Residential Market Analysis
-- Strategy Planning Guidelines --
Whitewater, Wisconsin

Prepared on behalf of:

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June 30, 2023

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INTRODUCTION

At the request of Cedar Corporation, *and on behalf of the City of Whitewater*, Tracy Cross & Associates, Inc. evaluated the market potential for conventional residential development in Whitewater, Wisconsin. Specifically focusing upon new construction market rate housing opportunities throughout the municipality, this analysis establishes the following:

- Conclusions regarding the depth of market for new housing development throughout Whitewater based upon pertinent economic, demographic, and residential trends which define the marketplace.

- Conclusions regarding highest-and-best residential uses within the city over the next 5+ years. These conclusions are based upon factors associated with the location of Whitewater, depth of market, demographic and socio-economic characteristics of existing and future households, and the alignment of residential developments, both existing and planned.

- Detailed recommendations regarding those conventional housing forms viewed to hold measurable market support near- to mid-term. Investigative uses range from multifamily rental apartments to all forms of for sale housing such as condominiums, townhomes/rowhomes, single family, etc. These recommendations address specific product types, plan styles/sizes, features/amenities, etc., along with benchmark rent/pricing strategies necessary to achieve acceptable levels of absorption. Please note that these recommendations will focus on all segments of the conventional market ranging from younger (entry level) profiles to active adult (55+) households.

- A detailed development matrix outlining the most marketable mix of residential uses in order to facilitate/inform future planning efforts, architecture, financial modeling, approvals, marketing, builder/developer participation, etc.

- A geographic positioning strategy for the introduction of new housing development in Whitewater.

WORK PLAN

The work plan for this assignment involved a series of inter-related research investigations as summarized below:

- A thorough investigation of Whitewater and surrounding areas to determine geographic boundaries of the local market area; identify factors which may impact residential potentials within the municipality: and examine areas that may be suitable for residential development.

- A detailed analysis of all relevant employment, demographic, and residential trends/statistics including a comprehensive evaluation of key socio-economic and income variables of area households.

- A thorough assessment of both the rental apartment and for sale sectors of the local housing market (and adjoining areas as applicable).

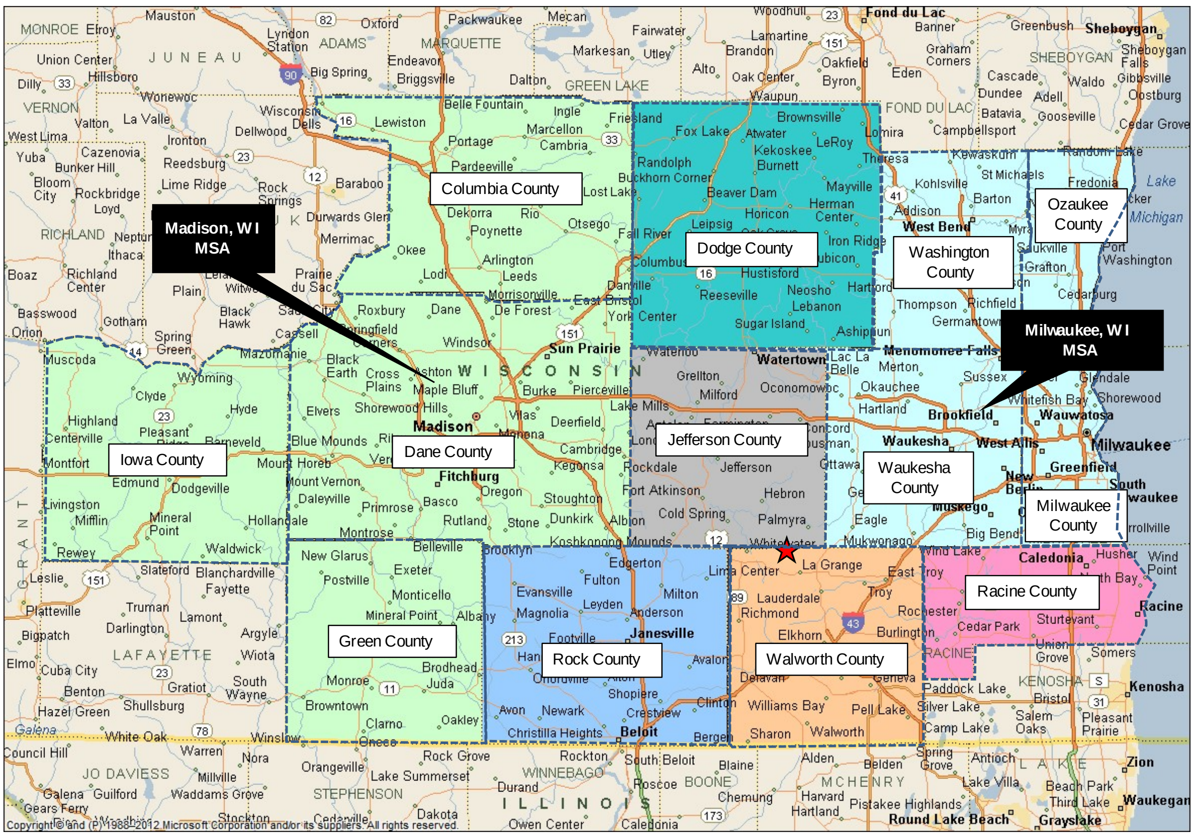
- A demand forecast for residential development in and around Whitewater over the next 5+ years.

- A case study evaluation of “like” residential initiatives throughout similar markets in the Midwest in order to assess trends, products, performance levels, etc.

WHITEWATER, WISCONSIN

Whitewater is a self-contained city situated in southern Wisconsin straddling the Jefferson County/Walworth County line. It is located between the four-county Milwaukee, WI Metropolitan Statistical Area (MSA) and the four-county Madison, WI MSA. It is also proximate to both Rock County to the southwest and Racine County to the southeast. One of the driving forces behind Whitewater's economy is the University of Wisconsin-Whitewater with a total enrollment of nearly 10,500 students and over 2,300 full-time employees. According to estimates by Environics Analytics through its review of Census data and the Census Bureau's American Community Surveys, the city of Whitewater currently supports an overall population base of 15,032 persons distributed among 4,867 households, although these figures drop by +/-40 percent once Census-counted students are excluded from the estimates.

GEOGRAPHIC DELINEATION OF WHITEWATER AND SURROUNDING AREAS

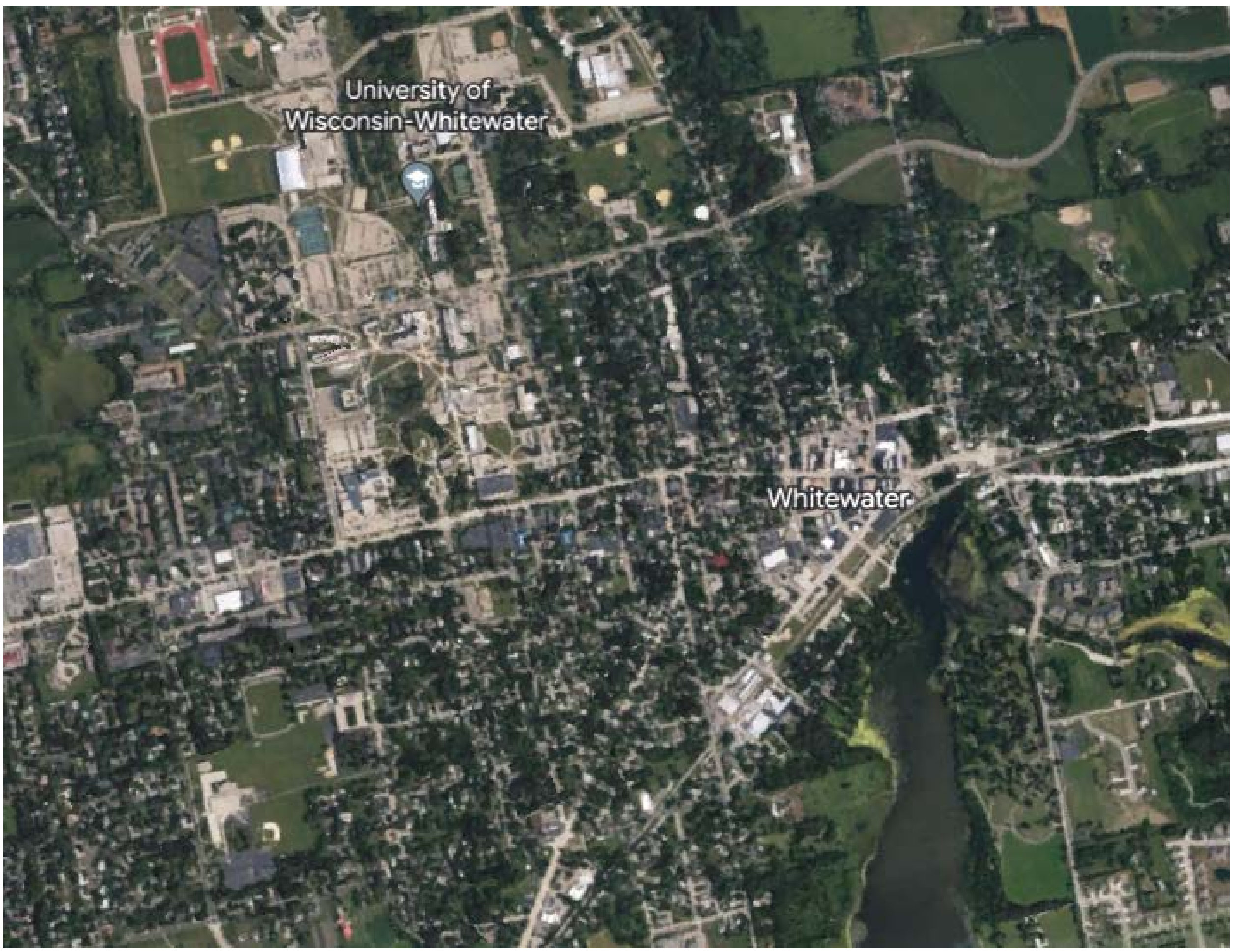


Source: Microsoft Streets & Trips and Tracy Cross & Associates, Inc.

Whitewater maintains a quaint, yet vibrant downtown area with shops, services, eateries, night spots, civic venues, concentrations of employment, and open space. Feathering out from the downtown area in all directions are the UW-Whitewater campus; various residential neighborhoods; additional shopping and services; various employment centers; and local public schools. Referencing the local school system, three public elementary schools, one middle school and one high school are represented within the Whitewater Unified School District. Lakeview Elementary School, Lincoln Elementary School, Whitewater Middle School and Whitewater High School recently received accountability scores that earned them all a *"meets expectations"* ranking from the Wisconsin Department of Public Instruction. Washington Elementary School, however, earned an *"Exceeds Expectations"* ranking based upon recent accomplishments and test scores.

As mentioned, Whitewater is a "college town" with the University of Wisconsin-Whitewater located just northwest of the downtown area. UW-Whitewater is a public institution founded over 150 years ago. Undergraduate enrolment totals nearly 8,800, with another 1,700+/- graduate students represented. The campus size is roughly 400 acres. UW-Whitewater offers a wide range of degree programs through its College of Arts and Communications; Business and Economics; Education and Professional Sciences; and Letters and Sciences divisions. It also offers master's degrees in about a dozen fields. Students at UW-Whitewater can join more than 170 campus organizations, 15+ fraternities and sororities, and student government. Student athletes can play at the intramural, club or varsity levels. At the varsity level, more than 20 teams are members of the NCAA Division III Wisconsin Intercollegiate Athletic Conference (WIAC).

UW-Whitewater recently received a Top 50 ranking (among all regional universities throughout the entire Midwest) from U.S. News.



The city of Whitewater is well-served by local and regional transportation systems, primarily US-12, which is accessible within minutes from most points within the city. This highway connects with Interstate 43 in East Troy roughly 17 miles to the east which, in turn, provides linkage to the Milwaukee metropolitan region. To the west, US-12 runs through Fort Atkinson and Cambridge, where it connects with US-18 leading to the Madison metropolitan area. In addition, WI-59, which also traverses Whitewater, provides access to the western suburbs of Milwaukee to the northeast and the Janesville area of Rock County to the southwest.

Residentially (and excluding student-based housing at the university), the city of Whitewater is characterized by an aging housing stock. Specifically, over 76 percent of all housing units within the municipality were constructed prior to 2000 including 50 percent prior to 1980. In addition, according to the Census Bureau's C-40 construction reports, less than 20 new dwelling units, on average, have been built annually in Whitewater over the last five years.

HOUSING POTENTIALS

Based upon a detailed analysis of those economic, demographic, residential and demand-related variables expected to influence the introduction of new housing in Whitewater over the next several years, *opportunities do exist* for properly positioned conventional product. This favorable conclusion is supported by the following key factors, which lay the foundation for the recommendations that follow:

- ❑ Despite the limited amount of new construction housing development in the city of Whitewater over the past five years (as measured by residential building permit activity), there are clear market indicators that new housing products are needed in and around the municipality – and that the strategic positioning of new residential offerings throughout the city of Whitewater could help satisfy demand both internally and within a broader market area. From a very practical standpoint, future housing development will derive its demand support from both the host city of Whitewater and from nearby areas within a reasonable distance of the municipality, i.e., within a 15-mile radius. Defined for the purposes of this analysis as the Whitewater Market Area, a sizeable population base of 108,429 (excluding Census-counted college students) is reflected within a 15-mile radius of Whitewater, distributed among some 42,720 households. This area includes portions of Walworth, Jefferson, Rock and Waukesha counties and primarily the communities of Whitewater, Fort Atkinson, Palmyra, Jefferson, Milton, Elkhorn, Hebron, Sullivan and Eagle, along with several other smaller jurisdictions and unincorporated areas. As highlighted in the following table, household additions in the defined Whitewater Market Area were generally healthy during the 2010-2020 period totaling 1,915, or 197 yearly. And, while not immune to recent Covid-19 pandemic, the market area still recorded positive household gains between 2020 and 2023, i.e., 453 total or 151 per year. Moreover, household growth in the Whitewater Market Area over the next five years will total another 1,277 new households, or 255 annually. As a result, the market area will approach the 44,000-household level by 2028.

POPULATION AND HOUSEHOLD TRENDS
WHITEWATER MARKET AREA

Area	2010	2020	2023 (Estimate)	2028 (Projected)	Average Annual Change 2010 - 2020	2020 - 2023	2023 - 2028
Population							
Whitewater Market Area	105,774	107,845	108,429	109,912	+207	+195	+297
Households							
Whitewater Market Area	40,352	42,267	42,720	43,997	+192	+151	+255

Source: U.S. Census Bureau, Environics Analytics and Tracy Cross & Associates, Inc.

- Relative to households by age classification, not only is there a rather large base of existing households in most of the market area's various age categories, but all segments show growth over the next five years – led by those households between the ages of 65 and 74.

HOUSEHOLD GROWTH BY AGE GROUP
-- WHITEWATER MARKET AREA --

Age Range	Whitewater Market Area 2023	Whitewater Market Area 2028
Under 35	7,855	8,102
35-44	6,386	6,420
45-54	7,038	7,087
55-64	8,540	8,599
65-74	7,516	8,153
75-84	3,862	4,009
85 and over	1,523	1,627
Total	***42,720***	***43,997***

Source: Environics Analytics: 2023 Demographic Snapshot

- The current composition of area households lends additional support to the development of a variety of residential product forms throughout the Whitewater Market Area. As highlighted in the adjacent table, there is an ample number of one- and two-person households for both market rate (non-student oriented) rental housing and for sale attached products such as duplexes, condominiums and/or townhomes, and also a significant number of three- and four-person households for certain attached for sale housing products as well as single family detached residences.

  Most notable among all household classifications are one- and two-person occupied housing units which, together, comprise 63.5 percent of the market area's total household base.

2023 COMPOSITION OF AREA HOUSEHOLDS:
WHITEWATER MARKET AREA

Attribute	Whitewater Market Area
Total Households	**42,720**
1-Person Household	11,008
2-Person Household	16,119
3-Person Household	6,676
4-Person Household	5,182
5-Person Household	2,206
6 or More Person Household	1,529
1 Person Households	
Percent	25.8
Number	11,008
2 Person Households	
Percent	37.7
Number	16,119

Source: Environics Analytics; *2023 Demographic Snapshot*

❑ Households in the Whitewater Market Area support slightly higher incomes than the nation as a whole as evidenced by an estimated 2023 median of $77,314, a level 7.6 percent above the $71,852 median noted for the United States. *Upon close examination of area incomes in the host market area, 53 percent of all current households earn between $35,000 and $124,999 annually, which represents the mainstream of the market, i.e., those earning between 50 and 150+ percent of the market area's median. This signifies the threshold of the market and a target point where new housing should, for the most part, be directed.*

HOUSEHOLDERS BY AGE AND INCOME: 2023
-- WHITEWATER MARKET AREA --

	Number of Households by Age of Householder							
Income Range	**Total Households**	**Under 35**	**35 - 44**	**45 - 54**	**55 - 64**	**65 - 74**	**75 - 84**	**85 and Over**
Under $15,000	2,748	879	106	204	398	545	388	228
15,000 - 24,999	2,606	592	154	220	395	526	446	273
25,000 - 34,999	3,804	809	361	344	488	856	671	275
35,000 - 49,999	4,518	698	520	509	745	1,096	680	270
50,000 - 74,999	7,076	1,630	1,036	918	1,176	1,401	681	234
75,000 - 99,999	6,123	1,140	1,017	1,162	1,427	938	339	100
100,000 - 124,999	5,009	784	1,079	1,060	1,111	683	243	49
125,000 - 149,999	3,865	553	765	895	985	463	165	39
150,000 - 199,999	3,577	533	828	795	828	441	120	32
200,000 and Over	3,394	237	520	931	987	567	129	23
Total	***42,720***	***7,855***	***6,386***	***7,038***	***8,540***	***7,516***	***3,862***	***1,523***
Median	***$77,314***	***$63,832***	***$99,988***	***$103,643***	***$93,499***	***$62,001***	***$43,657***	***$34,435***

Sources: U.S. Bureau of the Census; Environics Analytics; and Tracy Cross & Associates, Inc.

❑ Residentially, the Whitewater Market Area has recorded an average of 229 building permits annually since 2000 ranging from a recessionary-impacted low of 56 units in 2012 to a high of 595 units in 2002 (see **Exhibit 1**). Most recently, the market area registered an average of 182 residential permit authorizations annually during the five-year period from 2015 through 2019 period (prior to the pandemic), up 60.4 percent compared to average annual volumes posted during the five years prior, albeit still well below construction volumes realized during the 2000-2007 period when more ample supply was available and market conditions were stronger.

Of particular note is the fact that home building activity within the Whitewater Market Area regressed during the 2020-2022 period with just 85 units permitted annually market-wide, a drop of more than 50 percent compared to the pace set between 2015 and 2019. This resulted primarily from a building hiatus during a portion of the pandemic, coupled with supply chain issues which caused a dramatic increase in construction costs. All told, the limited amount of new residential construction recently is having a significant impact on the housing market today, a housing market where demand is exceeding supply. This will be emphasized in more detail later in this report.

❑ Despite the recent decline in residential construction, new housing is entering the market, albeit at a slower pace than it should. With this said, the current amount of new home construction that is occurring, coupled with positive levels household growth recently, has been fostered by economic activity in the three primary counties that encompass/surround the defined market area. While one cannot discount the effect that the Great Recession had on the area's economy, along with the recent Covid-19 pandemic, employment growth throughout the combined area of Jefferson, Rock

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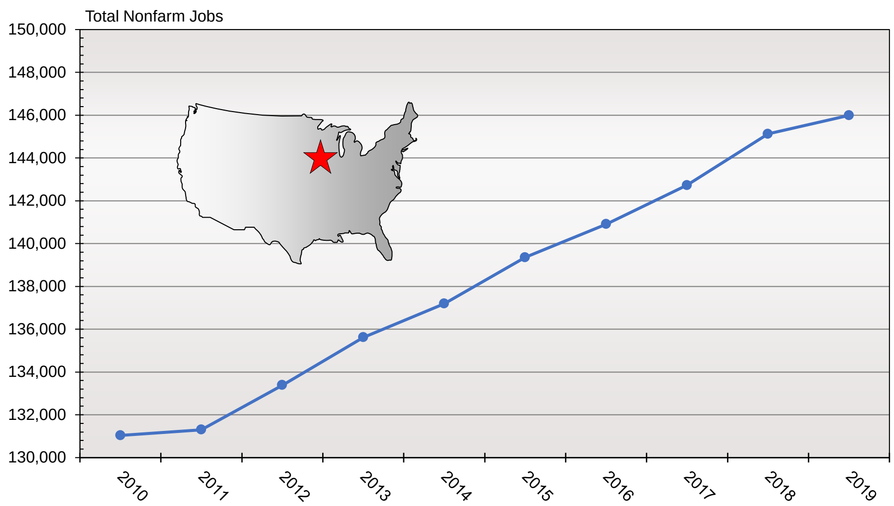
RESIDENTIAL BUILDING PERMIT TRENDS
WHITEWATER MARKET AREA
2000 - 2022

Year	Total	Single Family	Multi-Family
2000	445	257	188
2001	391	199	192
2002	595	245	350
2003	505	335	170
2004	573	390	183
2005	431	358	73
2006	313	225	88
2007	234	133	101
2008	145	89	56
2009	121	71	50
2010	63	52	11
2011	67	38	29
2012	56	38	18
2013	84	56	28
2014	90	48	42
2015	196	78	118
2016	151	117	34
2017	216	125	91
2018	170	136	34
2019	175	121	54
2020	110	94	16
2021	76	70	6
2022	69	61	8
Averages			
2000 - 2022	229	145	84

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports* and Walworth counties was strong during the 2010-2019 period. For example, after losing roughly 6.0 percent of its total nonagricultural wage and salary employed workforce from 2007 through 2009 (the heart of the Great Recession), the three-county area saw its job rosters increase by 14,953 total workers during the subsequent 2010-2019 period, or 1,661 annually.

EMPLOYMENT GROWTH
JEFFERSON, ROCK AND WALWORTH COUNTIES (COMBINED) : 2010 - 2019



Source: U.S. Department of Labor, Bureau of Labor Statistics

- ❑ More recently, the three-county area, like practically every part of the country, was affected by the coronavirus pandemic and ensuing economic constraints, compounded by lockdowns and periods of social unrest. Specifically, in 2020, the three selected counties experienced year-over-year job losses of 7,865 or 5.4 percent of total nonfarm employment, which compares with the 5.8 percent contraction witnessed nationwide during the same 12-month period. On a more positive note, however, the three-county area's economic recovery was in full swing in 2021 and 2022 – *erasing most of the job losses experienced during the pandemic.*

- ❑ Fostered by a stable economy, and on the heels of expected household growth, construction requirements for new housing in the Whitewater Market Area will average 400 units annually during the 2023-2028 timeframe. This 400-unit forecast can be tied specifically to household growth levels estimated at 255 per annum through 2028, along with 145 units representing the replacement of residences lost to demolition and abandonment and the need to provide a vacancy allowance for filtering or movement from one residence to another. Of the 400 units which could be constructed annually within the market during the 2023-2028 forecast period, 225 will occur among for sale housing forms with 175 represented in the rental apartment sector. As detailed in the adjacent text table, for sale housing demand will be distributed among 150 single family detached homes and 75 in the attached sector, i.e., duplexes, condominiums, and townhomes.

RESIDENTIAL ABSORPTION POTENTIALS BY PRODUCT TYPE
-- WHITEWATER MARKET AREA --
2023 - 2028

Product Type	Annual	Total Through 2028
Total	***400***	***2,000***
For Sale	**225**	**1,125**
Single Family Detached	150	750
Townhome/Duplex/Condominium	75	375
For Rent	**175**	**875**

Source: Tracy Cross & Associates, Inc.

- Given supply-side constraints throughout the market (which will be discussed in the following sections of the report), it is highly likely that demand will exceed supply near term, especially in the for sale sector, but also among multifamily rental forms as well. This market reality represents an opportunity for conventional housing initiatives across the market area (and Whitewater in particular), if properly planned and executed.

- Moreover, not only is “derived demand” likely to outstrip supply near term, but the overall base of residential construction requirements could actually be *higher* during any given year where properly positioned supply is made available. This *upside potential* factors pent-up demand; additional household growth if properly positioned development were actually to occur; the limited amount of new construction housing alternatives throughout the market (again, to be discussed later); and spillover potentials from areas outside the defined market area.

- Conditions in the competitive marketplace also point to *new construction* development opportunities, and fully signify the supply-side constraints that exist. For instance, in the rental sector (and excluding all student-oriented housing serving UW-Whitewater), just six apartment communities (of relative scale) have been constructed in the entire Whitewater Market Area since 2000, yet there are over 8,000 “non-student” renter households within a 15-mile radius of Whitewater. As such, current renter households have limited new product to choose from. The six newer developments, which are located in either the city of Whitewater itself or in Elkhorn to the southeast, include Lakeside Townhomes (28 Units), Springbrook (44 units), Waters Edge (48 units), Market Street Village (66 units), Meadow Blossom (112 units) and Bluff Ridge (120 units). As highlighted in the following text table, these six communities are all 100 percent occupied with waiting lists. With no current vacancies at any of the surveyed developments, the local conventional apartment market is considered *extremely tight and undersupplied.* For reference, in a normal (or balanced) market, vacancies of 5.0 to 6.0 percent are typically required for filtering, or movement between developments.

CONVENTIONAL APARTMENT COMMUNITIES OF REASONABLE SCALE CONSTRUCTED IN 2000 OR LATER
WHITEWATER MARKET AREA
JUNE 2023

Development	Municipality	Year Built	Total Units	Number Vacant	Percent Vacant	Average Unit Size (Sq. Ft.)	Average Posted Base Monthly Rent	
							$	$/Sq. Ft.
Lakeside Townhomes	Whitewater	2014	28	0	0.0	1,670	$1,600	$0.96
Springbrook(1)	Whitewater	2008	44	0	0.0	806	1,363	1.69
Water's Edge	Whitewater	2008	48	0	0.0	1,057	1,290	1.22
Bluff Ridge	Whitewater	2005	120	0	0.0	1,360	1,387	1.02
Main Street Village	Elkhorn	2003	66	0	0.0	1,238	1,334	1.08
Meadow Blossom	Elkhorn	2001	112	0	0.0	1,163	1,033	0.89
Total/Weighted Avg.	***---***	***---***	***418***	***0***	***0.0***	***1,216***	***$1,284***	***$1.06***

(1) May get one or two students a year, but is not a student-oriented community.

Source: Tracy Cross & Associates, Inc.

- Just outside the defined Whitewater Market Area, similar market conditions exist. For example, expanding the competitive market area to include communities such as Cambridge, East Troy, Lake Mills, Mukwonago, and Whales, just 10 apartment communities of a larger scale, i.e., 50 more total units each, have been constructed since 2000 in this broad geographic area. Among these, the current vacancy rate stands at just 0.2 percent among stabilized developments with most communities, again, at 100 percent occupancy with waiting lists. In addition, the newest community in the market, which is undergoing its initial absorption period, Summer Ridge in Lake Mills, is doing so at a healthy rate of 8.8 units per month.

APARTMENT COMMUNITIES (OF LARGER SCALE) CONSTRUCTED IN 2000 OR LATER
EXPANDED WHITEWATER MARKET AREA
JUNE 2023

Development	Municipality	Year Built	Total Units	Number Vacant	Percent Vacant (Absorption Rate in Units)	Average Unit Size (Sq. Ft.)	Average Posted Base Monthly Rent	
							$	$/Sq. Ft.
The Vineyards at Cambridge	Cambridge	2018	70	0	0.0	835	$1,267	$1.52
Honey Creek	East Troy	2006	274	0	0.0	1,027	1,277	1.24
Lofts at Honey Creek[1]	East Troy	2022	120	0	0.0	991	1,498	1.51
Wildwood	East Troy	2001	80	0	0.0	1,373	1,466	1.07
Pond View	Lake Mills	2004	60	1	1.7	1,250	1,300	1.04
Rock Creek	Lake Mills	2019	144	1	0.7	929	1,503	1.62
Summer Ridge[2]	Lake Mills	2023	56	36	64.3(8.8/Mo.)	1,035	1,650	1.59
Lincolnshire Place	Wales	2015	100	0	0.0	1,059	1,520	1.44
Phantom Woods Estates	Mukwonago	2017	68	0	0.0	1,193	1,487	1.25
The Pointe	Mukwonago	2020	89	0	0.0	968	1,270	1.31
Total/Weighted Avg.	**---**	**---**	***1,061 / 1,005*** [3]	***38 / 2*** [3]	***3.6 / 0.2*** [3]	***1,045***	***$1,403***	***$1.34***

[1] Development has an additional phase of 60 units under construction.
[2] Community is still undergoing its initial absorption period.
[3] Excludes community still undergoing its initial absorption period.

Source: Tracy Cross & Associates, Inc.

- As it relates to the ownership sector of the market, supply-side constraints are also apparent, especially for moderately priced mainstream product. Overall, new construction for sale development throughout the Whitewater Market Area is generally characterized by smaller- to modest-scale broker- or builder-represented communities reflecting conventional single family and, to a lesser degree, duplex/townhome/condominium subdivisions or scattered-lot developments. The communities that do exist are directed to both primary and lifestyle consumer segments which (in many cases) have been marketed in phases over extended periods of time (and most recently at higher price points). In other words, there are limited developments *of scale* actively marketing new units in “properly priced” proprietary communities throughout the area, with new for sale product especially limited in Whitewater.

- In the entirety of the Whitewater Market Area, single family building permits which include single family detached homes as well as single-address townhomes, duplexes, and condominium/villa units, have averaged below 100 units annually over the last few years, despite demand potentials being stronger. This lack of new construction for sale development activity is due, in large part, to the higher price points that now accompany most newly built for sale homes which, in turn, has resulted in more modest sales volumes. In fact, most individual subdivisions throughout the market area are generating sales volumes of just 3-6 homes per year.

- Overall, new construction ***single family detached*** closing activity in the Whitewater Market Area has been on the decline over the last three years, a result of limited supply and higher prices. As highlighted in the following text table, the number of new construction single family detached homes sold/closed in the Whitewater Market Area (through the local multiple listing service) dropped from 41 in 2021 to 34 in 2022. Moreover, annual closings for 2023 are on pace to hit just 26 units – and at a median sales price exceeding $410,000.

NEW CONSTRUCTION SINGLE FAMILY CLOSINGS
WHITEWATER MARKET AREA
2021-MAY 2023

Price Range	2021		2022		Jan-May 2023 (Annualized)	
	Number of Closings	Percent of Total	Number of Closings	Percent of Total	Number of Closings	Percent of Total
Under $200,000	1	2.4	---	---	---	---
200,000 - 249,999	1	2.4	1	2.9	---	---
250,000 - 299,999	7	17.1	1	2.9	2	7.7
300,000 - 349,999	12	29.3	8	23.6	6	23.0
350,000 - 399,999	10	24.5	9	26.5	4	15.4
400,000 - 449,999	5	12.2	6	17.7	4	15.4
450,000 - 499,999	2	4.9	4	11.8	2	7.7
500,000 - 549,999	1	2.4	1	2.9	2	7.7
550,000 - 599,999	1	2.4	1	2.9	2	7.7
600,000 - 699,999	1	2.4	1	2.9	2	7.7
700,000 & Above	---	---	2	5.9	2	7.7
Total	***41***	***100.0***	***34***	***100.0***	***26***	***100.0***
Median	***- - - - - $347,951 - - - - -***		***- - - - - $388,867 - - - - -***		***- - - - - $412,661 - - - - -***	
Avg. Days on Market	***- - - - - - - 48 - - - - - - -***		***- - - - - - - 49 - - - - - - -***		***- - - - - - - 77 - - - - - - -***	

Source: Southeast Wisconsin Multiple Listing Service

Please note that new construction closings recorded by the multiple listing service do not include all proprietary subdivision activity among single family developments, especially where individual lots are sold directly to the end consumer, who in turn, builds a semi-custom or custom home. However, activity through the multiple listing service does represent "the majority."

- While the limited amount of new single family development (of scale) is keeping volumes in the more modest ranges, especially when demand is stronger, so, too, is the overall higher price position of the new construction homes being built. In fact, with the median price of a new single family closing (as recorded through the multiple listing service) standing at $412,661 during the first five months of 2023, there is a disconnect with the distribution of household incomes, which is putting pressure on the existing home market, i.e. the resale sector. For example, the median closing price among new construction units in the Whitewater Market Area is roughly $120,000 higher than that of a resale counterpart. As a result, prices in the existing home market have also been increasing and the average "days on market" are *extremely low*. As highlighted in the following text table, the average market time of an older-stock single family resale closing during the January-May 2023 period stood at just 19 days, down from 23 days in 2022 and 26 days in 2021. For reference, the typical marketing time for a resale home in the Midwest ranges from 72-90 days. In the city of Whitewater, the average market time of a single family resale during the last five months stood at just 18 days showing a slightly faster rate of sale than the market as a whole.

SINGLE FAMILY RESALE CLOSINGS
WHITEWATER MARKET AREA
2021-MAY 2023

Price Range	2021		2022		Jan-May 2023 (Annualized)	
	Number of Closings	Percent of Total	Number of Closings	Percent of Total	Number of Closings	Percent of Total
Under $150,000	76	8.4	38	4.7	19	3.1
150,000 - 199,999	155	17.1	115	14.3	79	13.1
200,000 - 249,999	177	19.5	144	17.9	115	19.1
250,000 - 299,999	151	16.6	151	18.7	103	17.1
300,000 - 349,999	105	11.6	123	15.2	84	13.9
350,000 - 399,999	75	8.3	82	10.2	72	12.0
400,000 - 449,999	46	5.1	42	5.2	48	8.0
450,000 - 499,999	25	2.8	25	3.1	26	4.3
500,000 - 549,999	25	2.8	15	1.9	17	2.8
550,000 - 599,999	23	2.5	17	2.1	10	1.7
600,000 - 699,999	20	2.2	24	3.0	7	1.2
700,000 & Above	29	3.1	30	3.7	22	3.7
Total	***907***	***100.0***	***806***	***100.0***	***602***	***100.0***
Median	***- - - - - $265,059 - - - - -***		***- - - - - $285,026 - - - - -***		***- - - - - $292,982 - - - - -***	
Avg. Days on Market	***- - - - - - - 26 - - - - - - -***		***- - - - - - - 23 - - - - - - -***		***- - - - - - - 19 - - - - - - -***	

Source: Southeast Wisconsin Multiple Listing Service

❑ In the ***duplex/condominium/townhome*** sector, a similar condition exists in the Whitewater Market Area relative to pricing differentials between new construction units and resales. As highlighted in the following text table, there are typically between 10 and 20 new attached units being sold annually market-wide through the multiple listing service, again a modest volume because of limited supply in this sector, coupled with price points that are now exceeding $365,000 on average.

NEW CONSTRUCTION DUPLEX/CONDOMINIUM/TOWNHOME CLOSINGS
WHITEWATER MARKET AREA
2021-MAY 2023

Price Range	2021		2022		Jan-May 2023 (Annualized)	
	Number of Closings	Percent of Total	Number of Closings	Percent of Total	Number of Closings	Percent of Total
Under $150,000	---	---	---	---	---	---
150,000 - 199,999	---	---	---	---	---	---
200,000 - 249,999	1	12.5	---	---	---	---
250,000 - 299,999	1	12.5	1	5.6	2	15.4
300,000 - 349,999	6	75.0	5	27.8	2	15.4
350,000 - 399,999	---	---	10	55.5	7	53.8
400,000 - 449,999	---	---	2	11.1	2	15.4
450,000 & Above	---	---	---	---	---	---
Total	***8***	***100.0***	***18***	***100.0***	***13***	***100.0***
Median	***- - - - - $316,666 - - - - -***		***- - - - - $364,954 - - - - -***		***- - - - - $367,843 - - - - -***	
Avg. Days on Market	***- - - - - - - 39 - - - - - - -***		***- - - - - - - 62 - - - - - - -***		***- - - - - - - 55 - - - - - - -***	

Source: Southeast Wisconsin Multiple Listing Service

- ❑ The higher price position found in the new construction attached sector is, again, putting pressure on the existing home market as evidenced by duplex/condominium/townhome resale closings averaging just 17 days on market during the January-May 2023 period, down from 34 days in 2021. As highlighted in the following text table, the difference in price between typical resale and new construction attached sector units now stands at more than $140,000.

DUPLEX/CONDOMINIUM/TOWNHOME RESALE CLOSINGS
WHITEWATER MARKET AREA
2021-MAY 2023

Price Range	2021		2022		Jan-May 2023 (Annualized)	
	Number of Closings	Percent of Total	Number of Closings	Percent of Total	Number of Closings	Percent of Total
Under $150,000	5	5.4	2	3.3	---	---
150,000 - 199,999	47	50.5	24	40.0	17	35.4
200,000 - 249,999	20	21.5	12	20.0	14	29.1
250,000 - 299,999	14	15.1	7	11.7	5	10.4
300,000 - 349,999	3	3.2	9	15.0	7	14.6
350,000 - 399,999	1	1.1	3	5.0	3	6.3
400,000 & Above	3	3.2	3	5.0	2	4.2
Total	***93***	***100.0***	***60***	***100.0***	***48***	***100.0***
Median	***- - - - - $194,157 - - - - -***		***- - - - - $216,749 - - - - -***		***- - - - - $225,085 - - - - -***	
Avg. Days on Market	***- - - - - - - 34 - - - - - - -***		***- - - - - - - 18 - - - - - - -***		***- - - - - - - 17 - - - - - - -***	

Source: Southeast Wisconsin Multiple Listing Service

- The limited amount of *new construction* housing product in the overall market, especially at mainstream price points, i.e., more in-line with typical “new versus resale” differentials, is also having an impact on inventory levels. For example, among all residential resales in the market (both detached and attached excluding new construction), inventory levels are low. For example, with only 153 single family and duplex/condominium/townhome listings reported on June 1, 2023, and with closing activity (among all product types) totaling 866 units in 2022, resale inventory levels in the Whitewater Market Area stand at just 2.12 months, which falls below the typical four-month inventory period that exists in more normal, or balanced, existing home markets.

- Finally, according to planning and zoning officials throughout the Whitewater Market Area (including the city of Whitewater), there is not enough residential development in the planning pipeline at this time to satisfy demand – another factor supporting the need for more housing.

A PLANNING STRATEGY: THE PRODUCT

As summarized in previous paragraphs, future residential development potentials in Whitewater and surrounding areas are clearly evident. In other words, the city of Whitewater is *well suited* for the introduction of new *market rate* residential development over the next 5+ years including conventional “non-student” rental offerings and various forms of for sale housing. This favorable conclusion is based upon: 1) more than adequate demand support for a variety of new construction housing alternatives; 2) notable supply-side constraints; 3) an ample base of existing (and future) households with strong demographic profiles; 4) tightness (and certain disjointedness) in both the rental and for sale sectors of the market; 5) good schools; 6) in-place employment, transportation, shopping/services, recreation, etc.; and 7) the opportunity to introduce new and differentiated housing product in a market where such product is needed.

Because supply-side issues throughout the Whitewater Market Area are largely driven by the type of product being offered, together with current density allocations for such product (and the cost to produce it), the City of Whitewater must think *strategically* in order guide future development initiatives that can bridge the gap that exists between area incomes/resales and new residential development, especially in the for sale sector. This initiative will take a great deal of effort relative to planning, development, and implementation, simply because it deviates from the market norm. However, the City of Whitewater is in a unique position to truly guide future residential development efforts in a direction of discipline and insight as it relates to specific products that meet the demands of the market relative to unit types/styles, densities, and most importantly, rent/price positioning.

With this said, the following bullet-point summary provides very specific (and detailed) guidelines for establishing the most practical and marketable *hierarchy* of conventional/mainstream housing over the next several years with a logical continuum of six separate and distinct product lines:

- Mirroring a number of successful mainstream apartment communities throughout the Midwest, including southern Wisconsin, strong consideration should be given to the introduction of two different market rate rental housing series, one consisting of a two-story garden-style walkup idiom directed to all renter households and the other representing a value-oriented ranch villa program targeting the active adult aged 55-74, but not restricted to this segment since other profiles will find this product desirable. Together, these two product forms, which are extremely efficient and cost effective to build, will allow for a broad and varied mix of unit types, sizes, and rents capable of penetrating the threshold of mainstream conventional renter households in the marketplace – and those emanating to Whitewater in the years to come. In other words, the introduction of these two new construction product lines in Whitewater would allow the full breadth of mainstream renter profiles to be targeted. These include Millennials, also known and Echo Boomers or Generation Y, along with Centennials, also known as Generation Z (i.e., younger singles and couples without children), together with traditional and non-traditional households such as divorcees, middle-age singles, never-nested couples, singles living together as couples in a roommate condition, young families, etc., and, of course, the move-down empty-nester/active adult/pre-retiree/retiree aged 55 to 74 – *a segment which shows substantial growth near term.*

- The ***two-story garden apartment program*** would consist of a "private entry" product with a component of attached, direct-access garages. In this regard, one of the most successful garden-style developments in the Midwest (and in other portions of southern Wisconsin) consists of a series of eight-unit buildings (each with four direct-access one-car garages) or 16-unit buildings (each with eight direct-access one-car garages). With just 50 percent direct-access garages suggested per structure, two different versions of the garden apartment building should be designed in order for each of the individual floorplans to be offered *with a direct access garage* in one of the two building types. By following this formula, each plan offering would have a 50 percent representation of direct-access one-car garages.

- Individual designs for the garden apartment product should be broad and varied consisting of eight (8) plan offerings including one-, two- and three-bedroom options ranging in size from 600 to 1,250 square feet. Please note that this product line would also be accompanied by buildings with optional detached garages. As such, renter profiles could elect either surface parking only; a detached garage; or a unit with an attached garage, thus giving future residents a full continuum of rental options to choose from as it relates to their choice of parking cast against their desired (or needed) monthly payment based upon income. This scenario will also provide competitive consistency with other developments in the market, current and future.

- If elevated properly, the two-story garden apartment buildings (and the separate structures with detached garages) can exemplify tasteful suburban architecture and be very complimentary to other development initiatives (including for sale products) throughout Whitewater.

- The ***ranch villa apartment program***, which would target households aged 55+, although not be restricted to this consumer segment, would consist of direct-entry single-level ranch-type townhome plans, each with a one-car attached garage. Modeled, in part, after very successful empty nester ranches in Watertown, Wisconsin (and other parts of the Midwest), this product line would consist of four different plan designs ranging from a one-bedroom residence at 725 square feet to a three-bedroom unit with 1,275 square feet. This product line would be configured in 3-, 4-, 5- and 6-unit buildings (duplexed where necessary).

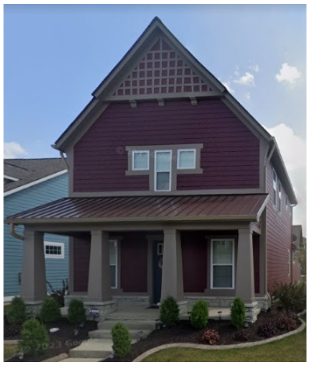
- Mirroring competitive counterparts overall, size increments between floorplans (for both rental products) should not exceed 200 square feet (and be narrower in most instances). This discipline will keep lease rate differentials between plans small and in concert with the gradual upward movement of mainstream/workforce household incomes.

- Representing the first of four product lines in the for sale sector of the market, and in an effort to establish an overall hierarchy of "staple" conventional/mainstream ownership product starting with an alternative that should be able to achieve price points not currently represented in the new construction the marketplace, is an efficiently designed mid-density ***townhome/rowhome series***. This product line would include three separate three-story plan types, each with two main living areas configured over an *integral* two-car garage and a finished lower level, all with two-car garages. Plan sizes for this series, which will average 1,400 square feet, should range from 1,200 to 1,550 square feet including finished lower levels. This can be achieved in very efficient and cost effective 20' wide modules. With rear-entry garages, individual buildings are generally designed to face one another, thus allowing for a small pedestrian greenway between buildings, or they can be configured fronting a street. Combined, the three individual plan offerings will be capable of attracting a broad range of buyer profiles, with attentive focus directed toward young singles and couples without children, couples in their initial stages of family formation and young families.

- Architecturally, the townhome/rowhome product line can support either a traditional elevation scheme, or it can command something more contemporary/urban oriented, i.e., at the builder's discretion and dependent upon cost and location within Whitewater. Overall, this product line can achieve a density of 12 units per acre, thus allowing builders to distribute land and development costs across more units – in an attempt to bring prices down from the current representation of condominium products (i.e., luxury duplexes) that are currently represented at various locations in and around the local market.

- Representing a more "cost conscious" age-targeted alternative to the highly stylized ranch duplex condominiums often found throughout the Whitewater Market Area, yet still directed toward the more mature, move-down home purchasers aged 55-74+, a very efficient ***attached ranch villa*** for sale series is recommended. This product line, which could be configured in 3-, 4- or 5-unit buildings (duplexed only where necessary) would consist exclusively of single-level ranch plans, each with a front-load two-car garage and a small, but usable, back-yard or patio area. Ranging in size from 1,300 to 1,500 square feet, the average attached villa unit would carry 1,400 square feet of living space. These homes would be configured slab-on-grade, although certain lots could/should be designated to accommodate optional basements. While directed toward the move-down consumer or empty-nester, this product line would be capable of attracting other segments of the market as well (similar to the one-car garage ranch villa rentals, but for ownership households). Ultimately, the goal of creating a two-car garage villa product (as opposed to straight duplex buildings) would be to achieve a higher-density which, again, would allow costs to be distributed across more units – and leading to more competitive prices.

- In the single family sector, representing a departure from the current medium- to larger-lot production/semi-custom/custom home development currently characteristic of new scattered-lot developments throughout the market, would be an urban/suburban detached product line, most with rear-load garages. Reflecting a derivation of the neo-traditional planning concept, i.e., Traditional Neighborhood Development (TND), this ***small lot single family series***, ideally, would be comprised of two single-level "ranch" plans, two traditional two-story units (with second floor master bedrooms) and one two-story unit with a first-floor master bedroom, all with optional basements. Ranging in size from 1,500 to 1,900 square feet, and averaging 1,700 square feet across the group, homes in this series should be approximately 30'-35' wide configured on 40'-45' wide homesites. In various areas of the Midwest, this particular product line has been extremely successful as it has allowed new construction single family housing (through density and unit sizes) to meet a mainstream or "middle of the market" price point – one not typically seen among more traditional counterparts. The small lot single family product line will be able to attract a broad spectrum of mainstream detached home purchasers including young childless married couples, couples in their initial stages of family formation, and traditional families. And, with the incorporation of several ranch plans and a two-story master-down design, this program will be in a position to also appeal to the 55 and older empty-nester segment desirous of detached housing. While most homes should accommodate rear-load garages to maximize density, a plan or two could be configured with a front-load garge if land planning calls for such a configuration,



- The second single family product line should consist of a more ***traditional single family series*** with front-access, two-car garages and optional basements. This product line should be comprised of two single-level "ranch" plans and four traditional two-story units. Ranging in size from 1,750 to 2,400 square feet, and averaging roughly 2,050 square feet across the group, homes in this program should be configured on 50'-60" wide homesites. These modest lot sizes would, once again, assist in reducing costs, thus allowing for a more competitive price position. Together, the six suggested plans will also appeal to a broad spectrum of single family home purchasers including young childless married couples, couples in their initial stages of family formation, and first- and second-time move up families. And, with the inclusion of two ranch plans on small low-maintenance lots, this series will appeal to the 55 and older empty-nester segment as well. *While the price points for this product line align the upper end of mainstream incomes, they provide a reasonably priced move-up alternative in an effort to alleviate pressure among area resales and open up more options for the bulk of the existing home market.*

For a detailed outline of each recommended housing idiom including individual product/plan criteria, unit sizes, rents/prices, features, community amenities, etc., consult **Exhibits 2 through 7**. As depicted, plan offerings are broad and varied, and reflect some of the best-selling floorplan alternatives among successful "like" products throughout the Midwest and also southern Wisconsin. This detailed information should give builders/developers the guidance they need for properly penetrating the local home market.

It is important to note that the detailed planning guidelines and benchmark rent/price suggestions for the various housing products are not arbitrary, but rather *strategic.* Specially, these guidelines will allow five important goals to be met. First, the continuum of home types, styles and rents/prices will directly align

2

PRODUCT CRITERIA AND BENCHMARK RENTS - TWO-STORY GARDEN APARTMENTS
-- CONVENTIONAL/MAINSTREAM HOUSING --
WHITEWATER, WISCONSIN

Product Line Summary

Product Form:	***Two-Story Garden Apartments*** ***(8- or 16-Unit Buildings with 4 or 8 Direct Access One-Car Garages Per Building)***
Density in Units Per Acre:	***16.0***
Average Plan Size (Sq. Ft.):	***925***
Average Benchmark Base Rent w/50 % Garages:	***$1,383***
Per Sq. Ft.: (1)	***$1.50***

Plan Detail

Plan Designation	A-1	A-2	A-3	B	C-1	C-2	C-3	D
Percent Distribution	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Plan Type	1BR	1BR	1BR	1BR DEN	2BR	2BR	2BR	3BR
Bedroom/Bath Mix	1/1.0	1/1.0	1/1.0	1+Den/1.0	2/2.0	2/2.0	2/2.0	3/2.0
Unit Size (Sq. Ft.)	600	700	775	875	975	1,075	1,150	1,250
Benchmark Base Rent w/o Garage:(1)	$1,075	$1,150	$1,225	$1,300	$1,375	$1,450	$1,505	$1,580
Per Sq. Ft.:(1)	$1.79	$1.64	$1.58	$1.49	$1.41	$1.35	$1.31	$1.26
Benchmark Base Rent w/ Garage:(2)	**$1,175**	**$1,250**	**$1,325**	**$1,400**	**$1,475**	**$1,550**	**$1,605**	**$1,680**
Per Sq. Ft.:(2)	**$1.96**	**$1.79**	**$1.71**	**$1.60**	**$1.51**	**$1.44**	**$1.40**	**$1.34**

Unit Features and Community Amenities

UNIT STANDARDS

- Painted Trim
- Plank Flooring in Living Areas
- "White" Interior Paint Finish
- Direct Wire Smoke Detectors
- Cable/Satellite Access
- High-Speed Internet Connectivity
- USB Ports
- Air Conditioning
- Quality Door Hardware
- Quality Lighting Package
- Private Balcony/Patio

CLOSETS, UTILITIES, AND STORAGE

- Walk-In MBR Closet (Per Plan)
- Wire Closet Shelving
- Full Size Washer/Dryer (Stacked or Side-by-Side)
- Storage Area (Either In-Unit or Separate)
- Linen Closet(s)
- Programmable Thermostat

KITCHEN FEATURES

- Quality Wood Cabinetry
- Plank Flooring
- Self Clean Range Oven
- Built-In Dishwasher
- Refrigerator with Ice-Maker
- Garbage Disposal
- Microwave with Vent
- Hard Surface Countertops
- Stainless Steel Sink

BATH/POWDER ROOM STANDARDS

- Plank Flooring
- Hard Surface Vanity Tops
- Quality Cabinetry
- Ceramic Tub/Shower Surround
- Framed Glass Mirror Over Vanity

COMMUNITY FEATURES/AMENITIES (LARGE-SCALE DEVELOPMENTS)
(SHARED W/RANCH VILLA RENTALS)

- Architecturally-enhanced Exteriors
- Secured Access Entry Per Unit
- Clubhouse w/ Community Room, Kitchen, Fitness Center, E-Lounge, Etc.
- Outdoor Fireside Lounge & Grilling Stations
- Outdoor Swimming Pool/Deck Area
- Dog Park & Dog Washing Station
- Trail System
- Sport Courts/Playground
- Extensive Landscaping/Hardscaping
- Wi-Fi in all Common Areas
- Direct Access Garages at 50%
- Adequate Surface Parking
- Detached Garages @ $65 Monthly Per Space

(1) Benchmark base monthly rents, which are presented in June 2023 dollars, reflect the posted base rents for units without direct access garages. They do not include potential premiums for corner units, floor or view. They also do not include application/administration fees, pet fees, storage rental, utilities, or detached garages.

(2) Benchmark base monthly rents, which are presented in June 2023 dollars, reflect the posted base rents for units with direct access garages. They do not include potential premiums for corner units, floor or view. They also do not include application/administration fees, pet fees, storage rental, utilities, or detached garages.

Source: Tracy Cross & Associates, Inc.

PRODUCT CRITERIA AND BENCHMARK RENTS - RANCH VILLA RENTALS
-- CONVENTIONAL/MAINSTREAM HOUSING --
WHITEWATER, WISCONSIN

Product Line Summary

Product Form: *Single-Level Ranch Villas w/Attached One-Car Garages (3-, 4-, 5- and/or 6-Unit Buildings-Duplexed Where Necessary)*

Density in Units Per Acre: *10.0*

Average Plan Size (Sq. Ft.): *1,000*

Average Benchmark Base Rent: *$1,563*
Per Sq. Ft.:[(1)] *$1.56*

Plan Detail

Plan Designation	A	B-1	B-2	C
Percent Distribution	25.0	25.0	25.0	25.0
Plan Type	1BR	1BR DEN	2BR	3BR
Bedroom/Bath Mix	1/1.0	1+Den/1.0	2/2.0	3/2.0
Unit Size (Sq. Ft.)	725	925	1,075	1,275
Benchmark Base Rent:[(1)]	$1,350	$1,500	$1,625	$1,775
Per Sq. Ft.:[(1)]	$1.86	$1.62	$1.51	$1.39

Unit Features and Community Amenities

UNIT STANDARDS

- Painted Trim
- Plank Flooring in Living Areas
- "White" Interior Paint Finish
- Direct Wire Smoke Detectors
- Cable/Satellite Access
- High-Speed Internet Connectivity
- USB Ports
- Air Conditioning
- Quality Door Hardware and Lighting Package
- Private Patio

KITCHEN FEATURES

- Quality Wood Cabinetry
- Plank Flooring
- Self Clean Range Oven
- Built-In Dishwasher
- Refrigerator with Ice-Maker
- Garbage Disposal
- Microwave with Vent
- Hard Surface Countertops
- Stainless Steel Sink

BATH/POWDER ROOM STANDARDS

- Plank Flooring
- Hard Surface Vanity Tops
- Quality Cabinetry
- Ceramic Tub/Shower Surround
- Framed Glass Mirror Over Vanity

CLOSETS, UTILITIES, AND STORAGE

- Walk-In MBR Closet (Per Plan)
- Wire Closet Shelving
- Full Size Washer/Dryer (Stacked or Side-by-Side)
- Storage Area (Either In-Unit or Separate)
- Linen Closet(s)
- Programmable Thermostat

COMMUNITY FEATURES/AMENITIES (LARGE-SCALE DEVELOPMENTS) (SHARED W/GARDEN APARTMENTS)

- Architecturally-enhanced Exteriors
- Secured Access Entry Per Unit
- Clubhouse w/ Community Room, Kitchen, Fitness Center, E-Lounge, Etc.
- Outdoor Fireside Lounge & Grilling Stations
- Outdoor Swimming Pool/Deck Area
- Trail System
- Dog Park
- Dog Washing Station
- Sport Courts/Playground
- Extensive Landscaping/Hardscaping
- Wi-Fi in all Common Areas
- Direct Access Garages at 100%
- Additional Surface Parking

[(1)] Benchmark base monthly rents, which are presented in June 2023 dollars, reflect the posted base rents, each of which includes an attached one-car garage. They do not include potential premiums for corner units or view. They also do not include application/administration fees, pet fees, storage rental, or utilities.

Source: Tracy Cross & Associates, Inc.

4

PRODUCT CRITERIA AND BENCHMARK PRICES - FOR SALE TOWNHOMES/ROWHOMES
-- CONVENTIONAL/MAINSTREAM HOUSING --
WHITEWATER, WISCONSIN

Product Line Summary

Product Form:	***Townhomes/Rowhomes***
Garage Condition:	***2-Car (Rear Load)***
Lower Level of Townhomes/Rowhomes	***Finished***
Average Plan Size (Sq. Ft.):	***1,400***
Average Benchmark Base Price: (1)	***$237,990***
Per Sq. Ft.:	***$169.99***
Average Anticipated Closing Price: (2)	***$252,200***
Per Sq. Ft.:	***$180.14***

Plan Detail

Plan Designation	A	B	C
Plan Style	3-Story	3-Story	3-Story
Bedrooms	2	2+Loft	3
Baths	2.5	2.5	2.5
Unit Size (Sq. Ft.)	1,200	1,450	1,550
Benchmark Base Price:(1)	$223,990	$240,990	$248,990
Per Sq. Ft.:	$186.66	$166.20	$160.64
Anticipated Closing Price: (2)	***$237,400***	***$255,400***	***$263,900***
Per Sq. Ft.:	***$197.83***	***$176.14***	***$170.26***

Features and Amenities

UNIT STANDARDS

- Luxury Plank Flooring in Main Living Areas
- Carpeting in Bedroom Areas
- "White" Interior Paint Finish
- Painted Trim
- Direct-Wire Smoke Detectors Per Code
- Cable/Satellite/Telephone Prewire
- Paneled Doors
- High-Speed Internet Connectivity
- Air Conditioning
- Designer Door Hardware
- Designer Lighting Package
- Private Balcony

KITCHEN FEATURES

- Quality Cabinetry
- Luxury Plank Flooring
- Four Burner Cooktop
- Self Clean Single Oven-Stainless Steel
- Built-In 5-Cycle Dishwasher-Stainless Steel
- Refrigerator with Ice-Maker-Stainless Steel
- Garbage Disposal
- Microwave with Vent
- Granite or Quartz Countertops
- Double Bowl Stainless Steel Sink

BATH/POWDER ROOM STANDARDS

- Ceramic Flooring
- Granite or Quartz Vanity Tops
- Quality Cabinetry
- Ceramic Tub/Shower Surround
- Framed Glass Mirror Over Vanity

CLOSETS, UTILITIES, AND LAUNDRY

- Walk-In MBR Closet (Per Plan)
- Laminate Closet Shelving
- Washer/Dryer Hook-Up
- Linen Closet(s)
- Programmable Thermostat

BUILDING FEATURES/AMENITIES

- Architecturally-Enhanced Exteriors
- Extensive Hardscaping/Landscaping
- Finished Lower Level
- Front-Oriented Sidewalks
- Modest, But Desirable Community Amenities (Depends on Size of Development)

(1) Benchmark base sales prices, which are presented in June 2023 dollars, do not include options, upgrades or premiums.

(2) Includes an estimate for options, upgrades and premiums, i.e. 6.0 percent above the base sales price.

Source: Tracy Cross & Associates, Inc.

PRODUCT CRITERIA AND BENCHMARK PRICES - FOR SALE ATTACHED RANCH VILLAS
-- CONVENTIONAL/MAINSTREAM HOUSING --
WHITEWATER, WISCONSIN

Product Line Summary

Product Form:	***Attached Ranch Villas (3-, 4- and 5-Unit Buildings - Duplexed Where Necessary)***
Garage Condition:	***2-Car (Front)***
Average Plan Size (Sq. Ft.):	***1,400***
Average Benchmark Base Price: [(1)]	***$257,990***
Per Sq. Ft.:	***$184.28***
Average Anticipated Closing Price: [(2)]	***$276,000***
Per Sq. Ft.:	***$197.14***

Plan Detail

Plan Designation	A	B	C
Plan Style	Ranch	Ranch	Ranch
Bedrooms	2	2+Den	2+Den
Baths	2	2	2
Unit Size (Sq. Ft.)	1,300	1,400	1,500
Benchmark Base Price:[(1)]	$249,990	$257,990	$265,990
Per Sq. Ft.:	$192.30	$184.28	$177.33
Anticipated Closing Price: [(2)]	***$267,500***	***$276,000***	***$284,600***
Per Sq. Ft.:	***$205.77***	***$197.14***	***$189.73***

Features and Amenities

UNIT STANDARDS

- Luxury Plank Flooring in Main Living Areas
- Carpeting in Bedroom Areas
- "White" Interior Paint Finish
- Painted Trim
- Direct-Wire Smoke Detectors Per Code
- Cable/Satellite/Telephone Prewire
- Paneled Doors
- High-Speed Internet Connectivity
- Air Conditioning
- Designer Door Hardware
- Designer Lighting Package
- Private Patio Area

KITCHEN FEATURES

- Quality Cabinetry
- Luxury Plank Flooring
- Four Burner Cooktop
- Self Clean Single Oven-Stainless Steel
- Built-In 5-Cycle Dishwasher-Stainless Steel
- Refrigerator with Ice-Maker-Stainless Steel
- Garbage Disposal
- Microwave with Vent
- Hard Surface Countertops
- Double Bowl Stainless Steel Sink

BATH/POWDER ROOM STANDARDS

- Ceramic Flooring
- Hard Surface Vanity Tops
- Quality Cabinetry
- Ceramic Tub/Shower Surround
- Framed Glass Mirror Over Vanity

CLOSETS, UTILITIES, AND LAUNDRY

- Walk-In MBR Closet (Per Plan)
- Laminate Closet Shelving
- Washer/Dryer Hook-Up
- Linen Closet(s)
- Programmable Thermostat

HOME FEATURES/AMENITIES

- Architecturally-Enhanced Exteriors
- Extensive Hardscaping/Landscaping
- Basements Optional
- Front-Oriented Sidewalks
- Modest, But Desirable Community Amenities (Depends on Size of Development)

[(1)] Benchmark base sales prices, which are presented in June 2023 dollars, do not include options, upgrades or premiums.
[(2)] Includes an estimate for options, upgrades and premiums, i.e. 7.0 percent above the base sales price.

Source: Tracy Cross & Associates, Inc.

PRODUCT CRITERIA AND BENCHMARK PRICES - SMALL LOT FOR SALE SINGLE FAMILY
-- CONVENTIONAL/MAINSTREAM HOUSING --
WHITEWATER, WISCONSIN

Product Line Summary

Product Form:	***Single Family***
Lot Dimensions:	***40'-45" x 100'-110'***
Garage Condition:	***2-Car (Rear Load) (Front-Load As Necessary)***
Average Plan Size (Sq. Ft.):	***1,700***
Average Benchmark Base Price: (1)	***$308,990***
Per Sq. Ft.:	***$181.76***
Average Anticipated Closing Price: (2)	***$330,600***
Per Sq. Ft.:	***$194.47***

Plan Detail

Plan Designation	A	B	C	D	E
Plan Style	Ranch	Ranch	2-Story	2-Story	2-Story (1st Floor MBR)
Bedrooms	2 + Den	2 + Flex	3	3 + Flex	3 + Loft
Baths	2	2	2.5	2.5	2.5
Unit Size (Sq. Ft.)	1,500	1,600	1,700	1,800	1,900
Benchmark Base Price:(1)	$290,990	$299,990	$308,990	$317,990	$326,990
Per Sq. Ft.:	$193.99	$187.49	$181.76	$176.66	$172.10
Anticipated Closing Price: (2)	***$311,400***	***$321,000***	***$330,600***	***$340,200***	***$349,900***
Per Sq. Ft.:	***$207.60***	***$200.63***	***$194.47***	***$189.00***	***$184.16***

Features and Amenities

UNIT STANDARDS

- Luxury Plank Flooring in Main Living Areas
- Carpeting in Bedroom Areas
- "White" Interior Paint Finish
- Painted Trim
- Direct-Wire Smoke Detectors Per Code
- Cable/Satellite/Telephone Prewire
- Paneled Doors
- High-Speed Internet Connectivity
- Air Conditioning
- Designer Door Hardware
- Designer Lighting Package
- Private Patio Area

KITCHEN FEATURES

- Quality Cabinetry
- Luxury Plank Flooring
- Four Burner Cooktop
- Self Clean Single Oven-Stainless Steel
- Built-In 5-Cycle Dishwasher-Stainless Steel
- Refrigerator with Ice-Maker-Stainless Steel
- Garbage Disposal
- Microwave with Vent
- Hard Surface Countertops
- Double Bowl Stainless Steel Sink

BATH/POWDER ROOM STANDARDS

- Ceramic Flooring
- Hard Surface Vanity Tops
- Quality Cabinetry
- Ceramic Tub/Shower Surround
- Framed Glass Mirror Over Vanity

CLOSETS, UTILITIES, AND LAUNDRY

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- Laminate Closet Shelving
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- Linen Closet(s)
- Programmable Thermostat

HOME FEATURES/AMENITIES

- Architecturally-Enhanced Exteriors
- Extensive Hardscaping/Landscaping
- Optional Basements
- Front-Oriented Sidewalks
- Modest, But Desirable Community Amenities (Depends on Size of Development)

(1) Benchmark base sales prices, which are presented in June 2023 dollars, do not include options, upgrades or premiums.
(2) Includes an estimate for options, upgrades and premiums, i.e. 7.0 percent above the base sales price.

Source: Tracy Cross & Associates, Inc.

PRODUCT CRITERIA AND BENCHMARK PRICES - CONVENTIONAL FOR SALE SINGLE FAMILY
-- CONVENTIONAL/MAINSTREAM/MOVE-UP HOUSING --
WHITEWATER, WISCONSIN

Product Line Summary

Product Form:	***Single Family***
Lot Dimensions:	***55'-60' x 120'***
Garage Condition:	***2-Car (Front)***
Average Plan Size (Sq. Ft.):	***2,050***
Average Benchmark Base Price:[(1)]	***$357,490***
Per Sq. Ft.:	***$174.39***
Average Anticipated Closing Price:[(2)]	***$382,500***
Per Sq. Ft.:	***$186.59***

Plan Detail

Plan Designation	A	B	C	D	E	F
Plan Style	Ranch	Ranch	2-Story	2-Story	2-Story	2-Story
Bedrooms	3	3	3+Flex	4	4 + Loft	4 + Den
Baths	2.0	2.0	2.5	2.5	2.5	2.5
Unit Size (Sq. Ft.)	1,750	1,850	1,950	2,100	2,250	2,400
Benchmark Base Price:[(1)]	$329,990	$338,990	$347,990	$361,990	$375,990	$389,990
Per Sq. Ft.:	$188.57	$183.24	$178.46	$172.38	$167.11	$162.50
Anticipated Closing Price:[(2)]	***$353,100***	***$362,700***	***$372,300***	***$387,300***	***$402,300***	***$417,300***
Per Sq. Ft.:	***$201.77***	***$196.05***	***$190.92***	***$184.43***	***$178.80***	***$173.88***

Features and Amenities

UNIT STANDARDS

- Luxury Plank Flooring in Main Living Areas
- Carpeting in Bedroom Areas
- "White" Interior Paint Finish
- Painted Trim
- Direct-Wire Smoke Detectors Per Code
- Cable/Satellite/Telephone Prewire
- Paneled Doors
- High-Speed Internet Connectivity
- Air Conditioning
- Designer Door Hardware
- Designer Lighting Package
- Large Private Patio Area

KITCHEN FEATURES

- Quality Cabinetry
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[(1)] Benchmark base sales prices, which are presented in June 2023 dollars, do not include options, upgrades or premiums.
[(2)] Includes an estimate for options, upgrades and premiums, i.e. 7.0 percent above the base sales price.

Source: Tracy Cross & Associates, Inc.

mainstream household incomes in the market. Second, the for sale product lines (and their prices) will assist builders in bridging the rather large price gap that exists between area resales and new construction alternatives which, in turn, will provide for "above average" absorption/sales rates. Third, the suggested products (and their typical density allocations) will allow each home series to improve upon total unit counts per acre, which will help minimize raw land costs per unit. Fourth, each suggested product line and plan offering can be built in an efficient manner, which will assist in keeping direct construction costs at a minimum. Finally, the rents/prices assigned to each product line will allow each housing idiom to draw consumers from both the city Whitewater and other nearby areas (both inside and outside the Whitewater Market Area).

Because each product line has been positioned competitively (and strategically) relative to the market, absorption rates for the rental products and sales rates for the ownership offerings are expected to be "at" or "above the market average." And, while absorption and sales are dependent upon other factors such as the scale of a development or phase, i.e., number of total units; site location; community amenities, etc., the following text table offers a general outline of what a typical development or phase would be capable of attaining per product series:

ABSORPTION / SALES SUMMARY - A GUIDE
SUGGESTED HOUSING PRODUCTS: WHITEWATER, WISCONSIN

Product Line	Estimated Total Units For a Typical Development or Phase (of Relative Scale)	Annual Absorption/ Sales Potential (In Units) At Benchmark Rents/Prices	Marketing Life (In Years)
Two-Story Garden Apts	144	96	1.5 [1]
Ranch Villa Rental	90	60	1.5 [1]
Townhomes/Rowhomes	36	12	3.0
Attached Ranch Villas	36	12	3.0
TND Single Family	36	12	3.0
Conventional Single Family	36	12	3.0

[1] Marketing life will actually be slightly shorter to get to a stabilized occupancy level of 95 percent.

Source: Tracy Cross & Associates, Inc.

The absorption/sales volumes outlined above are reflective of a series of residential product lines that will appeal to households earning incomes, generally, in the $40,000 to $75,000 range for the rental products and in the $65,000 to $150,000 range for the ownership idioms. These income segments, which are some of the deepest in the city of Whitewater and surrounding communities, have been disenfranchised of late relative to new construction alternatives market-wide.

MARKET POSITIONING

It is important to reiterate that the benchmark rents/prices outlined in Exhibits 2 through 7 have been *carefully* established so that each product line can penetrate the mainstream of the new construction housing market based, primarily, on incomes, while at the same time supporting a value position necessary to appeal to consumers from inside and outside the local area. For example, the two rental products will each occupy an appropriate (and competitive) rent/value variance when cast against the newest apartment communities, i.e., those developments introduced in the last five years, all of which are located just outside the Whitewater Market Area.

APARTMENT COMMUNITIES CONSTRUCTED IN THE LAST 5 YEARS
-- JUST OUTSIDE THE WHITEWATER MARKET AREA --
JUNE 2023

Development	Location	Garage Condition	Year Built	Total Units	Vacancy/ Absorption Rate	Average Unit Size (Sq. Ft.)	Average Posted Base Monthly Rent	
							$	$/Sq. Ft.
Suggested Garden Apts	*Whitewater*	*1-Car Incl. (50%)*	*---*	*144*	*8.0/Mo (Est.)*	*925*	*$1,383*	*$1.50*
Suggested Ranch Villas	*Whitewater*	*1-Car Incl. (100%)*	*---*	*90*	*5.0/Mo (Est.)*	*1,000*	*1,563*	*1.56*
The Vineyards of Cambridge	Cambridge	1-Car Incl. (100%)	2018	70	0.0	835	$1,267	$1.52
Lofts at Honey Creek	East Troy	1-Car Incl. (100%)	2022	120	0.0	991	1,498	1.51
Rock Creek	Lake Mills	1 or 2-Car Incl. (100%)	2019	144	0.7	929	1,503	1.62
Summer Ridge	Lake Mills	1-Car Incl. (100%)	2023	56	8.8/Mo.	1,035	1,650	1.59
The Pointe	Mukwonago	1-Car Opt.	2020	89	0.0	968	1,395	1.44

Source: Tracy Cross & Associates, Inc.

As positioned, and considering the total unit count estimates provided earlier, the two rental products could achieve absorption rates close to 8.0 units monthly for the garden apartments and 5.0 units per month for the ranch villa rentals, rates that are consistent with typical lease-up trends. For instance, at an average absorption pace of 8.0 units monthly across the 144 estimated total units (per development or phase) and 5.0 per month across 90 total units, again per development or phase, these two rental idioms will each be absorbed at a rate equal to approximately 5.5 percent of their total unit counts. Among most apartment developments throughout similar Midwest locations, absorption rates *among properly positioned communities* generally hover between 4.0 and 7.0 percent of their total unit counts.

In addition, absorption rates among other surveyed developments generally fall within the forecasted range including the 8.8 unit-per-month pace being achieved by Summer Ridge, not to mention the recent 8.5 pace recently registered by Lofts at Honey Creek and the 7.7 rate achieved at The Pointe.

The various for sale products, in turn, will occupy lower/more competitive value positions in the market considering the higher price points currently represented in the new construction ownership sector. As but one example, the two-car garage attached ranch villa product suggested for Whitewater has been priced roughly 15 percent below similar product at the best-selling condominium development in the entire Whitewater Market Area. Specifically, Fox Chase Villas in Eagle (Waukesha County), which consists of two-car garage attached ranch duplexes with standard unfinished basements, is selling at a pace of 8 homes per year at an average closing price of roughly $350,000 for 1,400 square feet of living space. This compares with our estimated average closing price in Whitewater of $276,000 for 1,400 square feet (without basements) and our estimated sales forecast of 12 units per year. As such, our pricing differential can be supported on the basis of location, optional basements, and sales pace.

At the same time, the suggested two-car garage ranch villa series, at benchmark, will carry a whole dollar price position appropriately below newer condominiums along Jakes Way in Whitewater, where sales have been modest.

The two single family series suggested for Whitewater, too, will maintain the necessary under market variance. As highlighted in **Exhibit 8**, estimated closing prices for the detached product lines will be positioned roughly 10 below the most recent new construction single family mainstream closings throughout the Whitewater Market Area.

A DISCIPLINE APPROACH TO PRODUCT DEVELOPMENT

It will likely be challenging to achieve the rents/prices suggested for each product line based upon current costs of development and construction, although it can be accomplished (and essentially must be accomplished) to attain the absorption/sales forecast which, in turn, will fill the holes that currently exist in the new construction home market in and around Whitewater. To assist in this endeavor, it will be imperative for all stakeholders to work closely with builders/developers so that the recommendations are followed. With this said, builders/developers (and governing bodies) will need to think differently in terms of land planning, development, and product design in order to *substantially reduce costs*, a key component to meeting the rent/price requirements. Provided below are key ingredients to brining properly positioned mainstream housing to market, especially as it relates to the ownership products:

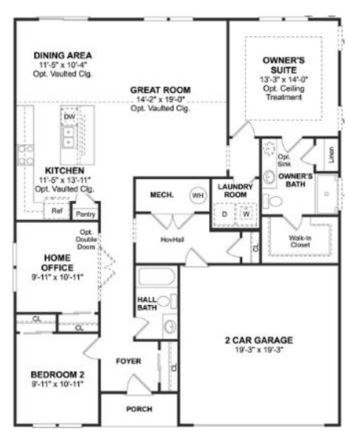
- ❑ Each product line must be efficient and cost effective to build from a design standpoint (value engineered). This can be achieved while still offering functional and desirable floorplans.

- ❑ The basis for design should be modeled after box-on-box/four-corner construction with no wasted space; however, exterior elevations should still be very appealing. Referencing the latter, a strong use of colors *not materials* is but one example of how quality can be portrayed to the consumer. This has been accomplished in numerous communities throughout the U.S. To reiterate, by creating value-oriented floorplans, we are not suggesting that quality be minimized, nor is there implication that overall curb appeal be comprised. It simply needs to be accomplished strategically.

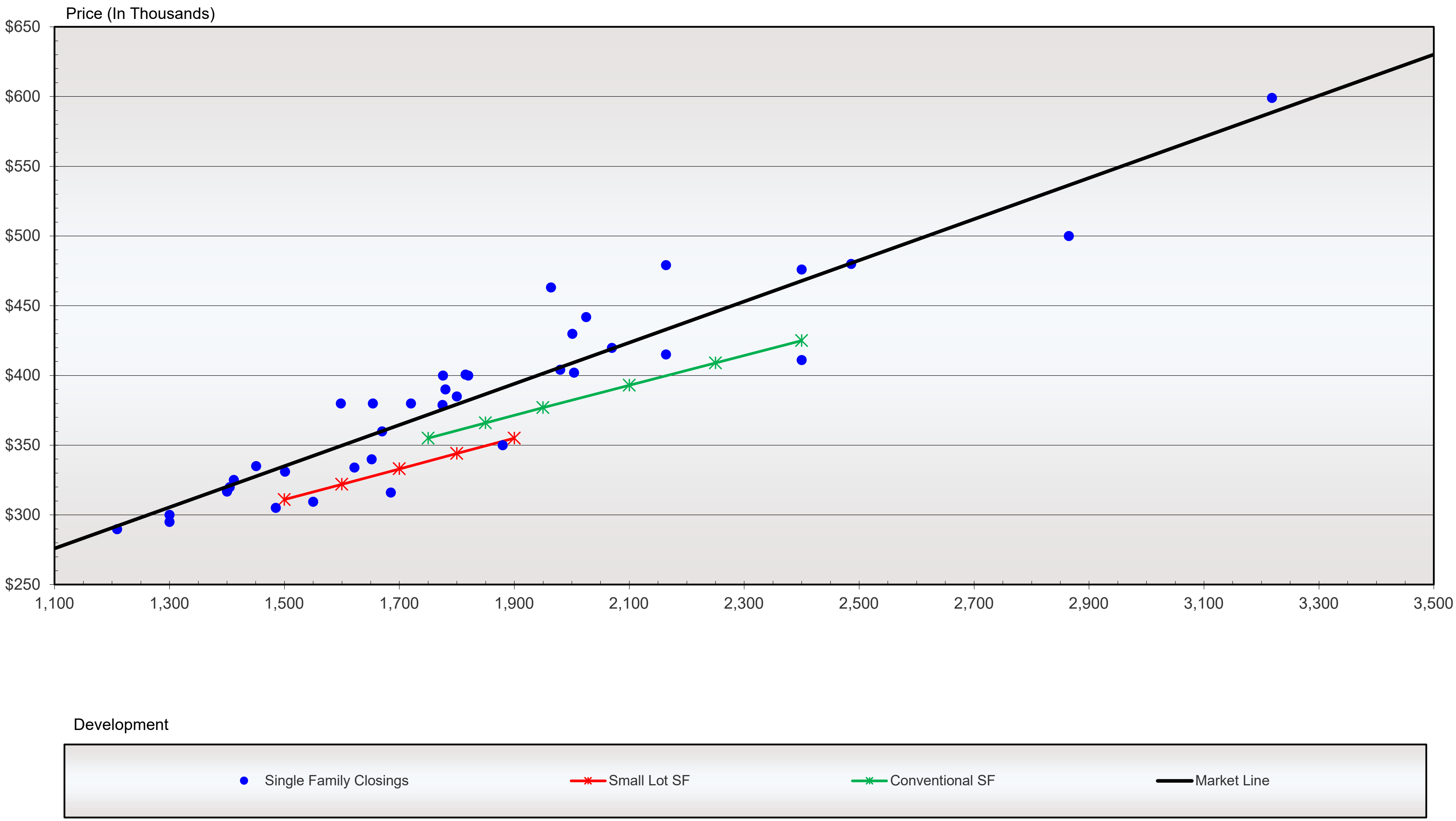
  Provided below are a few floorplan examples that portray efficiency in design:

Typical Three-Story Townhome/Rowhome Plan

Conventional Single Family Ranch Plan



Price/Value Analysis
New Construction Single Family Closings: July 2022 - May 2023
Whitewater Market Area



Price/value analysis uses a scatter diagram to graphically represent a set of observations found in today's marketplace, specifically the square footage of models offered and their associated sales prices. Regression analysis is then used to fit a line through the set of market observations that represent the "best fit" or average market line. This market line can then be used to predict the performance of a new, untested product line or offer explanations regarding the sales rate of currently available product lines.

- Once value-engineering has taken place, and efficient/cost effective plans and buildings are designed, these efficiencies must be conveyed to all subcontractors for bidding purposes. *This may become a critical element to ultimately achieving the suggested rents/prices.*
- None of the for sale product lines should offer standard (included) basements, although the option for a basement can (and should) be made available in most series (as indicated).
- In achieving higher densities, strong consideration should be placed on "to the street" product, smaller lots, along with front-to-back living (i.e., narrower units). At the same time, the mixing of products within neighborhood areas will help improve densities, while also establishing a desirable architectural landscape.
- Finally, outdoor living space for each residence (among all product lines) is essential; however, it need not be extensive. Specifically, private balconies for the garden apartments and for sale townhomes will be sufficient, along with private courtyards/patios and side/back-yards for the attached ranch villas and single family homes.

POTENTIAL INCENTIVES

Even with a disciplined planning and design approach, it is possible that some incentives or concessions might also be necessary to bring the *for sale products* (as positioned) to market. This will need to be determined through the planning process but may include some form of land cost relief (if possible), Tax Increment Financing (TIF) assistance or something similar. For the rental products, it is unlikely that incentives/concessions would be required at benchmark rents.

PRODUCT CLARIFICATION

Please keep in mind that while our product guidelines are very specific, there are a number of derivatives to each of the recommended generic forms that could evolve through the design efforts of individual builders/developers – or through the overall planning process. However, when considering any derivatives during the course of the planning process, it is still important to follow the general parameters outlined for each of the recommended products relative to unit types, bedroom/bathroom counts, rents, prices, garage conditions, etc., in order to insure acceptable absorption and/or sales, and most importantly, the appeal to the mainstream of the market who are currently disenfranchised by the lack (or limited amount) of similar products.

In addition, consideration can be given to the introduction of other generic forms based upon the imbalance that exists market-wide between supply and demand – but done so with the same general planning strategy in mind – that being differentiation, efficiency, tasteful architecture, and rent/price positioning.

GEOGRAPHIC AND COMMUNITY POSITIONING

Given such severe supply-side constraints in the new construction housing market, practically any suitable location within Whitewater could be considered for residential development or redevelopment. With this said, however, it is strongly suggested that the rental housing products (in particular) be removed from the immediate environs of the University as they are to be marketed to the workforce not to students. ***For example, the vacant multifamily parcel located along S. Moraine View Parkway near Jakes Way represents an appropriate candidate for the suggested garden apartment community at a density of roughly 16 units per acre.***

The City of Whitewater (and its stakeholders/development partners) should also give strong consideration to the creation of a master-planned community whereby multiple product lines (if not all product lines) would be introduced within a large land assemblage, albeit with the various products offered in separate (but possibly integrated) neighborhood areas, development pods or phases. Such a community could become a ***destination point development*** whereby a full hierarchy of residential products are combined with heavy landscaping and hardscaping, together with amenities such as pocket parks, walking/jogging/biking trails, playgrounds, sport courts, open space areas, etc. – *representing a true lifestyle environment.* Such a development in the new construction sector is absent in the Whitewater Market Area and would most certainly allow the city of Whitewater to capture a disproportionate share of market-wide demand, while also inducing spillover from other areas.

Guiding principles for establishing a destination-point master-planned community are highlighted below:

- ❑ To provide strong community infrastructure created around a theme of livability, functionality, walkability, and recreation/convenience.

- ❑ To create a community where emphasis is placed on all segments of the market ranging from younger childless singles and couples to families living, playing, and growing together; and where active adult residents can see and experience the vibrancy of youth. Establishing this reality includes the combination of all products with appropriate, but minimally expensive, amenities.

- ❑ To create a community in which a variety of densities are carefully combined with pocket parks and other recreational uses – and that all are highly integrated and exposed for everyone to enjoy. Like the architecture and design of the homes, the land plan must be very efficient as well.

CERTIFICATION AND SIGNATURE

This analysis represents our objective and independent opinion regarding the market potential for new construction residential development in Whitewater, Wisconsin as certified below:

TRACY CROSS & ASSOCIATES, INC.
An Illinois Corporation

By:______________________
Erik A. Doersching
Its: President & CEO

Date: June 30, 2023

GENERAL LIMITING CONDITIONS

Tracy Cross & Associates, Inc. has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with developers/property managers and their agents, government officials, and other third parties. Although Tracy Cross & Associates, Inc. believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information provided by third parties.

Conclusions and recommendations established in this analysis represent a professional opinion and are based upon forecasts into the future which could be significantly altered by outside occurrences. These include, among others, the possible interplay of unforeseen social, economic, physical/environmental, and governmental actions. In this regard, Tracy Cross & Associates, Inc., its owners, and its employees shall be held harmless of changes in conditions that may materially result from these occurrences.

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