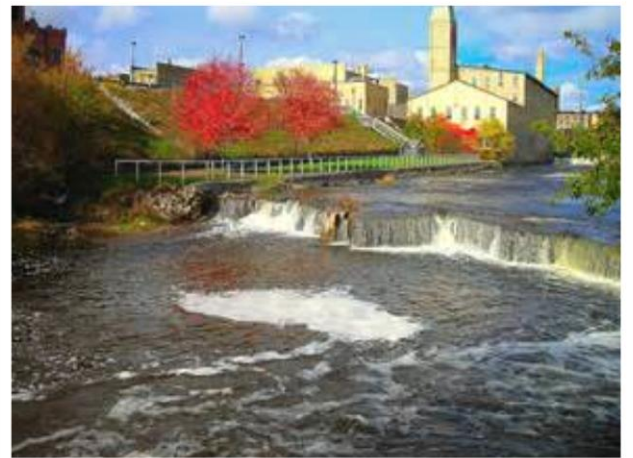


Sheboygan / Sheboygan Falls / Plymouth Multi-Family Housing Market Analysis



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EXECUTIVE SUMMARY

Sheboygan, Sheboygan Falls, and Plymouth represent a population of roughly 66,541 residents, within Sheboygan County. The City of Sheboygan is located on Lake Michigan, surrounding a fabulously developed harbor with amenities to attract young professionals to this urban area. Plymouth and Sheboygan Falls are communities 14 miles west of the downtown. These three communities plus Kohler Village serve as the home for the top thirty private employers in the County who employ over 70 percent of the County workforce. The County is experiencing a demand for a type of housing that is not being met by the current apartment stock. Employers' have expressed their concerns to the SCEDC about the lack of available housing for workers which may limit their ability to attract employees for new positions. This document provides an overview of the potential housing demands that will be used to encourage new residential development within the study areas to address the need for additional multi-family rental units.

Population Growth. This key driver of housing demand is expected to grow at a slow rate. A slowdown in population growth has occurred simultaneously with a decline in average household size, resulting in a steady increase in net new household formations. Changing demographics, single head of households and housing preferences have shifted demand, creating increased demand for rental units and senior housing. The analysis indicates a need for **45 additional rental units** to meet the needs of the Age of Householder 55-64 year and **101 additional rental units** to meet the needs of the 65 and over householder. This is based on anticipation that 34 percent of households in these age groups will continue to rent.

Table 8: Household Trends by Age (2013-2018)

Age of Householder	Plymouth	Sheboygan Falls	Sheboygan City	Downtown
<25 years	-11	-20	268	-21
25-34 years	-16	-22	-108	-24
35-44 years	-14	0	-44	0
45-54 years	-81	4	-283	5
55-64 years	33	8	91	8
65-74 years	80	20	282	22
75-84 years	6	-3	16	-3
Total Change in Households	-3	-13	222	-13
Units Supported Rental/Owned	Through 2018	Through 2018	Through 2018	Through 2018

Sources: US Census Bureau, Census 2010 Summary File 1. ESRI forecasts 2013 and 2018

Employment Growth. Six major employers that were interviewed have indicated an expectation to hire 305 new employees in the next two years. Other employers not interviewed yet may be hiring. It was assumed that 50 percent of the 305 positions will be filled by workers who currently live within commuting distance and 50% will move into the area. This growth in employment is expected to create a need for 150 additional units. Assuming that 34 percent of the new employees would be renters an **additional 49 rental units** will be needed to fill this demand.

Market Equilibrium (the point at which new construction is warranted). Over 35 apartment owners or property managers were contacted to assess the local vacancy rate for market rate, senior and income based rental units. Of the total 2,934 rental units, 2,374 were market rate apartment rental units with few vacancies. Assuming a vacancy rate of 5 percent or less as the point for which new construction should be considered, and based on 2,374 apartments units with 10 vacancies, in the rental complexes surveyed, the communities in the study area could add another **103 rental units** to bring the market up to a 5% vacancy rate.

The potential exists for an additional 300 rental units, assuming that there are no unforeseen ways or dramatic global economic shifts that would impact future residential, commuting, and lifestyle decisions.

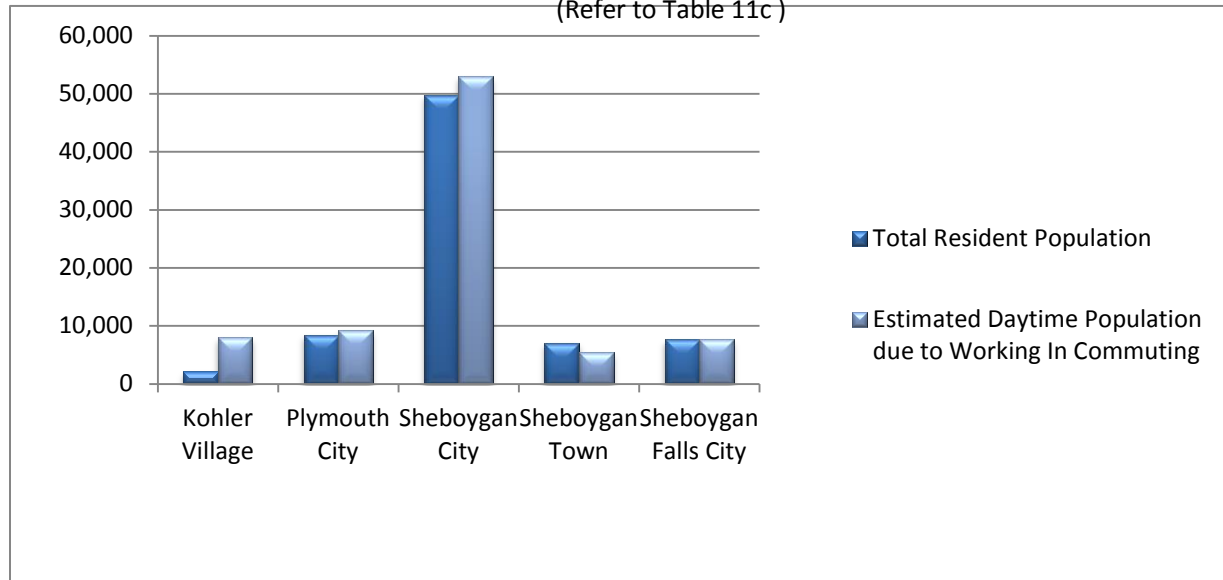
The strengths and challenges existing within the study areas should be examined carefully. The following list strengths and challenges to be explored further.

Strengths:

- The top thirty privately held employers in Sheboygan County are located within 14 miles or less of Downtown Sheboygan and employ close to 70 percent of the workers in Sheboygan County.
- There exists an opportunity to capture persons that reside outside of Sheboygan County and commute into the County for work, especially with anticipated job growth. The net inflow of workers is strong with over 8,658 persons commuting into the County on a daily basis. After the out commute there remains a net inflow of those who live in Sheboygan County and work outside, there remains a net inflow of 1,503 workers.
- Apartment Rental vacancies are very low at this point in time with a potential demand.
- The multifamily rental market within the study area is considered strong due to low or no vacancies in the survey of over 2,809 apartments in Sheboygan Falls, Sheboygan City and Plymouth. (Table 13)
- The Kohler Company continues to employ and attract over 6,000 workers on a daily basis, however, Kohler Village has no apartment or rental units available.
- Kohler Village daytime population increases by over 5,905 persons due to the influx of workers.
- Sheboygan City daytime population increases by over 3,184 persons due to the influx of workers.
- Strategies have been developed through the Harbor Centre Master Plan to maximize Sheboygan's competitive advantage, including the arts, culture, food, housing, increased density, better community connections and cross-marketing.
- Downtown is pedestrian-friendly with easy access to quality restaurants, coffee shops and entertainment venues.
- There are several infill sites in Downtown Sheboygan identified for market rate multifamily developments.
- A consensus among those persons interviewed suggest that there exists a demand for new apartments with the newer amenities demanded by the younger renter and the retiring "baby boomer."
- The younger generation and the older retiring generation remain the target market for renting.

Commuter-Adjusted Daytime Populations due to Worker In Commuting

(Refer to Table 11c)



Source: U.S. Census Bureau, 2006-2010 American Community Survey 5-year estimates

Challenges:

- Population growth (or lack thereof) in a community has significant implications for availability of employees, consumer spending and demand for residential space. The downtown population overall is forecasted to decline by -1.49%, but the population of those age groups seeking urban living is expected to rise. Investment in and marketing of the downtown could attract residents, causing an increase, rather than a decrease, in the population and an increase in the demand for housing.
- Employment growth is expected to increase with limited rental housing options due to the low vacancy rate.
- Apartment rental opportunities are limited due to low vacancy rates.
- Rents in the study areas are lower than the market rates for same style apartments in other cities in the region surrounding Sheboygan County.
- Based on the 2012 American Community Survey 1-year Estimates, of the 13,597 occupied units paying rent in Sheboygan County, over 69 percent paid less than \$749 per month.
- The median value of homes in the downtown area is \$80,750; with the average value at \$101,058 making the cost of home ownership cheaper than renting assuming the buyer has a down payment.
- Low rental rates discourage multifamily developers from taking the risk of building apartment complexes that require higher rents.
- A consensus among those interviewed, local developers and others from outside the area, was that the rents do not support new investments in the area yet.
- Existing multifamily apartments in the study areas are older, with the newest construction for market rate residential apartments built over seven years ago.

Recommendations:

- Based on expected employment growth and current commuting patterns, it is recommended that the SCEDC employ an aggressive marketing campaign to major employers to attract employees looking for an urban living environment and who desire to live near work.
- SCEDC should work with employers to identify reasons employees continue to commute and whether housing incentives would attract more workers to live in the target communities.
- Identify incentives that would attract developers to construct the needed housing.
- Further, explore the low vacancy rates to seek opportunities for development of additional new apartment complexes.
- Continue to explore the multifamily options for these communities based on the suggested need for additional workforce and senior housing.

Based on research of America's Newest Generation, "The Millennials," born roughly between 1980s and early 2000, will become the largest population group in U.S. history, projected to be 86 million strong by 2020 or 7% larger than the baby-boom generation. Due to immigration, this figure could grow to 88.5 million people.

The population surge of these young adults, combined with a typically large amount of student debt, and the transient nature of young professionals is creating a strong demand for apartments across the country. Because there is a resurgence of cities as centers of economic energy and vitality, a majority are opting to live in urban areas to be closer to their jobs and entertainment. In a national survey, 62% indicated that they prefer to live in the type of mixed-use communities found in urban centers, where they can be close to shops, restaurants and offices.

To grow a community neighborhood attractive to a younger workforce and the retiring "baby boomer generation", multifamily residential housing will need to be developed and constructed with amenities required by both this younger and the aging population.