

**AN OVERVIEW OF
SOUTHEASTERN
WISCONSIN'S SINGLE-FAMILY
RESIDENTIAL MARKET**

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In about 15 minutes.

Just how big is the Milwaukee Metro market ?

Total Sales Volume for Milwaukee County,
1/1/2015 to 12/1/2015

- \$1,124,332,386 in single family sales
- 6,765 Transactions
- Average transaction \$166,223
- List to Sell Ratio 96%
- Highest \$2,350,000
- Lowest \$1

Contrast to 1/1/2009 to 1/1/2010

- Total Sales Volume \$908,687,835
- 6,292 Transactions
- Average transaction \$144,800
- List to Sell Ratio 94%
- Highest \$3,140,000
- Lowest \$2,250
- Volume 23% less
- Prices 12% lower

Entire Metro Area: Year to Date

Milwaukee County \$1,124,332,386

Waukesha County \$1,349,411,004

Washington County \$352,110,374

Ozaukee County \$300,052,271

Racine/Kenosha \$637,111,591

Total Sales Volume \$3,763,017,626

WOW!

That's a 3.76 Billion Dollar Market

17,165 sales transactions

\$219,098 average sales price

And that's only single-family

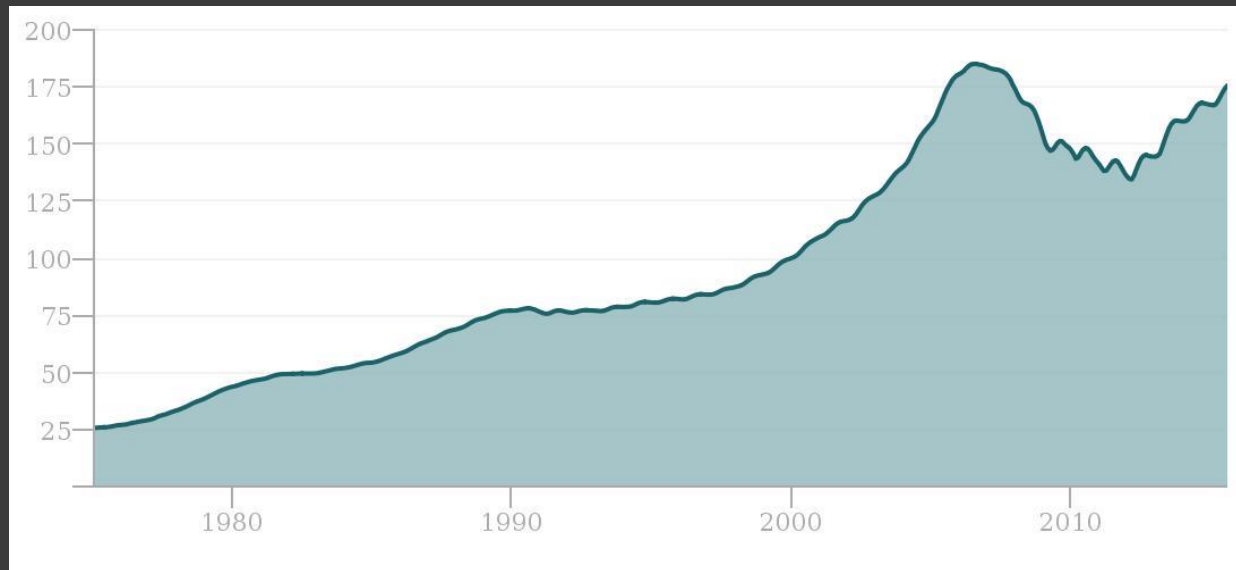
A Look at the Recent Past

- 10/9/2007 Dow Jones Industrials 14,164
- 12/1/2007 Recession “Officially” Begins – Just ask Google
- 3/9/2009 Dow Jones Industrials 6,547 – down 54%
- June 2009 – Recession “Officially” Ends Just Ask Google
- The End

Not So Fast!

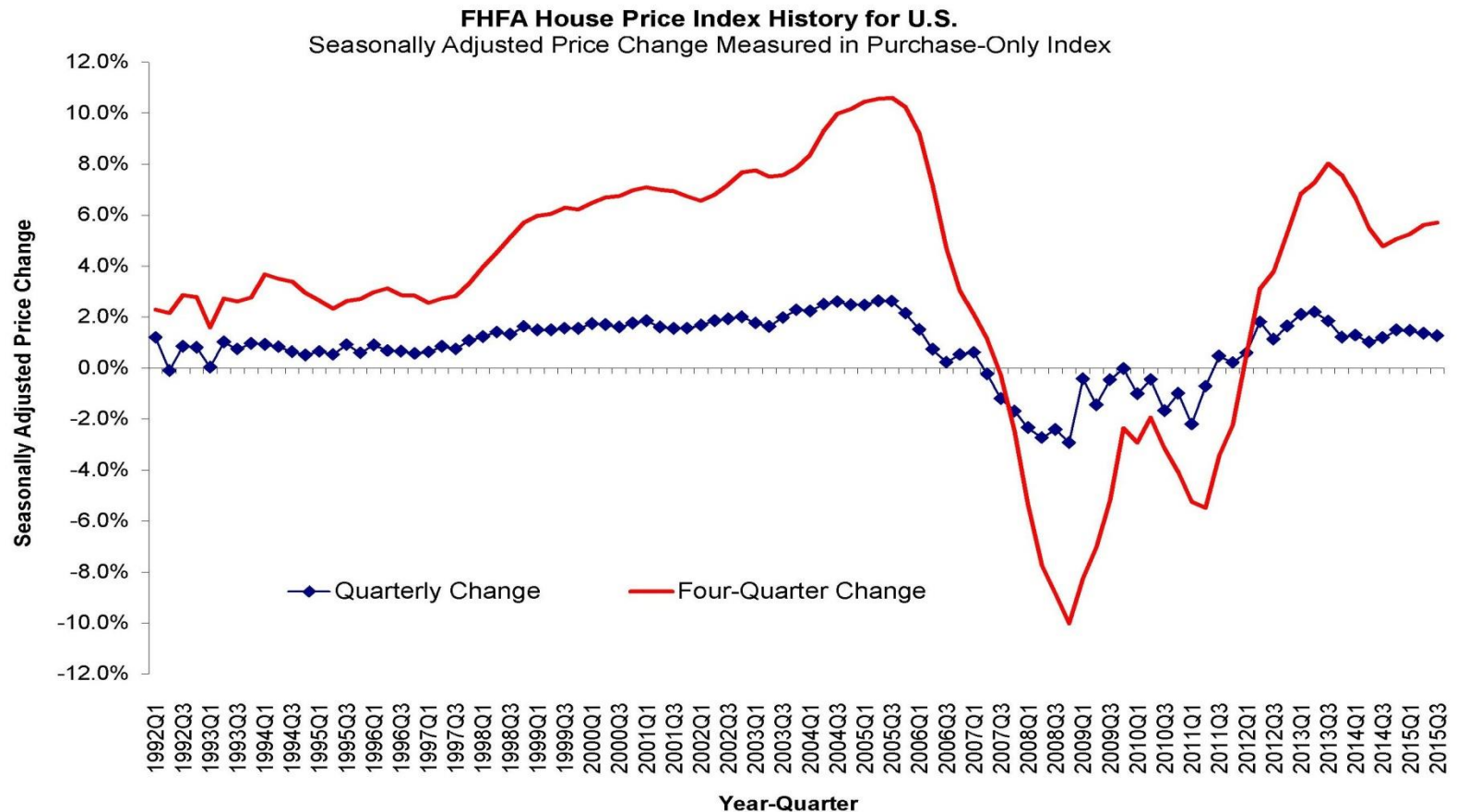
What happened to the homeowners, buyers and sellers in our Metro Area?

- Let's look at the present.
The Case-Schiller Index says we got better



Hooray! We are back to about 2006 price levels

Federal Housing Finance Agency (FHFA) House Price Index History for U.S. also supports roughly 2006 price levels



Source: FHFA

FHFA House Price Appreciation shows Wisconsin appreciating

1-Year 4%

3rd Quarter 0.53%

5-year 8.02%.

This ranks us 31st in US

FHFA Purchase-Only Index Milwaukee-Waukesha-West Allis Metropolitan Area

1-yr 3.88%

3rd Quarter -0.07%

5-Yr 8.80%

Recent local news is very encouraging!

“Metro Milwaukee home sales up 13% last month. September sales in area exceeded 1,700 for first time since 2005” BizTimes, October 14, 2015

Article contained the following third quarter average home sale prices

Milwaukee County, up 7 percent to \$160,645

Waukesha County, up 3 percent to \$288,866

Washington County, up 8 percent to \$221,841

Ozaukee County, up 8 percent to \$296,003

So, has our market
recovered?

It depends.

Local Area Residential Markets
are highly segmented and
distinctly different.

The “great middle” of the suburban market is doing well.

Here are some representative examples, studying sales from 5/1/2015 to 11/1/2015.

Price range \$250,000 to \$500,000.



The City of Franklin

- 111 sales during the study period ranging from \$252,000 to \$499,900
- Average sale price \$328,500
- Average list to sell ratio 99%
- 41 sales at or above asking price
- 1 REO/ Foreclosure sale

City of Mequon

- 99 sales during the study period ranging from \$250,000 to \$500,000
- Average sale price \$365,546
- Average list to sell ratio .97%
- 18 sales at or above asking price
- 1 REO/ Foreclosure sale

Village of Menomonee Falls

- 109 sales during the study period ranging from \$250,000 to \$497,500
- Average sale price \$349,000
- Average list to sell ratio 99%
- Also 41 sales at or above asking price
- 2 REO/ Foreclosure sales

City and Village of Pewaukee

- 104 sales during the study period ranging from \$250,000 to \$499,900
- Average sale price \$350,500
- Average list to sell ratio 98%
- 37 sales at or above asking price
- 3 REO/ Foreclosure sales

Other Interesting Tidbits

- Numerous examples in all sales pools of foreclosure purchases from 2012 to 2014 sold in a reconditioned state in 2015 by investors.
- Numerous examples of estate or retirement sales selling at significant discounts.
- Scattered foreclosures, REO's, and short sales at all price levels.

The High Value Market



suburban residential markets with recent historical sales from roughly \$650,000 to \$1,000,000 and up for off-water property.

Why off-water?

Because both the Waukesha County Lake Country and Lake Michigan markets have strongly recovered.

- Note: These are selected as representative examples

High value examples-Mequon

Studied five 2015 sales from
\$667,000 to \$875,000

- Historical sale prices were from 2004 to 2007 and ranged from \$754,100 to \$1,150,000
- Loss on sale ranged from 9.2% to 23.9%
- Average loss on sale 16.6%

High value examples-Hartland

Studied six 2015 sales from
\$614,000 to \$850,000

- Historical sale prices were from 2002 to 2007 and ranged from \$725,000 to \$980,000
- Loss on sale ranged from 4.3% to 22.8%
- Average loss on sale 13.2%

Why the change?

Some theories:

- A post recession mentality
- Smaller buyer pool (demographics)
- Lower number of highly compensated executives
- Lower actual income
- The alternative of new custom construction
- High value homes tend to be more personalized and buyers factor for significant remodeling costs reflecting their tastes
- Less generous corporate relocation programs
- A general post recession trend toward smaller housing

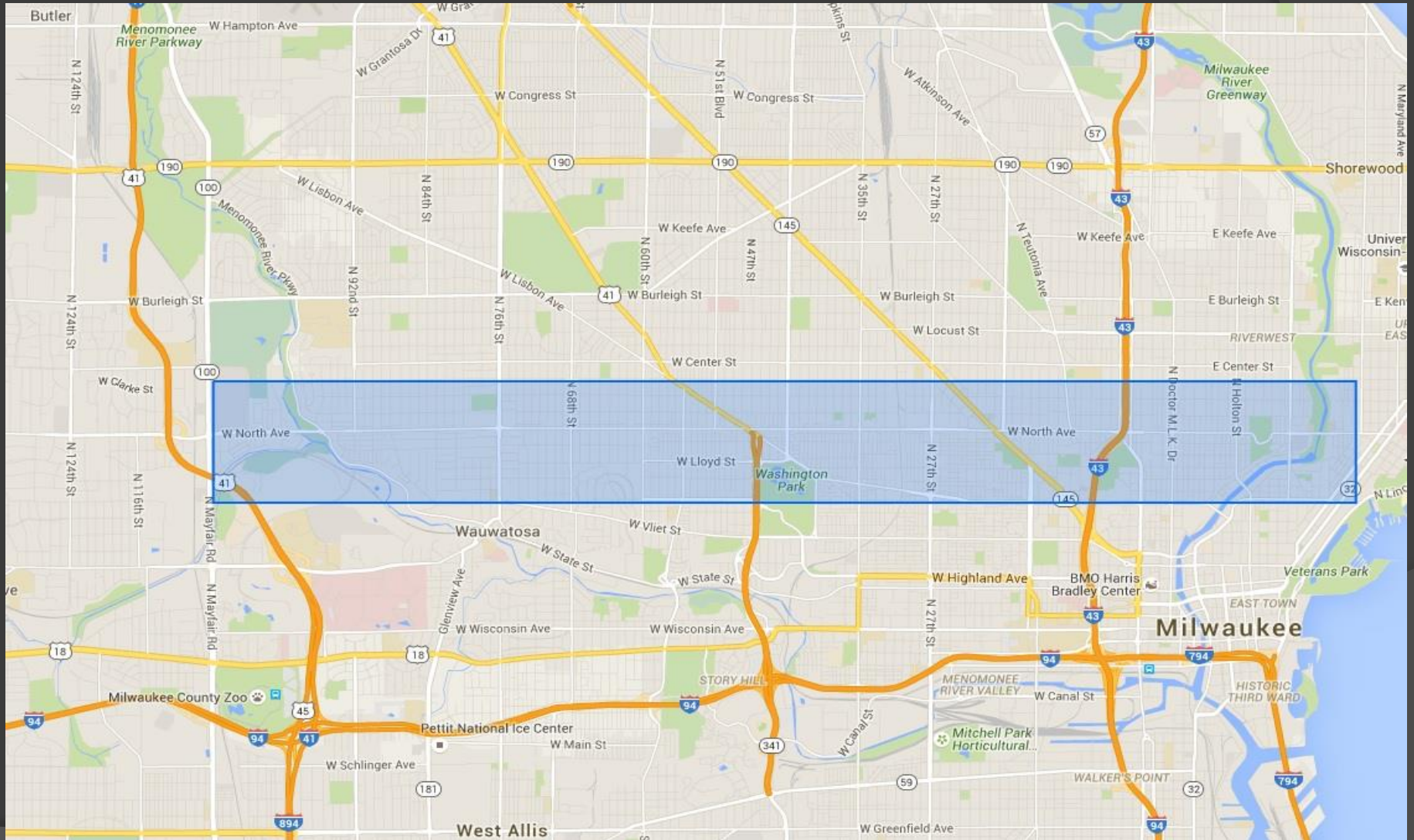
Let's look at two
representative residential
corridors in the City of
Milwaukee.

Looked at a similar six month picture of all single-family residential sales lying six blocks either side of North Avenue and Greenfield Avenue. All price ranges were included.

This represents two highly diverse urban corridors with highly diverse neighborhoods and equally diverse value characteristics.

Values appear to be improving but many challenges remain.

North Avenue Corridor



North Avenue Corridor

City of Milwaukee from Wauwatosa to Lake Michigan. Includes neighborhoods such as Washington Heights, Metcalfe Park, Riverwest, Harambee, Sherman Park, Midtown, Uptown and others.

89 sales during the study period ranging from \$1,200 to \$568,000

Average sale price \$102,000

Average list to sell ratio 94%

4 sales at or above asking price

29 REO/ Foreclosure sales (approx. 32.5%)

Market is improving REO/Foreclosure sales remain a factor but are declining.

Greenfield Avenue Corridor

City of Milwaukee from West Allis border to Lake Michigan. Includes neighborhoods such as Bayview, Walker's Point, Historic Mitchell Street, Silver City, Clarke Square, and others.

86 sales during the study period ranging from \$3,750 to \$345,000

Average sale price \$113,000

Average list to sell ratio 97%

20 sales at or above asking price

20 REO/ Foreclosure sales (approximately 23%)

Market is improving REO/Foreclosure sales remain a factor but are declining.

Bayview market appears to be especially active

Other Interesting Tidbits

- Numerous examples in both sales pools of foreclosure purchases from 2011 to 2014 sold in a reconditioned state in 2015 by investors. Same as the suburbs.
- Numerous examples of rental homes sold as investments. This includes multiple property investment packages.
- Significant number of City of Milwaukee tax foreclosure properties.
- Although declining, distressed properties are still a source of negative price pressure.

Current and future trends

Millennials

They're here!

They're different!

There are a lot of them!

They want different stuff than we do!



Millennials represent a different real estate consumer.

Tend to consider rental over ownership

Tend to favor smaller dwellings (rented or owned)

Tend to value lifestyle over housing

Tend to have shorter term employment

Many appear to accept lower income

Many are burdened with student debt

Many have post recessionary spending anxiety

Rising rentals reduce saving for downpayment

Compete with retiring baby boomers for smaller cheaper housing stock

What turns a Millennial into a homebuyer?



Where are things going?

Spoiler alert!!!

Appraisers are good historians but lousy forecasters.

Mid priced suburban markets will continue to be stable and improve.

High value markets will remain slow.

Urban markets will continue improving but at a slower pace.

Let's hope for a very modest interest rate hike.

Thanks for your
attention!