

# Market Analysis for Owner-Occupied Housing in the Central Area of Milwaukee June, 1994

## 1.0 Area Description and General Purpose

The purpose of this document was to provide an in-depth analysis of the potential housing market and an identification of the type of housing potential purchasers would prefer. The study area was roughly bounded by Capital Drive on the north, Interstate 94 on the south, Holton Street on the east, and Sherman Boulevard on the west.

## 2.0 Summary of Findings

The market for new, owner-occupied housing was limited by problems of crime and deterioration, low incomes of potential purchasers, and by the high cost of new construction relative to the price of an existing house. Prospective purchasers were hesitant to invest in an area where the value of their properties may decline.

Focus groups and an analysis of area demographics resulted in the following conclusions:

- Strength of the market for homeownership (new or existing) was in the \$50,000 to \$60,000 range
- Market existed for a development of 30 to 40 new units in the \$70,000 to \$80,000 range
- New homes should be in a “subdivision,” where the developer can control the environment
- Project should have financing available and be coordinated with a package of improvement programs targeted to surrounding neighborhoods
- Project would be most successful if located in a neighborhood that had already experienced reinvestment and was improving *or* in a neighborhood that was fairly stable and would be reinforced by new investment
- Prospective buyers want basements, garages, and spacious rooms
- Ranch style homes would appeal to the largest market, but styles that echo the existing stock would be acceptable

## 3.0 Socioeconomic Trends and Characteristics

- Population Trends:
  - Study Area: 19.9% population decrease (1970-1990)
  - City of Milwaukee: 12.4% population decrease (1970-1990)
- Household Trends:
  - Study Area:
    - 6.9% decrease in the number of households (1980-1990)
    - Average household size up to 3.1 from 2.9 (1980-1990)
  - City of Milwaukee:
    - 0.5% decrease in the number of households (1980-1990)
    - Average household size down to 2.5 from 2.6 (1980-1990)
- Female Headed Families:
  - Study Area: 10.6% increase in female headed families (1980-1990)
  - City of Milwaukee: 23.4% increase in female headed families (1980-1990)
- Housing Trends:
  - Study Area:
    - 4.3% decrease in housing units (1980-1990)

- 22.8% increase in vacant housing units (1980-1990)
    - 17.7% decrease in owner-occupied housing units (1980-1990)
  - City of Milwaukee:
    - 0.3% increase in housing units (1980-1990)
    - 17.0% increase in housing units (1980-1990)
    - 6.8% decrease in owner-occupied housing units (1980-1990)
- Labor Force Trends:
  - Study Area:
    - 9.9% decrease in total labor force (1980-1990)
    - 40.3% increase in unemployed labor force (1980-1990)
    - 7.2% increase in percent unemployed (1980-1990)
  - City of Milwaukee:
    - 1.7% decrease in total labor force (1980-1990)
    - 26.1% increase in unemployed labor force (1980-1990)
    - 2.0% increase in percent unemployed (1980-1990)
- Crime Trends:
  - Study Area:
    - 122.4% increase in crimes against persons (1980-1990)
    - 32.7% increase in the total crime index (1980-1990)
  - City of Milwaukee:
    - 91.5% increase in crimes against persons (1980-1990)
    - 41.5% increase in the total crime index (1980-1990)
- Ownership Demographics
  - Study Area:
    - 23.2% home ownership rate (1990)
    - 63.6% of home owners make less than \$30,000 (1990)
    - 83.7% of households (own and rent) make less than \$30,000 (1990)
  - City of Milwaukee:
    - 44.5% home ownership rate (1990)
    - 42.9% of home owners make less than \$30,000 (1990)
    - 61.2% of households (own and rent) make less than \$30,000 (1990)

#### **4.0 Market Analysis Findings**

- Primary market for new housing was from households that were already living in or near the study area.
- African-American households represented 75% of the households in the study area
- Married couples had the highest rate of home ownership, while single-parent households had the lowest
- Focus groups expressed concern about purchasing a home in an area with high concentration of rental units
- Attractive existing houses in the study area often sold for less than \$50,000
- 70% of the focus group participants indicated they had incomes between \$27,000 and \$35,000. However, about half of the participants also had over \$5,000 in consumer debt, which limited the amount they felt they could afford to pay for a house.

- Majority of participants felt that they could not afford a new home (estimated to cost \$100,000 for a new, 1600 s.f. home; new subsidized housing at \$80,000 was also in this category)
- One potential market for the study area included persons who have left the area but who had family and/or institutional ties to neighborhoods within the area
- In terms of housing preferences, basements, garages, and large rooms were considered to be “must haves.” Separate dining rooms, two or three bedrooms, 1.5 baths, and central air conditioning were also important.
  - There was some flexibility if the home was in a good neighborhood and at a reasonable price

## **5.0 Conclusions & Recommendations**

To attract purchasers, the developer would need to convince prospects that:

- The neighborhood was relatively safe and there were a variety of efforts to ensure its continued improvement
- The house was a good value and could be financed

The emphasis on the neighborhood first was important – focus groups were flexible as to the details of the home (including price), as long as it was located in a desirable neighborhood.

Any new housing should be located in an isolated, planned development rather than infilling between existing houses. This would allow the developer to instill a higher level of confidence in the prospective purchasers that their investment would be safe.

To tap the market for lower-priced homeownership, there needs to be a targeted program to foster housing rehabilitation and ownership in areas immediately adjacent to any planned new development. A successful program to increase owner occupancy in existing houses would help stabilize the neighborhood and provide additional confidence in prospective new home purchasers that the value of their investments would be maintained.