	202,697	-5,389	17,525	8.0%
2010	203,098	401	17,250	7.8%
2011	205,054	1,956	15,239	6.9%
2012	206,066	1,012	14,067	6.4%
2013	206,458	392	13,431	6.1%
2014	209,470	3,012	10,766	4.9%
2015	212,118	2,648	8,932	4.0%
2016	216,621	4,503	8,132	3.6%
2017	220,285	3,664	6,727	3.0%
2018	221,926	1,641	6,027	2.6%

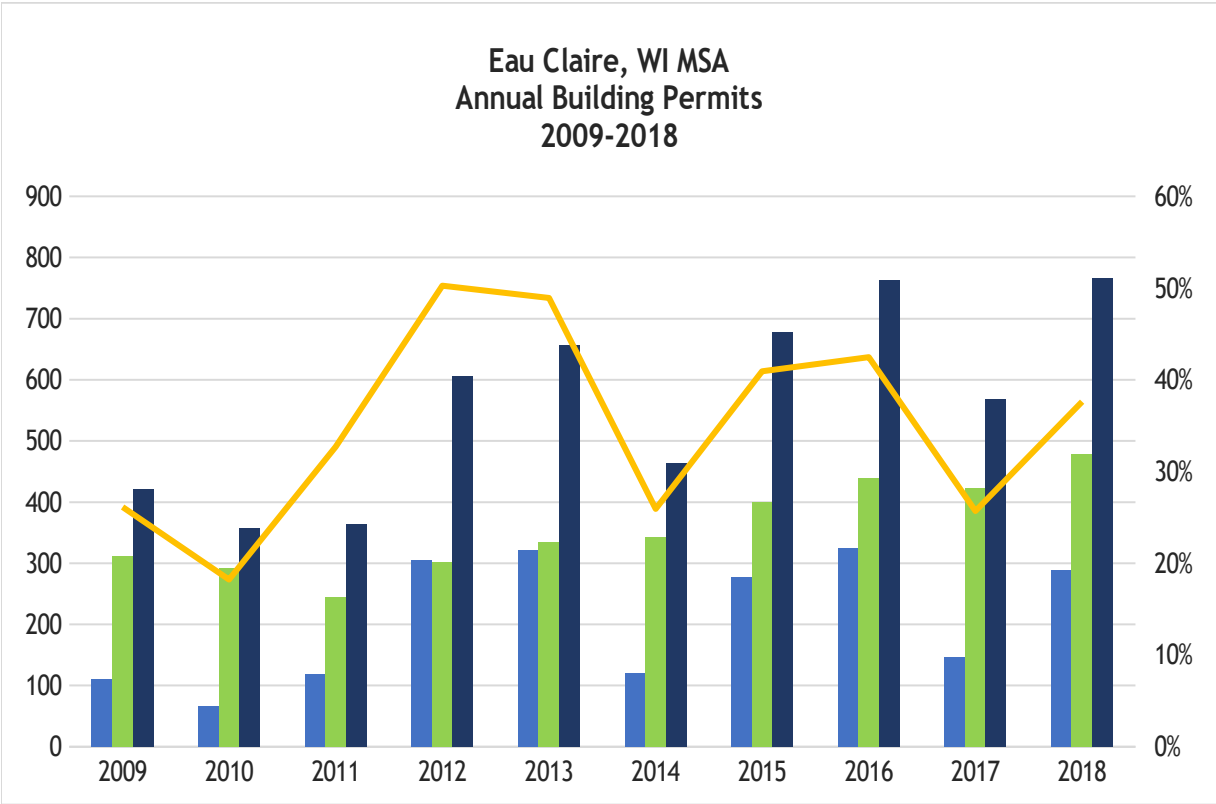
Source: U.S. Bureau of Labor Statistics

While the Appleton/Oshkosh MSA noted a significant decrease in net job growth over the past year, this was offset by steep declines in the number of multifamily units authorized. As such, we note that the employment ratio grew from 6.84 in 2017 to 8.73 in 2018, indicative of a healthy, strengthening market. Long-term (6 Year) trends are positive as well. This is detailed in the following chart.



Eau Claire

In 2018, the Eau Claire MSA witnessed the authorization of 766 residential building permits, reflecting an increase of 34.9% from the 2017 total of 568. In the single family sector, housing starts grew from 422 to 478, an increase of 13.3%. However, among multifamily alternatives, housing starts expanded from 146 in 2017 to 288 in 2018, an increase of 97.3%, and over the same period, this sector saw its share of overall housing activity grow from 25.7% to 37.6% as detailed below.



The total number of employed persons in the Eau Claire MSA stood at 91,064 in 2018, equating to an increase of 792 (0.8%) from the 2017 figure of 90,272. This was the lowest level of net employment growth since 2013, during which 395 jobs were lost.

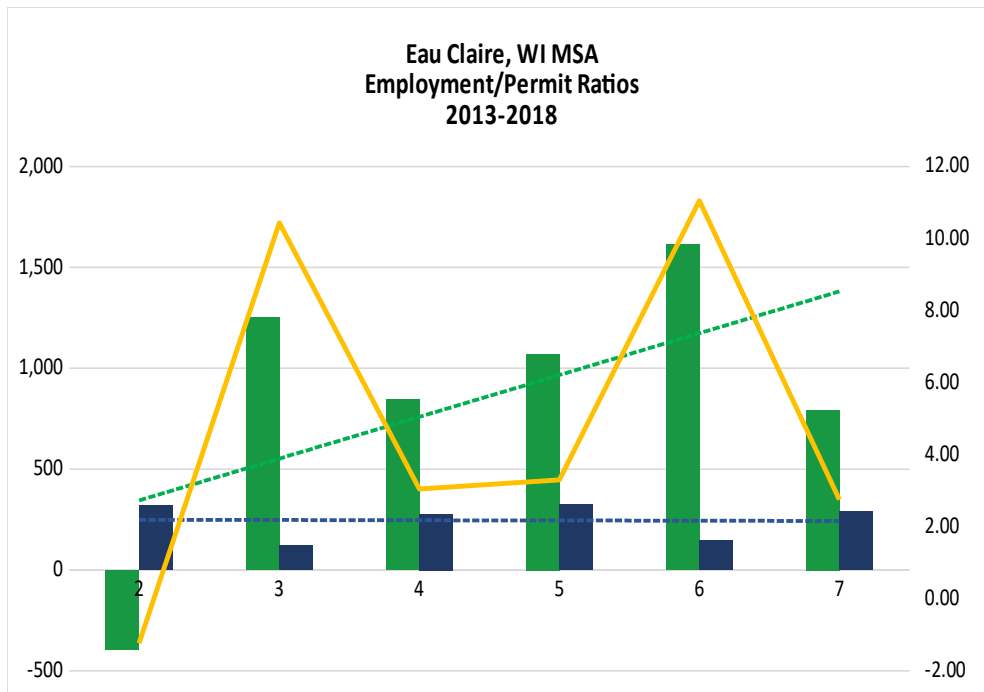
As detailed in the table which follows, the Eau Claire MSA saw its unemployment rate decline from 3.1% in 2017, to 2.8% in 2018.

**Eau Claire, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	83,305	-2,918	6,657	7.4%
2010	83,522	217	6,767	7.5%
2011	84,826	1,304	6,296	6.9%
2012	85,888	1,062	5,629	6.2%
2013	85,493	-395	5,505	6.0%
2014	86,745	1,252	4,399	4.8%
2015	87,590	845	3,793	4.2%
2016	88,659	1,070	3,526	3.8%
2017	90,272	1,613	2,914	3.1%
2018	91,064	792	2,589	2.8%

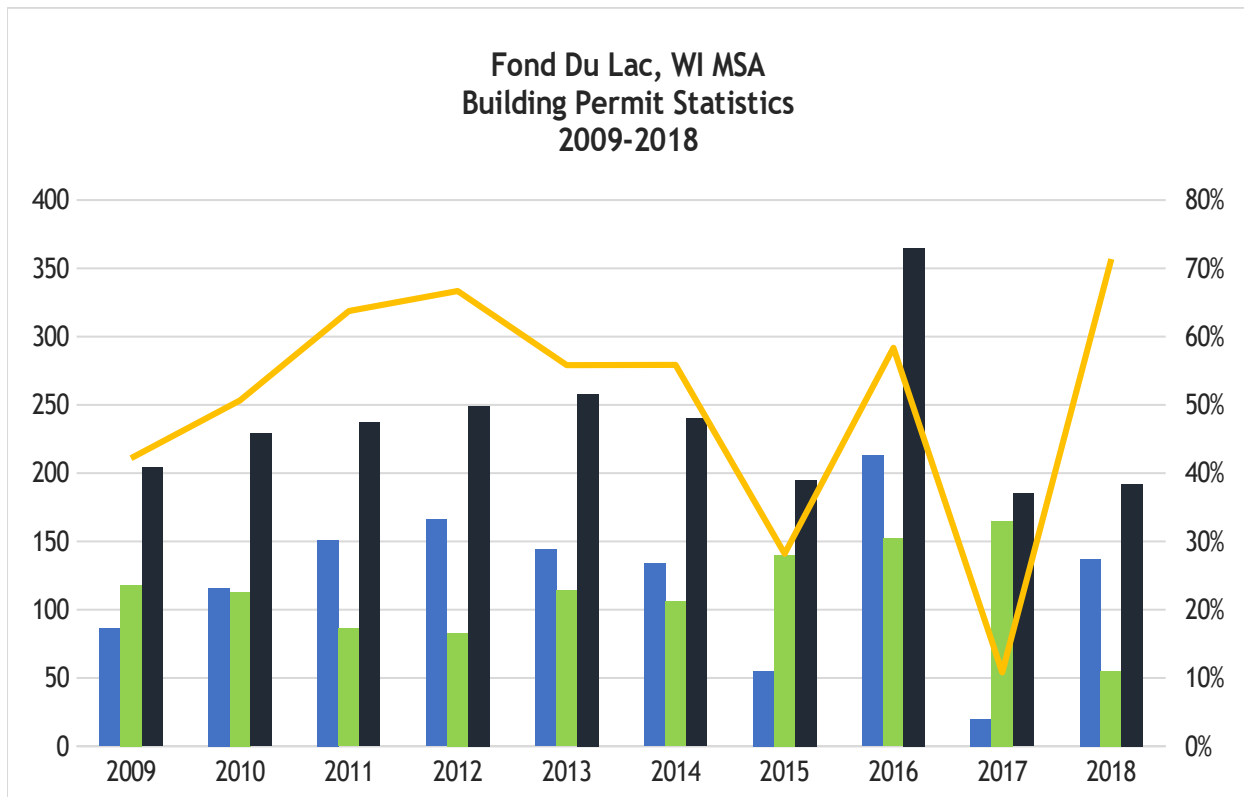
Source: U.S. Bureau of Labor Statistics

While the six-year trend remains positive, a drop in employment growth and an increase in multifamily housing starts in 2018 resulted in the employment/permit ratio for the Eau Claire MSA declining significantly from 11.05 in 2017 to a current level of 2.75, as indicated below.



Fond Du Lac

In 2018, the Fond Du Lac MSA authorized a total of 192 residential housing units, reflecting a modest 3.8% increase from the 2017 total of 185. In the single family sector, only 55 housing starts were recorded in 2018, while among multifamily alternatives we find that 137 units were authorized. The 2018 multifamily total represents a 500.8% increase over the 20 units recorded in 2017 as indicated below.



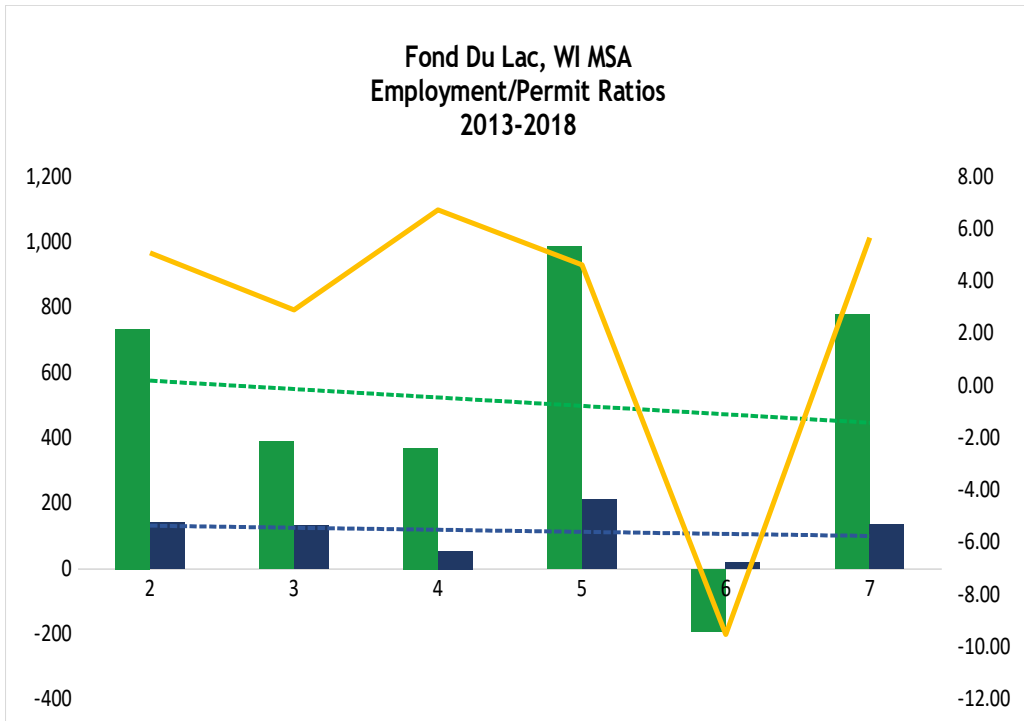
After losing 190 jobs in 2017, the Fond Du Lac MSA has rebounded nicely with 780 new jobs generated in 2018. This reflects an increase of 1.4%. Further, over the past twelve months, the vacancy rate in the Fond Du Lac MSA has declined from 2.8% to 2.6% as seen in the table on the following page.

**Fond Du Lac, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	51,715	544	5,063	8.9%
2010	52,102	387	4,801	8.4%
2011	52,476	374	4,109	7.3%
2012	53,619	1,143	3,644	6.4%
2013	54,354	735	3,514	6.1%
2014	54,745	391	2,816	4.9%
2015	55,116	371	2,334	4.1%
2016	56,105	989	2,067	3.6%
2017	55,915	-190	1,629	2.8%
2018	56,695	780	1,494	2.6%

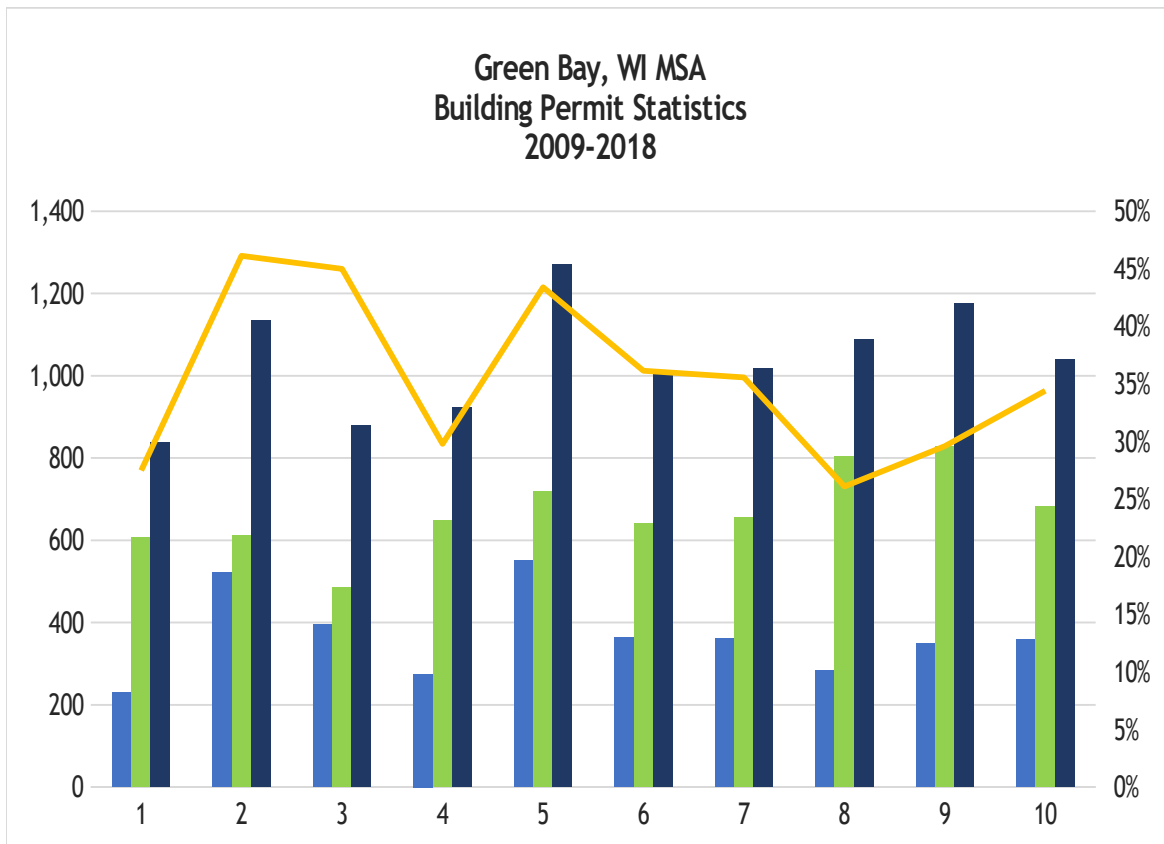
Source: U.S. Bureau of Labor Statistics

Despite a large increase in the number of multifamily housing starts, strong employment additions allowed the employment/permit ratio to increase significantly to 5.69, as evidenced in the following chart. Despite the strong 2018 performance, longer term trends remain somewhat neutral.



Green Bay

The Green Bay MSA witnessed a total of 1,040 housing starts in 2018, reflecting a decline of 11.6% from the 1,176 starts recorded in 2017. By sector, we note that within the single family sector, starts declined by 17.6%, while in the multifamily sector, the 358 units authorized reflected an increase of a modest 2.9%. As revealed in the following chart, over the past ten years, housing starts have remained quite consistent.



Total employment in the Green Bay MSA equaled 171,647 in 2018, up by 1,528 jobs or 0.9% over the past twelve months. The 1,528 jobs added in 2018 was the lowest annual total recorded since 2013 when only 931 job additions were noted.

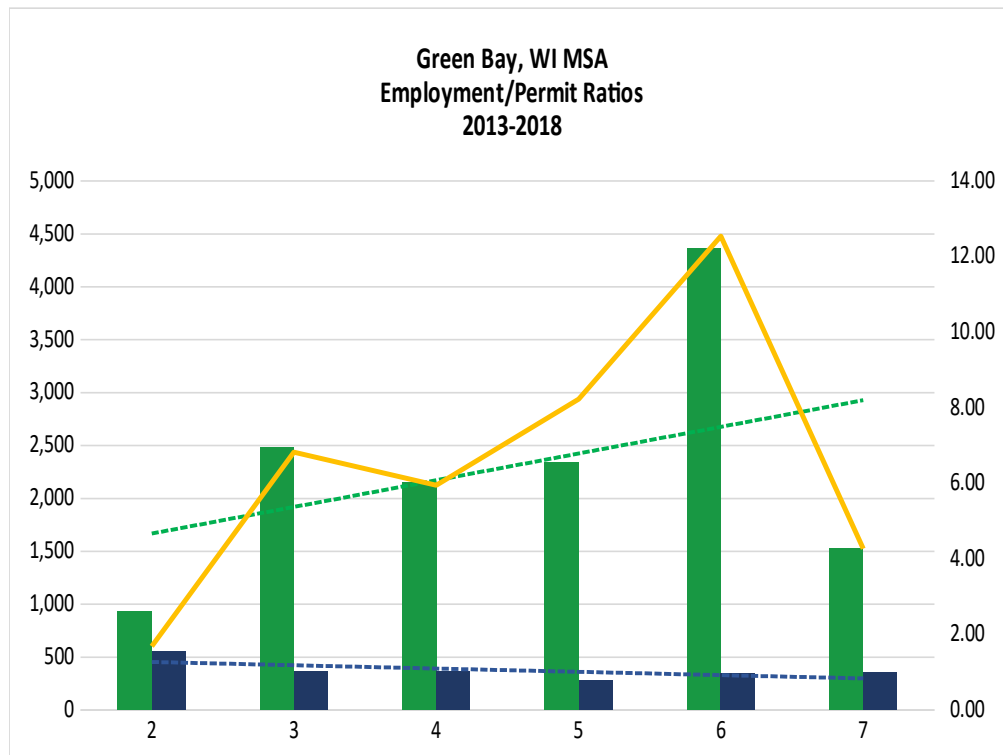
The current unemployment rate in the Green Bay MSA stands at 2.7%, down from 2017's figure of 3.0% as detailed in the table which follows.

**Green Bay, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	159,088	-3,869	14,083	8.1%
2010	155,637	-3,451	14,022	8.3%
2011	157,127	1,490	12,761	7.5%
2012	157,855	728	11,485	6.8%
2013	158,786	931	10,842	6.4%
2014	161,264	2,478	8,536	5.0%
2015	163,417	2,154	7,195	4.2%
2016	165,755	2,338	6,618	3.8%
2017	170,119	4,364	5,304	3.0%
2018	171,647	1,528	4,845	2.7%

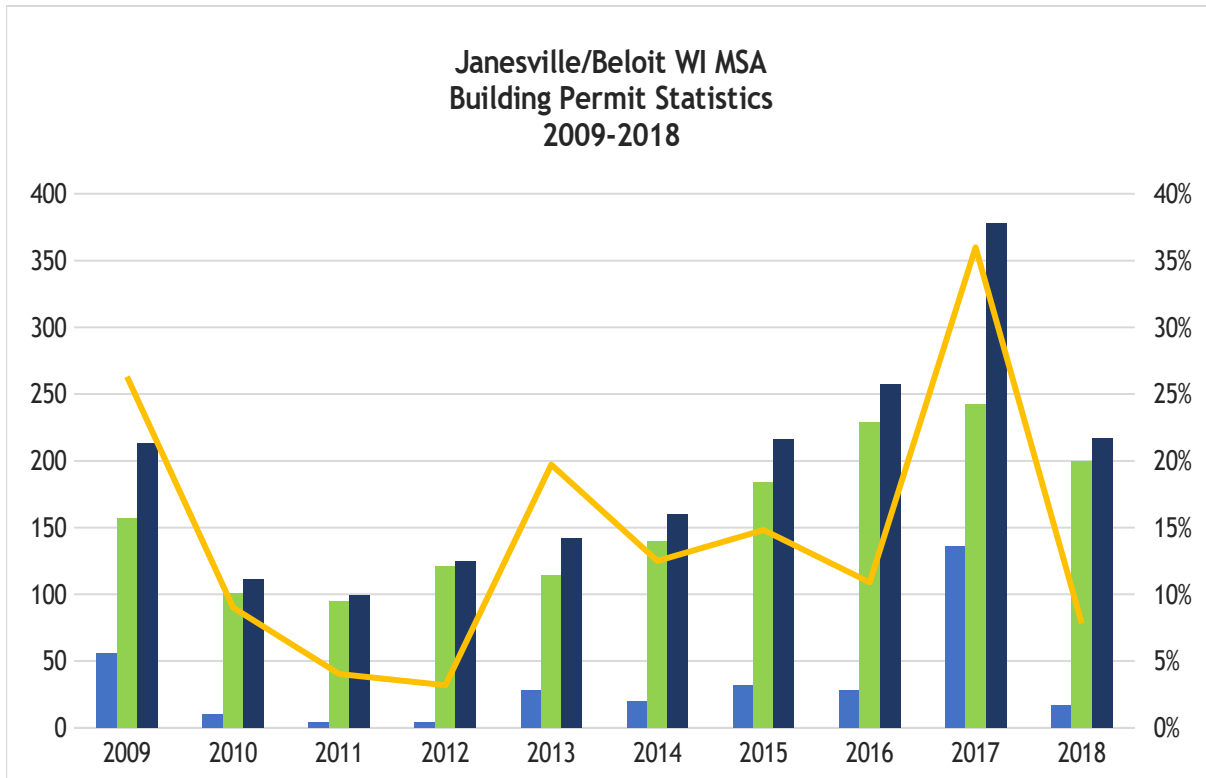
Source: U.S. Bureau of Labor Statistics

Despite a decrease in the employment/permit ratio in 2018 due to a decline in annual job additions, the long term trends in the Green Bay MSA remain solid, as seen in the following chart.



Janesville/Beloit

In 2018, the Janesville/Beloit MSA witnessed the authorization of 217 residential building permits. This represents a decline of 42.6% from the 378 housing starts recorded in 2017. Much this decline can be traced to the fact that in 2017, the MSA saw an addition of 136 multifamily units, a figure well above the historical average, as seen in the chart below.



In 2018, employment growth in the Janesville/Beloit MSA was minimal, with only 183 jobs added over the past twelve months. This figure is well below previous year totals, as over the 2012-2017 period, job additions averaged 1,514 per year.

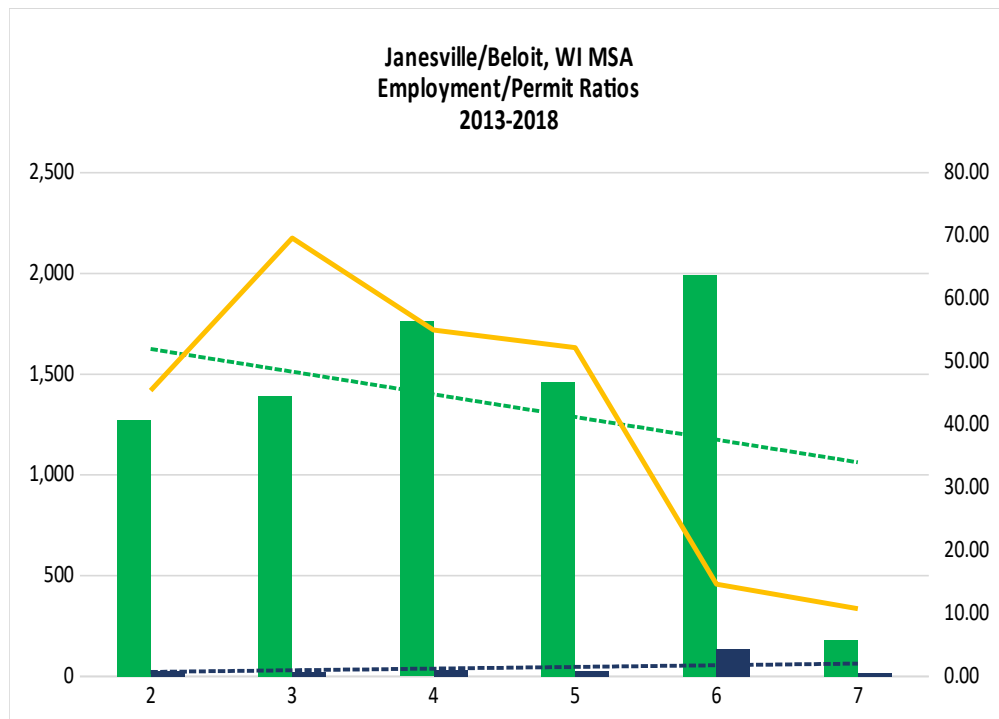
Despite the modest job growth, the unemployment rate in the MSA declined from 3.7% to 3.2% over the past twelve months as seen in the table on the page which follows.

**Janesville/Beloit, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	72,056	-6,243	10,347	12.6%
2010	73,383	1,327	9,315	11.3%
2011	73,447	64	7,738	9.5%
2012	74,651	1,204	6,783	8.3%
2013	75,922	1,271	6,346	7.7%
2014	77,314	1,392	5,059	6.1%
2015	79,075	1,761	4,340	5.2%
2016	80,538	1,463	3,840	4.6%
2017	82,531	1,993	3,191	3.7%
2018	82,714	183	2,730	3.2%

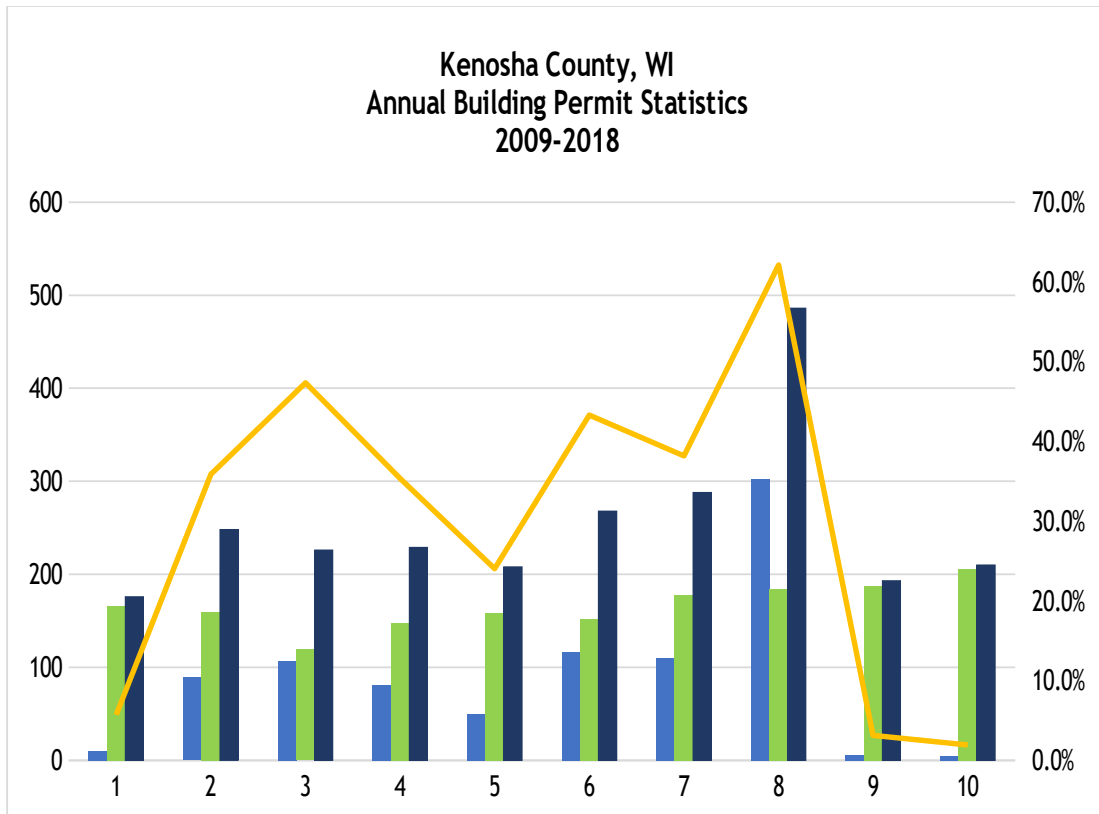
Source: U.S. Bureau of Labor Statistics

As indicated in the following chart, the multifamily sector in the Janesville/Beloit MSA has been weakening consistently over the past six years with the employment/permit ratio of 10.76 recorded in 2018 being the lowest since 2009.



Kenosha

The total number of residential building permits issued in Kenosha County stood at 210 in 2018, indicative of an increase of 8.8% from the 193 units permitted in 2017. Construction activity was heavily concentrated in the single family sector which accounted for 98.1% of all development. Conversely, the four multifamily permits issued in Kenosha represented only 1.9% of residential totals, as seen below.



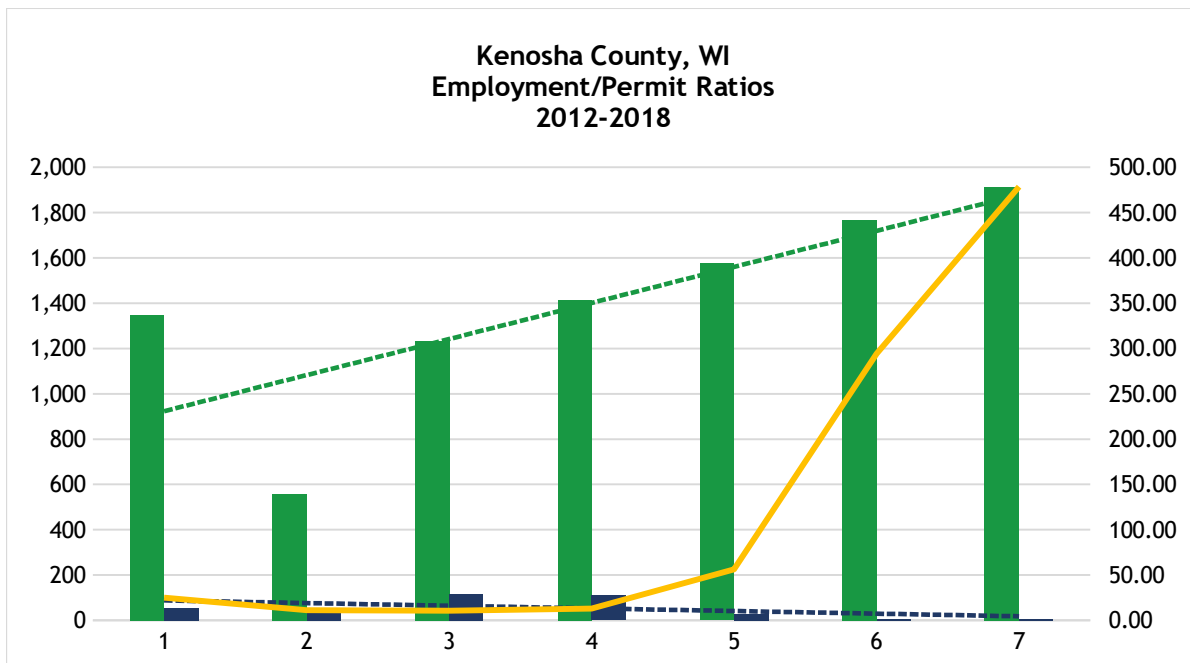
Likely due in some part to the Foxconn development in Mount Pleasant, employment in Kenosha county expanded by 1,915 to a total of 88,341 in 2018. We would expect that over the coming years, employment gains in Kenosha will accelerate as the full effects of Foxconn take hold. As indicated in the table on the following page, job growth totals in 2018 were the highest recorded in Kenosha over the past ten years.

Commensurate with employment additions, the unemployment rate in Kenosha County dropped from 3.9% to 3.6% over the past twelve months.

Kenosha County, WI Annual Employment Statistics 2009-2018				
Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	77,164	-6,243	9,001	10.4%
2010	77,001	-163	8,824	10.3%
2011	78,533	1,532	7,804	9.0%
2012	79,881	1,348	7,094	8.2%
2013	80,438	557	6,654	7.6%
2014	81,671	1,233	5,264	6.1%
2015	83,085	1,414	4,463	5.1%
2016	84,660	1,575	4,133	4.7%
2017	86,426	1,766	3,495	3.9%
2018*	88,341	1,915	3,268	3.6%

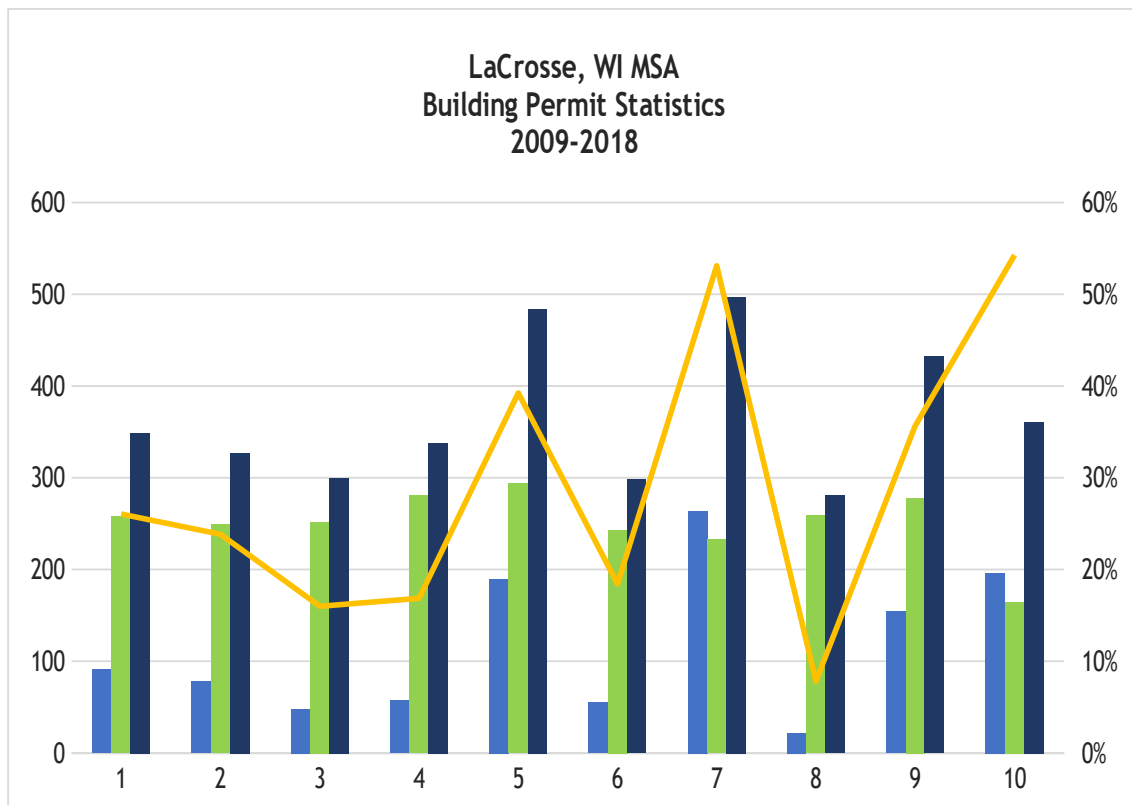
Source: U.S. Bureau of Labor Statis

As seen in the following chart, very low levels of multifamily construction activity coupled with increasing job gains have pushed employment/permit ratios to extraordinarily high levels over the past two years. Assuming job growth continues apace, and new development/construction levels do not accelerate rapidly, it is clear that there is significant multifamily development/investment opportunity in Kenosha County.



LaCrosse

In the LaCrosse MSA, residential housing starts totaled 361 in 2018, reflecting a decline of 16.4% from the 432 housing starts recorded in 2017. By sector, we find that 165 single permits were authorized in 2018, while in the multifamily sector, 196 permits were issued. As presented in the chart below, the 2018 multifamily total represented 54.3% of overall construction volume, and was the highest representation recorded over the past ten years.



With an increase of 781 jobs, the LaCrosse MSA saw its total job count increase from 76,470 to 77,252 in 2018. This represents a decline of 37.9% from the 1,259 job additions generated in 2017, but is still generally in line with employment gains noted in LaCrosse over the past ten years.

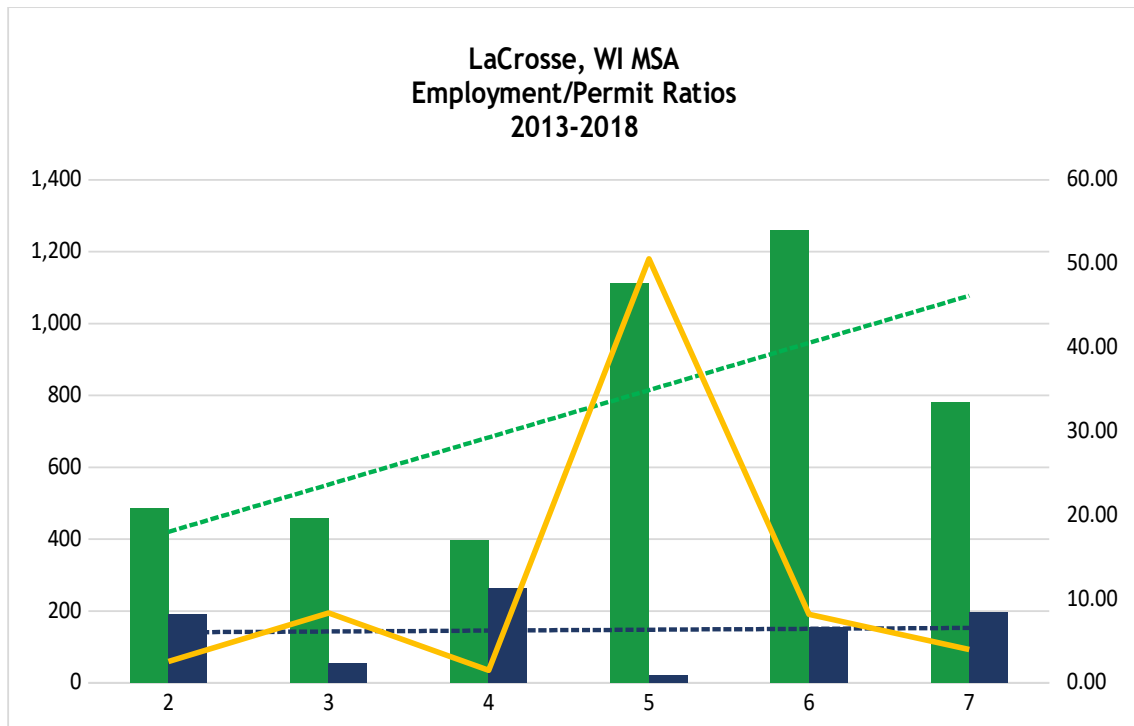
As detailed in the table on the following page, the unemployment rate in LaCrosse declined from 3.0% to 2.6% over the past twelve months.

**LaCrosse, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	71,745	-1,317	5,266	6.8%
2010	71,236	-509	5,188	6.8%
2011	71,567	331	4,655	6.1%
2012	72,758	1,191	4,227	5.5%
2013	73,243	485	4,066	5.3%
2014	73,701	458	3,373	4.4%
2015	74,098	397	2,980	3.9%
2016	75,211	1,113	2,943	3.8%
2017	76,470	1,259	2,350	3.0%
2018	77,251	781	2,041	2.6%

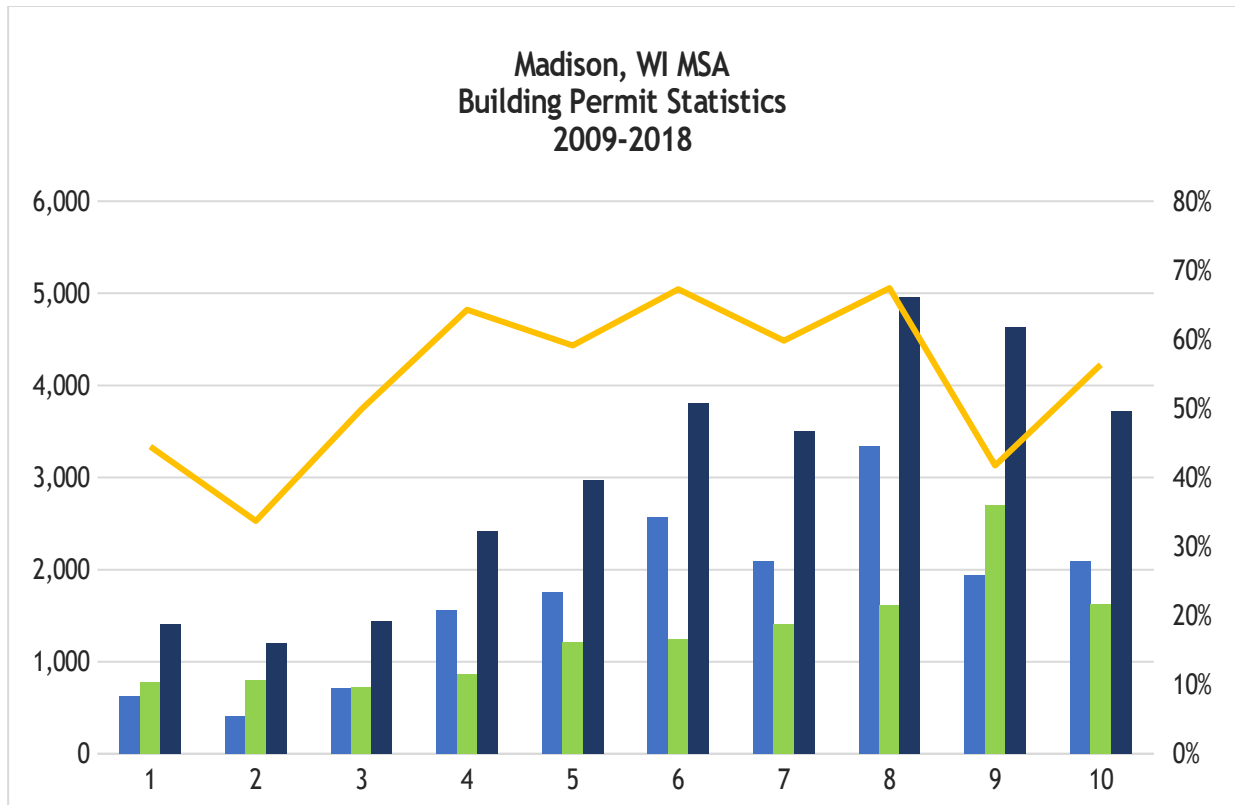
Source: U.S. Bureau of Labor Statistics

While longer term (6-year) trends remain stable, the past two year period has seen weakening potentials in the multifamily sector as relatively high construction levels have brought the employment/permit ratio down significantly. This is clearly seen in the following chart.



Madison

The Madison MSA witnessed the authorization of 3,716 residential building permits in 2018, reflecting a decline of 19.8% from the 4,632 permits issued in 2017. By sector, the single family sector experienced a decrease 39.8%, while the multifamily sector's 2,093 permits reflected an increase of 8.2%. As detailed in the following chart, the 2018 multifamily total was the second highest figure recorded over the past ten years.



In the Madison MSA, overall employment increased by 4,211 (1.1%) to a level of 384,443 in 2018. This was the lowest level of net job gains recorded in the MSA since 2012 when 2,852 additions were recorded.

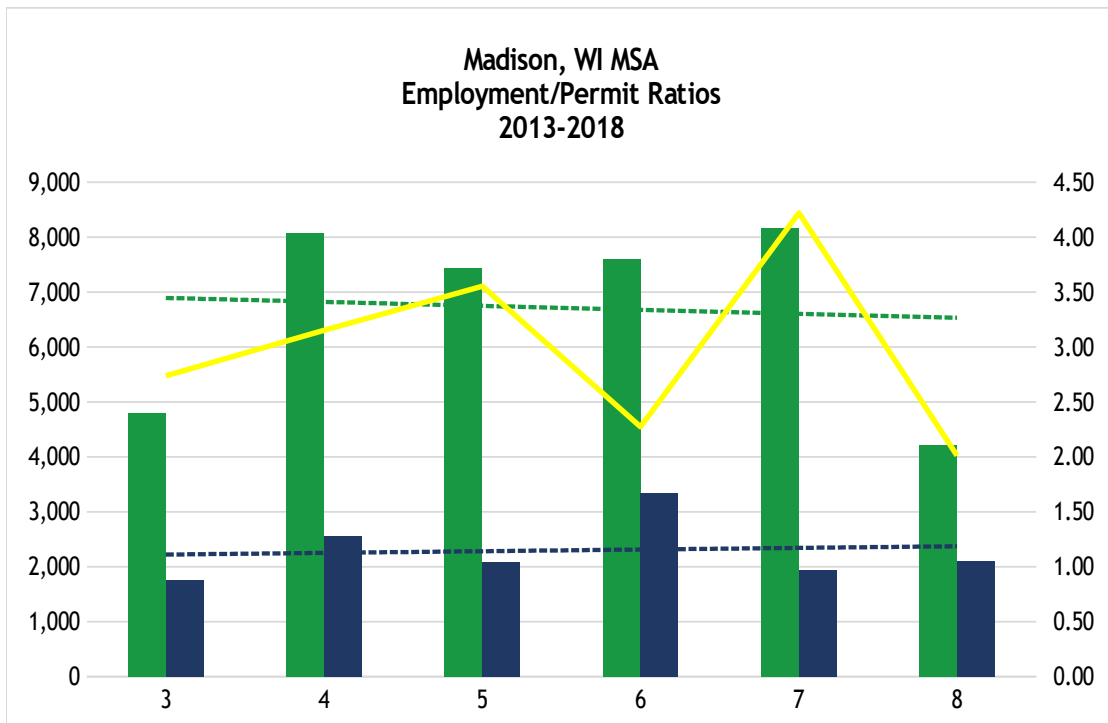
While job growth slowed, the unemployment rate in the Madison MSA declined from 2.5% in 2017 to 2.2% in 2018 as seen in the table on the page which follows.

**Madison, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	341,654	-6,265	22,745	6.2%
2010	337,387	-4,266	22,972	6.4%
2011	341,310	3,923	20,662	5.7%
2012	344,162	2,852	18,970	5.2%
2013	348,961	4,799	18,235	5.0%
2014	357,039	8,078	14,634	3.9%
2015	364,475	7,437	12,710	3.4%
2016	372,070	7,595	11,686	3.0%
2017	380,232	8,162	9,666	2.5%
2018	384,443	4,211	8,726	2.2%

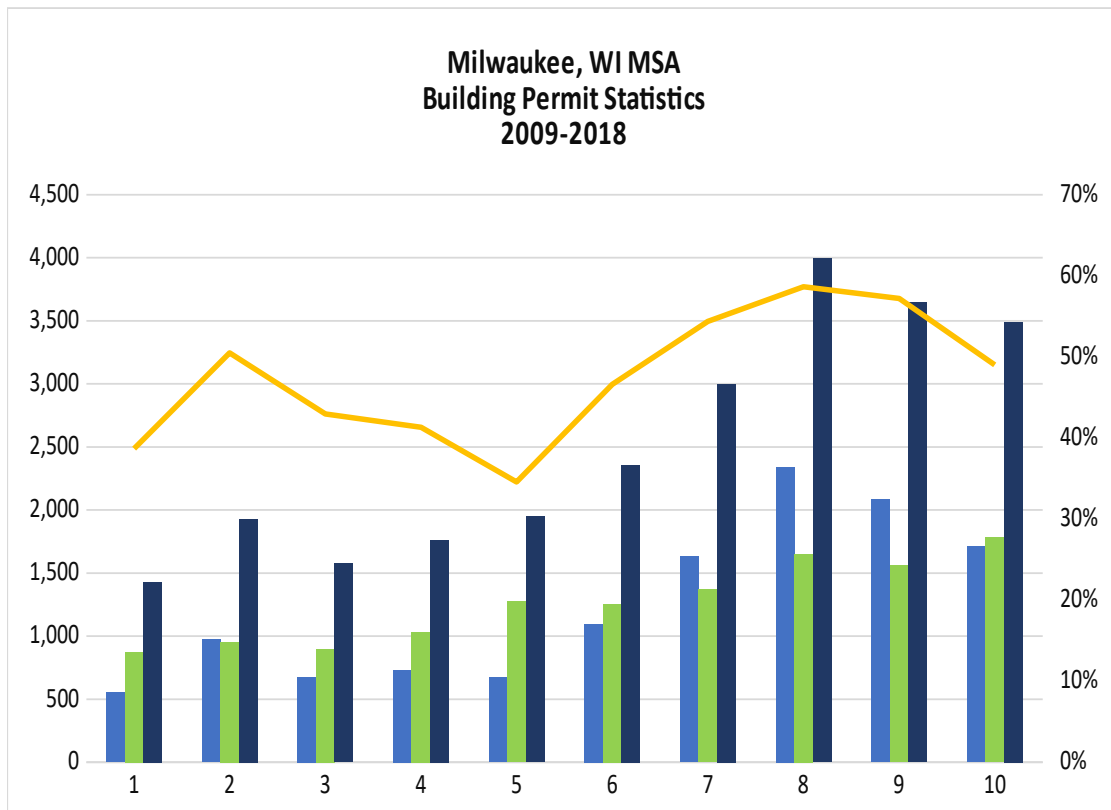
Source: U.S. Bureau of Labor Statistics

As seen in the chart below, the employment/permit ratio in the Madison MSA dropped to 2.01 in 2018 as employment gains dropped and multifamily housing starts increased moderately. However, over the past six years, the ratio has remained quite stable.



Milwaukee

Overall residential housing starts dropped by 4.2% in the Milwaukee MSA from 3,644 units in 2017 to 3,491 units in 2018. However, we note that single family authorizations increased by 14.2% while multifamily totals declined 17.9% to 1,711 units in 2018. As seen in the following table, multifamily permits accounted for 49.0% of overall totals.



Overall employment in the Milwaukee MSA expanded from 802,769 jobs in 2017 to 805,585 in 2018. This equates to a net increase of 2,816 jobs, or 3.5%. This level of growth reflects the lowest level of net employment growth since recession-impacted 2009 when 32,792 jobs were lost.

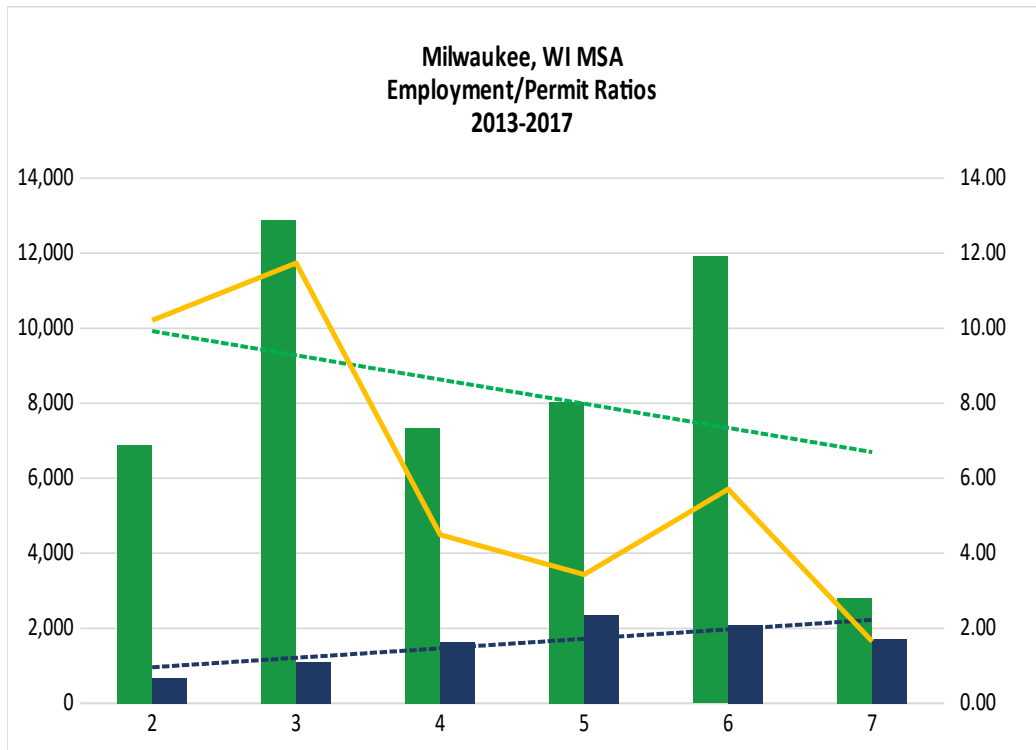
As detailed in the table on the following page, the unemployment rate in the Milwaukee MSA currently stands at 3.1%

**Milwaukee, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	732,858	-32,972	70,285	8.8%
2010	744,377	11,519	73,100	8.9%
2011	751,646	7,270	66,468	8.1%
2012	755,716	4,069	60,779	7.4%
2013	762,600	6,885	59,157	7.2%
2014	775,490	12,890	48,297	5.9%
2015	782,824	7,334	40,634	4.9%
2016	790,860	8,036	36,977	4.5%
2017	802,769	11,909	29,465	3.5%
2018	805,585	2,816	26,079	3.1%

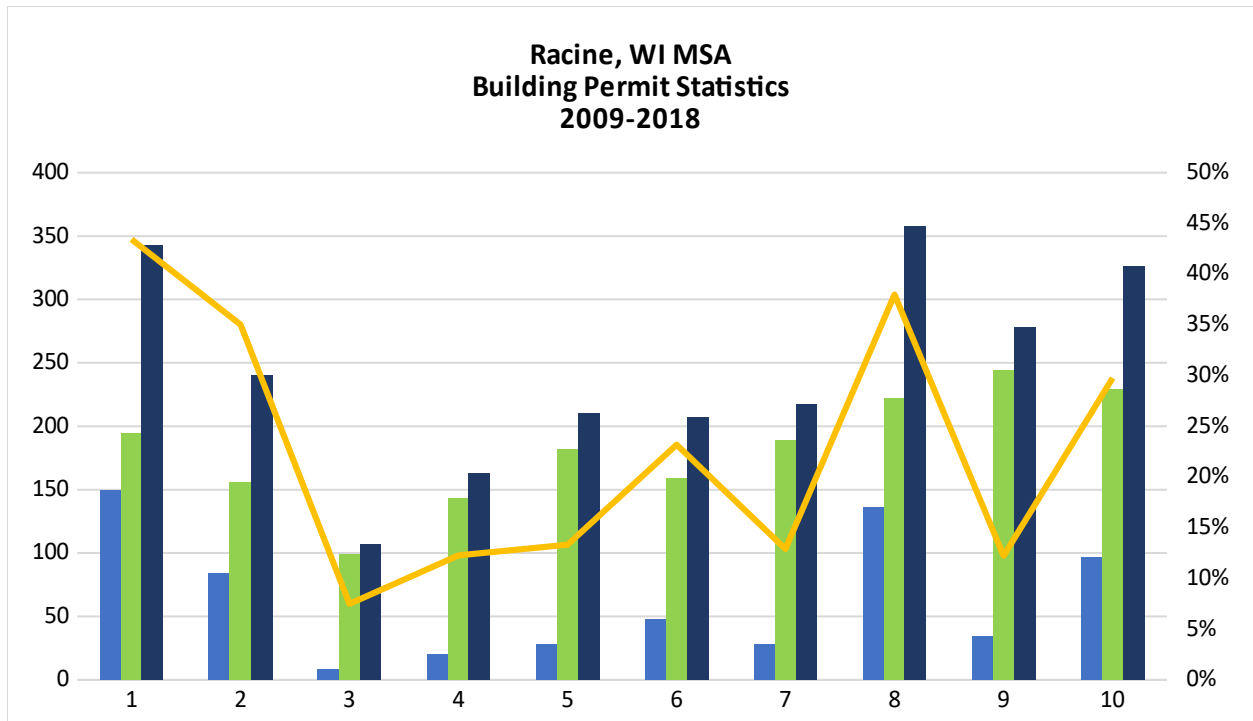
Source: U.S. Bureau of Labor Statistics

Both long term (6 year) and recent year figures point to a weakening multifamily sector development/investment market. Specifically, significant declines in net employment growth more than offset a modest drop in multifamily housing starts to bring the employment/permit ratio down to a level of only 1.65 as seen below.



Racine

In 2018, the Racine MSA witnessed the authorization of 326 residential building permits. This reflects an increase of 17.3% from the 278 housing starts recorded in 2017. By component sector, we note that single family permits dropped by 6.2% while multifamily authorizations increased from 34 in 2017 to 97 in 2018. The following chart provides further details.



Total employment in the Racine MSA stood at 96,044 in 2018, reflecting a decline of 21 jobs over the past twelve months. As indicated on the table on the following page, employment levels have been quite variable over the past ten years.

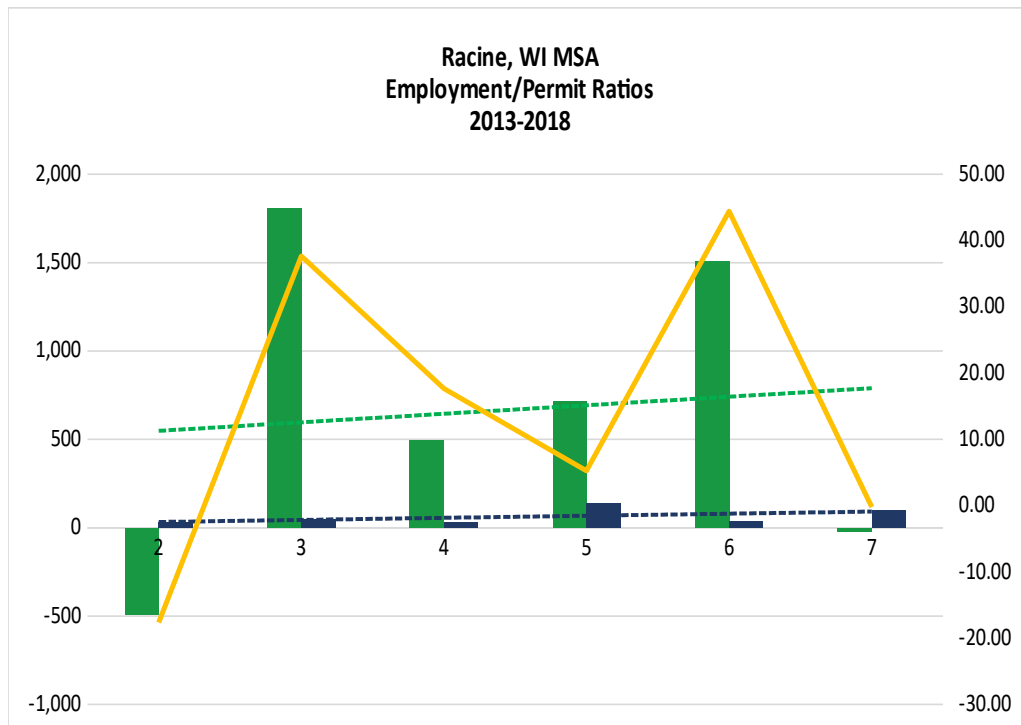
Over the past year, the unemployment rate in the Racine MSA has decreased from 4.1% in 2017 to 3.6% in 2018.

**Racine, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	89,224	-4,855	10,167	10.2%
2010	90,120	896	10,193	10.2%
2011	91,428	1,308	9,091	9.0%
2012	92,031	603	8,395	8.4%
2013	91,538	-493	8,314	8.3%
2014	93,346	1,808	6,607	6.6%
2015	93,840	495	5,603	5.6%
2016	94,555	715	5,094	5.1%
2017	96,065	1,510	4,077	4.1%
2018	96,044	-21	3,552	3.6%

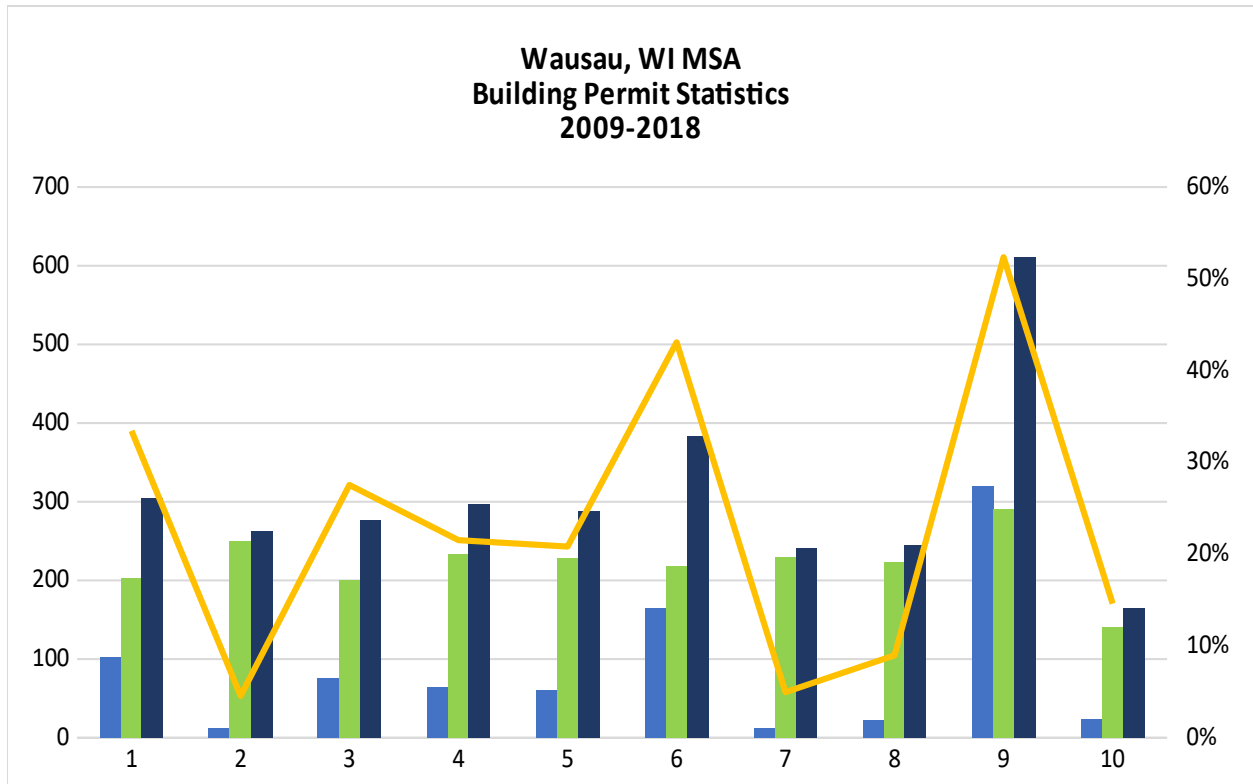
Source: U.S. Bureau of Labor Statistics

While the six year trend has remained largely neutral, employment losses coupled with increased multifamily construction activity has dropped the employment/permit ratio to -0.22 in 2018 as evidenced below.



Wausau

The total number of residential building permits issued in the Wausau MSA stood at 164 in 2018, marking a steep, 73.2% decline from the 611 units authorized in 2017. The 2018 figures represent the lowest level of activity in the MSA in the past ten years. The 24 multifamily units permitted in 2018 reflects a steep decline from the 311 units recorded in 2017, but is still largely in line with previous years as detailed below.



The Wausau MSA added 1,639 jobs in 2018, to bring the total employment figure to 73,771. As seen in the following table, 2018 job additions represent the second highest total recorded in the MSA over the past ten years.

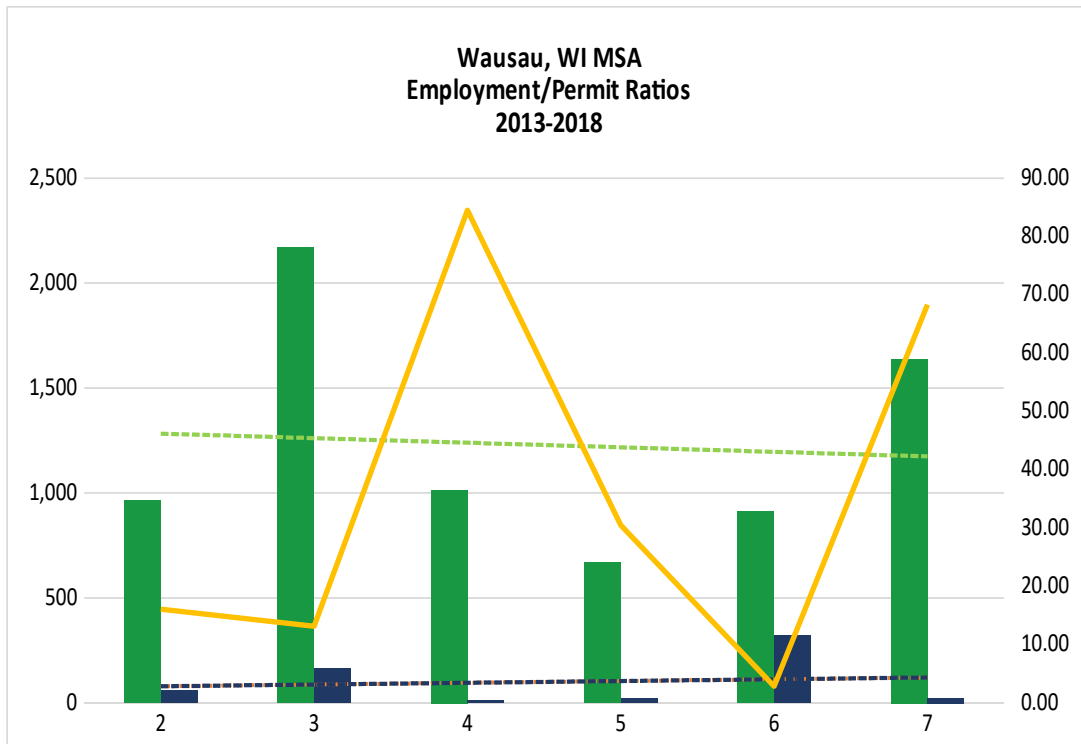
The current unemployment rate in the Wausau MSA stands at 2.6%, down from the 2017 figure of 3.0%

**Wausau, WI MSA
Annual Employment Statistics
2009-2018**

Year	Annual Employment	Annual Change	Unemployed	Unemployment Rate
2009	68,390	-3,563	6,562	8.8%
2010	66,691	-1,699	6,829	9.3%
2011	66,981	290	5,733	7.9%
2012	66,398	-583	5,246	7.3%
2013	67,364	967	4,844	6.7%
2014	69,535	2,171	3,697	5.0%
2015	70,549	1,014	2,967	4.0%
2016	71,220	671	2,715	3.7%
2017	72,132	912	2,193	3.0%
2017	73,771	1,639	1,948	2.6%

Source: U.S. Bureau of Labor Statistics

While overall trends remain fairly neutral, large employment additions in 2018 paired with modest multifamily construction activity have pushed the current employment/permit level to 68.29 as seen below.



Conclusions

Found below is a ranking of the eleven metropolitan statistical areas in the State of Wisconsin as well as a corresponding letter grade that indicates the attractiveness of the MSA for multifamily development and/or investment in 2019.

Wisconsin MSA Rankings

1. Kenosha (A+)
2. Wausau (A-)
3. Appleton/Oshkosh (B+)
4. Fond Du Lac (B+)
5. Green Bay (B)
6. LaCrosse (B-)
7. Eau Claire (B-)
8. Madison (B-)
9. Racine (C+)
10. Janesville/Beloit (C-)
11. Milwaukee (D)