

LADYSMITH HOUSING SUPPLY & DEMAND ANALYSIS



EXECUTIVE SUMMARY

As part of a coordinated effort to foster economic growth and revitalization in Ladysmith, the City of Ladysmith has undertaken a number of initiatives, including the formation of a local Main Street district. One of the Main Street program's four core points is economic restructuring, which promotes full utilization of downtown properties and the promotion of a vibrant mixed-use district. One of the services provided to the Ladysmith Main Street as part of their first year in the Wisconsin main Street program is a market analysis. This housing market study is a related component of the retail supply and demand analysis being carried out by the University of Wisconsin Extension. In all likelihood, future revitalization efforts in downtown Ladysmith will include both residential and business expansion, promoting both storefront occupancy and customer base expansion.

This analysis explores the characteristics of the existing housing market in Ladysmith and surrounding Rusk County, including residential development, unit mix, vacancy and rental rates. Additionally, the report explores various components of residential demand, including demographic changes, workforce commuting patterns and changing household composition and residential preferences. This analysis found that while Ladysmith's declining residential population has limited new residential development to replacement units for aging properties and units dedicated to seasonal housing development, the low overall vacancy rate and changing population dynamics create some potential opportunities for targeted new residential development. In the next decade, Ladysmith has the potential to support as many as 17 for-rent and 56 for-sale units targeted to empty nester households, 90 units of workforce housing and 45 units of assisted living. However, each of these populations will have alternative options for relocation, and Ladysmith will need to retain and attract relocating households by providing residential options which meet the needs of each of these disparate groups.

Finally, the report concludes with a general outline of future development characteristics and financial considerations which will influence the type of development possible in the City. Fortunately, Ladysmith is a viable candidate for many financial assistance programs applicable to residential development, including its status as primary market within the New Market Tax Credits (NMTC) program, a High Needs area under WHEDA Section 42 scoring, and its relatively low income levels which may qualify projects for Community Development Block Grant funding. In fact, the 54 unit Greenwood Manor project was recently awarded Section 42 tax credits from WHEDA to promote acquisition and rehabilitation of affordable assisted living units.

EXISTING SUPPLY & DEMAND

The number, type, rental rate and occupancy status for existing owner-occupied and rental units in Ladysmith and the surrounding trade area were analyzed to identify areas of strength and weakness in the current residential marketplace. This analysis compared the physical and economic composition of units within the City and surrounding rural markets to determine if unmet demand exists for units which would be appropriate for new product development. Information from the 2012 ACS, 2010 Census and 2013 ESRI data were used for this and subsequent analysis included within this report.

Existing Supply

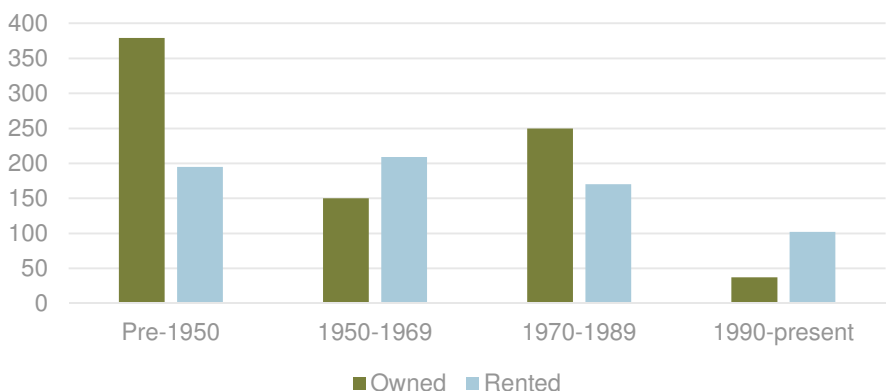
Rusk County's (and Ladysmith's) population has generally been declining since peaking at 17,700 residents in 1940. As of 2000, the County had 15,300 residents. As a result of this overall population decline, new residential unit development has been minimal. There have been no new units added since 2010 in the City, and only 29 units added since 2000, although 1,559 units were added in the larger trade area. The bulk of units added in the City replaced older stock which was taken out of service, creating a net gain of only one unit during the decade.

Further complicating the supply and demand issue is the 47 percent of housing units in the County which are dedicated to seasonal and recreational use. As units transition from full time to part time residential use, it is rare that new units are built to replace this housing stock, reducing the number and variety of housing available to permanent residents relocating to the area.

Increasingly, new units are predominantly built as rental units, while development in previous decades (coupled with subsequent conversion of single family homes to rentals) provides more balance between owned and rented units, as shown in the chart below.

In addition to information from the Census, the City of Ladysmith was able to provide a list of all non-owner-occupied residential units in the City. This information further illustrated the shape of the City's rental market by age and type of unit, as summarized in the table at right. Because the City does not track the number of units in larger facilities, it is impossible to directly compare current figures with Census data. However, it is

Ladysmith Housing Stock



City of Ladysmith

Total Rental Properties (Structures)	255
Average Age	76
Single-Family Rental	149
Duplex	50
Multi-Family Property	26

clear that the Ladysmith rental market falls predominantly into two types of units; turn of the century single family homes and 1950s-1980s multifamily properties, ranging from 3 and 4 unit structures to larger apartment buildings, which are largely senior and/or subsidized apartments and CBRF facilities. Few units are located in either modern homes or modern apartment buildings. Greenwood Manor and Flambeau Village Apartments are the two exceptions to this trend.

Occupancy Characteristics

Overall residential vacancy rates in Ladysmith are very low, with a citywide homeowner vacancy rate of 4.3 percent and rental vacancy rate of 0 percent in the 2012 American Community Survey. County vacancies are similarly low, at 2.7 percent and 2.0 percent respectively. The recorded vacancy rate for all homes is higher, at 10.3 percent in the City and 26.1 percent in the County, due to vacancy of seasonal homes at the time of the census. The market in 2000 was similarly tight, with a 5.5 percent rental and 1.2 percent owner occupied vacancy. By most standards, a vacancy at or below 5 percent is considered to be an indicator of a saturated market.

The ratio of rental to owner occupied units in both the City is slightly higher than for the region and state as a whole, where one-third of all units are typically rented. Ratios in the County are skewed towards owner occupied units due to the presence of generally higher-value homes, and the lack of multifamily properties which contribute to Ladysmith’s rental stock.

	City of Ladysmith			Rusk County		
	Total Units	Percent Vacant	% Rental/ % Owned	Total Units	Percent Vacant	% Rental/ % Owned
2000	1,662	6.6%	41% 59%	7,609	19.9%	78.7% 21.3%
2012	1,663	10.3%	45% 55%	8,849	26.1%	22.7% 77.3%

Source: Census 2000, ACS 2012

Housing units also have fairly low turnover rates, with approximately 5 percent of units turning over on an annual basis over the past 15 years. This means that roughly 72 units of all sizes and types are available locally within a given year. This is consistent with the 21 homes currently on the market for sale within the City and no actively marketed rental units available.



Available homes for sale in the City range from the \$24,000 2-bedroom at left to the \$170,000 4-bedroom waterfront home at right.



Projected Demand Growth

Although there is some opportunity to develop new units to create additional opportunities in a currently tight market, both the City and trade area are expected to lose population in the next five and ten year periods (projected 5.5% decline in the City and 2% decline in the trade area through 2018). This overall loss of population makes it extremely important to target new development at specific needs that are currently not met within the existing housing stock, rather than adding new product to provide modern options. There are two ways that future development can strategically attract households; by catering to changing demographics, and by targeting workforce needs. These two strategies are highlighted in greater detail in the following section.

Residential & Demographic Generators

Despite projections of a 5.5% overall decline in population, the number of households is expected to decline by only half that much, owing to the rise in single person households at both the oldest and youngest ends of the demographic spectrum. In contrast to the existing housing unit mix, this growing segment of households has a strong preference for rental housing overall, and multifamily structures specifically, as shown in the table below.

Demographic Segment	Ownership Rate	Rental Rate
Under Age 35	13%	87%
Age 35-44	65%	35%
Age 45-54	40%	60%
Age 55-64	85%	15%
Age 65+	65%	35%

Source: US Census 2010 / 2012 ACS

Over the next five years, there is a significant increase in households in the empty nester and early retirement ages, and a decrease in households for all other demographic age groups. The cumulative impact of this change is a 35 unit net decline in demand within the City of Ladysmith. Within the expanding demographic segments, a majority of the households demographics still prefer to own, but the type of housing sought by these groups differs from that preferred by younger populations. This creates a potential local market for active adult, independent living and other one-floor housing situations, both owner and renter occupied. The table on the following page highlights the anticipated change in unit type demanded by various demographic segments over the next five years.

Additionally, at the upper end of the age spectrum (especially for households aged 75 and over), relocating households tend to require more supportive care, whether at an independent or assisted living type facility. These facilities are typically located in urban centers, allowing them to serve surrounding rural communities in a central location. Many of these facilities are also working to provide adjacent companion units to accommodate entire households in close proximity. The presence of multiple health care providers in Ladysmith creates an opportunity to attract some of these rural households into the community, especially if walkable locations in proximity to medical facilities and retail amenities can be developed.



Greenwood Manor Assisted Living

Greenwood Manor, although located five blocks from downtown, would require residents to cross train tracks and pass through a fairly industrial area to access these amenities. Rusk County’s population (excluding current Ladysmith residents) includes just shy of 1,000 individuals aged 75 and over, a figure which is expected to increase by 18 percent in the next 15 years, with nearly 300 additional individuals turning 75 during this period. Thirty seven percent of seniors will utilize long term care facilities at some point during their lifetime (US Dept HHS). Overall, 7 percent of individuals over age 75 reside in some type of residential facility. Combined demand from City and County residential populations creates potential demand for 60 additional units of senior-oriented housing in the next 15 years.

	Household Gain/Loss	Rental Unit Demand Change	Owned Unit Demand Change
Age 18-34	-21	-19	-3
Age 35-44	-17	-6	-11
Age 45-54	-29	-18	-12
Age 55-64	15	2	13
Age 65-74	58	15	43
Age 75+	-41	-14	-27

Source: US Census 2010, ACS 2012, ESRI 2013

Employment Generators

Currently, Ladysmith businesses employ nearly 3,100 individuals, many of whom commute to the City from other locations. While 45 percent of these workers travel relatively short distances (10 miles or less), there are a substantial number (20%) that travel more than 50 miles in each direction daily for work. This represents 603 individuals who would potentially benefit from the introduction of additional housing options in the community. A portion of the 510 individuals commuting between 25 and 50 miles daily could also be a viable recruitment population for appropriately developed housing units. This is especially true of younger workers, who are more

likely to be able and willing to relocate and open to becoming part of a community as they begin to consider suitable locations to raise a family. Over 40 percent of workers under age 29 employed in Ladysmith do not currently live in the community, representing 258 individuals with common housing needs.

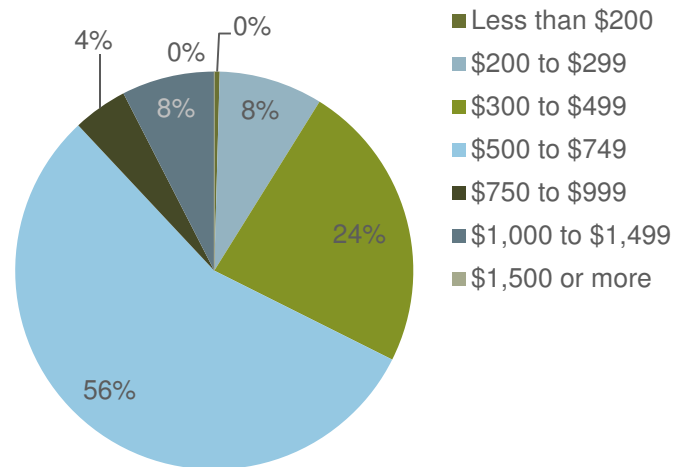
Although Ladysmith (and Rusk County) saw overall employment decline in the years during and leading up to the recent recession, employment has rebounded somewhat and is expected to remain stable to slightly expanding in the foreseeable future (EMSI). This will require replacing the 26 percent of local workers currently aged 55 or older within the next decade. Since there are insufficient younger workers within the community to meet this demand, workers will need to be drawn into the community to fill these jobs. Although these relocating workers could potentially represent a wide range of demographic and age profiles, relocating workers often prefer to rent rather than own for the first year following relocation. If commuting patterns remain constant, 22 percent of new employees could be expected to live within the City, or 180 individuals over the next two decades.

Rental Rates and Development Pricing

Although there may be demand for units based on population and household makeup, new units will need to be affordable to these prospective households. Although more than half of households in Ladysmith earn less than the area median income, the cost of raw materials to construct new units is not similarly discounted in the area, resulting in a higher relative construction cost-to-rent ratio than might be found in other markets.

The 2012 median gross rent for apartments in Ladysmith is \$451. The average monthly mortgage for owner-occupied homes is \$1,109. Although average rents remain low compared to regional and state averages, they have increased 44 percent in the past decade, and the number of units charging more than \$750 per month has grown from 0 in 2000 to 81 in 2010. At the same time, the number of units renting for less than \$200 fell from 62 to 3, illustrating a growth in demand for higher quality units. The vast majority of units in Ladysmith are in the mid-level price range, as shown in the graph at right.

Number of Units by Gross Rental Rate



Source: US Census 2010

According to current construction data from RS Means, a new moderately sized apartment project (20 units) would cost upwards of \$1.5 million to construct. Based on standard underwriting, the project would likely need to receive average rents of \$750 per unit to achieve an adequate return and meet debt coverage ratios. This rent would be affordable to households making \$2,275 per month, or just less than the median household income. Based on the 2012 ACS, 42 percent of local households and 48 percent of local workers could afford to rent a unit at these rates.

*HUD defines affordable housing as a gross rent which does not exceed 30% of household income.

Age & Profession of Ladysmith Workers Earning \$1,251 or Greater Per Month

(Affordable monthly rent of \$750 in 2 person household)

Age of Worker	Number of Workers
Age 29 or younger	204
Age 30-54	894
Age 55 or older	388

Industry of Worker	Number of Workers
Agriculture & Mining	3
Utilities & Construction	14
Manufacturing & Warehousing	701
Education	53
Health Care	142
Retail Trade, Entertainment, Services & Accommodation	237
Finance, Information, Insurance & Real Estate	114
Public Administration	188

Source: Economic Census 2012