

COMPREHENSIVE HOUSING MARKET ANALYSIS

# Madison, Wisconsin

**U.S. Department of Housing and Urban Development,**  
Office of Policy Development and Research

As of July 1, 2018



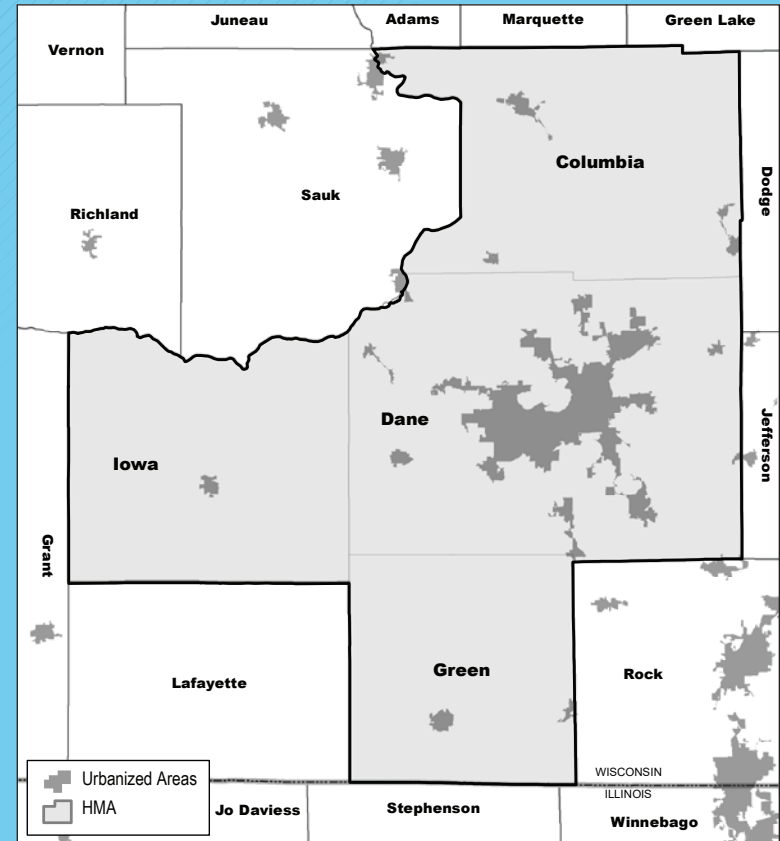
# Executive Summary

## Housing Market Area Description

The Madison, Wisconsin Housing Market Area (Madison HMA, hereafter) includes all towns, cities, villages and unincorporated areas in Dane, Columbia, Green, and Iowa Counties and is coterminous with the Madison, WI Metropolitan Statistical Area (MSA).

The current population is estimated at 660,900.

The Madison HMA is in south-central Wisconsin and is the second largest MSA in the state. The city of Madison, the largest city in the HMA, is approximately 80 miles west of the city of Milwaukee. The presence of the state capital, University of Wisconsin-Madison (UW), and UW-affiliated healthcare and research provide a relatively stable employment base, whereas recent growth has been concentrated in the high-tech and healthcare related industries.



## Tools and Resources

Find interim updates for this metropolitan area, and selected geographies nationally, at PD&R's Market-At-A-Glance [tool](#).  
 For additional data pertaining to the housing market for this HMA, go [here](#).  
 For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).



## Market Qualifiers

### Economy



Stable, with **4,100 jobs added** during the 12 months ending June 2018

The economy has been growing since 2010 and nonfarm payrolls exceeded the 2008 pre-recessionary payroll high in 2012. During the 12 months ending June 2018, nonfarm payrolls averaged 403,600, up 1.0 percent, or by 4,100 jobs, from the previous 12 months. The government sector, which is the largest payroll sector in the HMA, grew by 700 jobs, or 0.8 percent, during the past 12 months. During the next 3 years, nonfarm payrolls are expected to increase an average of 1.2 percent annually.

### Sales Market



Slightly tight, with a **4% home sales price increase** during the 12 months ending June 2018

The home sales market is currently slightly tight, improving from slightly soft conditions in 2010. The sales vacancy rate is currently estimated at 1.1 percent, down from 2.0 percent in 2010. The average inventory of homes for sale increased to 3.9 months in June 2018, up from 3.5 months in June 2017. Most of the increase in inventory was for homes priced above \$500,000. New and existing home sales rose to 13,350 during the 12 months ending June 2018, up 2 percent from the previous 12 months (Metrostudy, A Hanley Wood Company). During the 3-year forecast period, demand is estimated for 4,825 additional units. The 670 units under construction are expected to meet a portion of demand during the first year of the forecast.

### Rental Market



Balanced, with an **11% decrease in rental unit permitting** during the 12 months ending June 2018

Rental market conditions have transitioned from slightly soft in 2010 to currently balanced. The rental vacancy rate was 6.7 percent in 2010 and has fallen to an estimated 4.3 percent, currently. Renter households have increased at an average of 2.0 percent annually since 2010, faster than overall household growth, contributing to the decline in the vacancy rate. During the 3-year forecast period, demand is expected for 5,425 additional rental units. The 3,075 units currently under construction are expected to meet demand during the first year and a portion of the second year of the forecast.

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### 3-Year Housing Demand Forecast

|                           | Sales Units  | Rental Units |
|---------------------------|--------------|--------------|
| <b>Madison HMA</b>        |              |              |
| <b>Total Demand</b>       | <b>4,825</b> | <b>5,425</b> |
| <b>Under Construction</b> | <b>670</b>   | <b>3,075</b> |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2018. The forecast period is July 1, 2018, to July 1, 2021.  
Source: Estimates by analyst



# Economic Conditions

## Largest sector: Government

State government, including UW and the state capital, is a large and stable part of the economy, while the healthcare and bio-tech industries have supported growth during the current decade.

## Primary Local Economic Factors

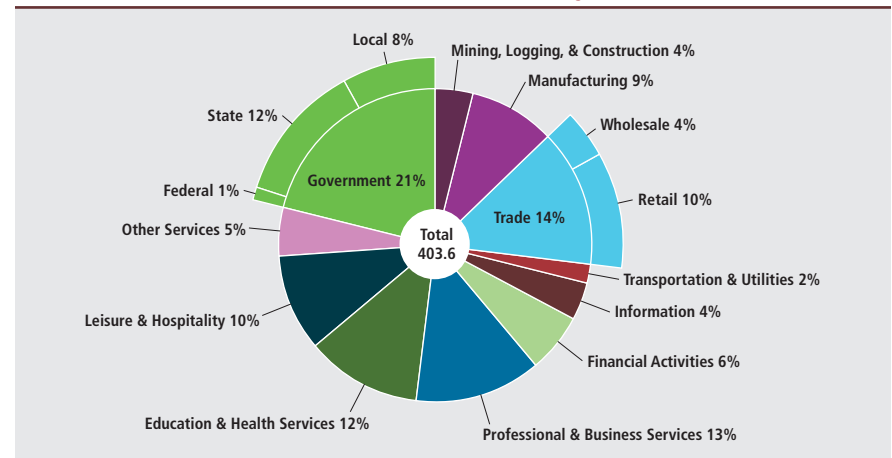
Chosen as the state capitol in the 1830s and home of the flagship state university since the 1840s, Madison has been the center of state government and public university education in Wisconsin for more than 150 years. In 2015, UW, UW Health, and UW-affiliated startup companies had an economic impact of \$15 billion statewide (University of Wisconsin), and the university spent more than \$1.16 billion on research and development in 2016 (National Science Foundation). Building off the economic stability that has come from having a high concentration of government-sector jobs, which comprise 21 percent of total nonfarm payrolls in the HMA (Figure 1), the HMA has also become a center for health care and technology.

## Current Conditions – Nonfarm payrolls (Past 12 months)

Job growth during the 12 months ending June 2018 slowed compared with the 12 months ending June 2017. Nonfarm payrolls increased by 4,100 jobs, or 1.0 percent, during the past 12 months (Table 1), compared with growth of 5,300 jobs, or 1.4 percent, during the previous 12 months.

Both goods-producing sectors added jobs during the past 12 months. The mining, logging, and construction sector rose by 700 jobs, or 4.3 percent. The \$175 million Judge Doyle Square redevelopment project in downtown Madison broke ground in October 2017, contributing to the increase. The first phase, a 562-stall underground parking garage, is expected to be complete in early 2019. The manufacturing sector increased by 600 jobs, or 1.6 percent, from the previous

**Figure 1. Current Nonfarm Payroll Jobs in the Madison HMA, by Sector**



**Table 1. 12-Month Average Nonfarm Payroll Jobs in the Madison HMA, by Sector**

|                                   | 12 Months Ending June 2017 | 12 Months Ending June 2018 | Absolute Change | Percentage Change |
|-----------------------------------|----------------------------|----------------------------|-----------------|-------------------|
| <b>Total nonfarm payroll jobs</b> | <b>399.5</b>               | <b>403.6</b>               | <b>4.1</b>      | <b>1.0%</b>       |
| Goods-Producing Sectors           | 51.3                       | 52.6                       | 1.3             | 2.5%              |
| Mining, Logging, & Construction   | 17.0                       | 17.7                       | 0.7             | 4.3%              |
| Manufacturing                     | 34.3                       | 34.8                       | 0.6             | 1.6%              |
| Service-Providing Sectors         | 348.2                      | 351.0                      | 2.8             | 0.8%              |
| Wholesale & Retail Trade          | 55.5                       | 55.1                       | -0.4            | -0.6%             |
| Transportation & Utilities        | 9.6                        | 9.6                        | 0.0             | 0.0%              |
| Information                       | 17.3                       | 17.0                       | -0.3            | -2.0%             |
| Financial Activities              | 23.7                       | 23.4                       | -0.2            | -1.0%             |
| Professional & Business Services  | 51.3                       | 51.8                       | 0.5             | 1.0%              |
| Education & Health Services       | 47.1                       | 48.4                       | 1.3             | 2.8%              |
| Leisure & Hospitality             | 37.6                       | 39.0                       | 1.4             | 3.7%              |
| Other Services                    | 20.5                       | 20.4                       | -0.1            | -0.5%             |
| Government                        | 85.6                       | 86.3                       | 0.7             | 0.8%              |

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2017 and June 2018. Numbers are in thousands.  
Source: U.S. Bureau of Labor Statistics



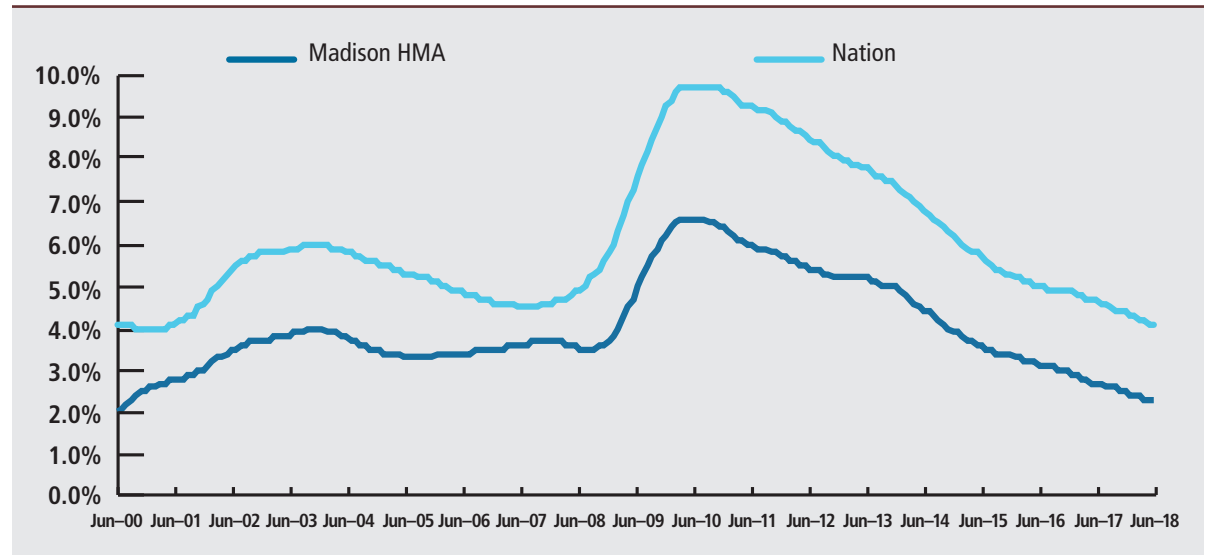
12 months. Job gains occurred despite the closure of an Oscar Meyer manufacturing facility during the fourth quarter of 2017, which employed 5,000 workers earlier in the 2010s.

Payroll changes in the service-providing sectors were mixed, with four sectors increasing, one unchanged, and four decreasing. The leisure and hospitality sector led growth, with a gain of 1,400 jobs, or 3.7 percent. In 2016, visitor spending in Dane County increased 5.2 percent from the previous year, to \$1.2 billion (Tourism Economics). The education and health services sector had the second largest gain, up 1,300 jobs, or 2.8 percent, continuing year-over-year expansion since 2012. The government sector, which lost jobs during 4 of the past 8 years, recovered some of the previous losses, adding 700 jobs, or 0.8 percent. The wholesale and retail trade sector had the largest loss, down 400 jobs, or 0.6 percent, as Bon-Ton, Toys “R” Us, Sam’s Club, and several local grocery stores closed.

## Current Conditions – Unemployment

The unemployment rate averaged 2.3 percent during the 12 months ending June 2018, down from 2.7 percent during the previous 12 months and is currently at the lowest level since 1999, when the unemployment rate was 1.8 percent (Figure 2). The current unemployment rate in the HMA is well below the 3.0-percent rate for the state of Wisconsin and the 4.1-percent rate for the nation.

**Figure 2. 12-Month Average Unemployment Rates in the Madison HMA and the Nation**



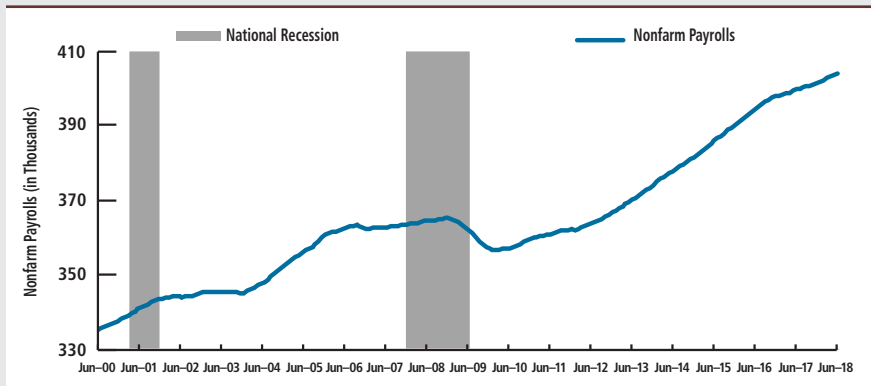
Source: U.S. Bureau of Labor Statistics

## Historic Trends: Overview

Nonfarm payrolls rose during 8 of the first 9 years of the 2000s. Including a loss of 400 jobs, or 0.1 percent during 2003, payrolls rose by an average of 3,400 jobs, or 1.0 percent, annually from 2001 through 2008 (Figure 3). The effects of the Great Recession were relatively limited in the Madison HMA, with jobs declining only during 2009, down 8,100, or 2.2 percent, compared with 4.4-percent and 4.3-percent declines in the state of Wisconsin and the nation in 2009. Job growth returned in 2010, and payrolls exceeded pre-recessionary levels during 2012, recovering 3 years before the state of Wisconsin and 2 years before the nation. Recovery, which began in 2010, marked the transition from a period of slow and steady job growth concentrated in the service-providing sectors to a period of faster growth that gains in both the goods-producing and service-providing sectors supported. Since 2010, job growth in the HMA averaged 5,500 jobs, or 1.5 percent, annually, growing faster than the early to mid-2000s. Total nonfarm payrolls have risen 13 percent since 2010, and payrolls in all sectors are up or unchanged (Figure 4).

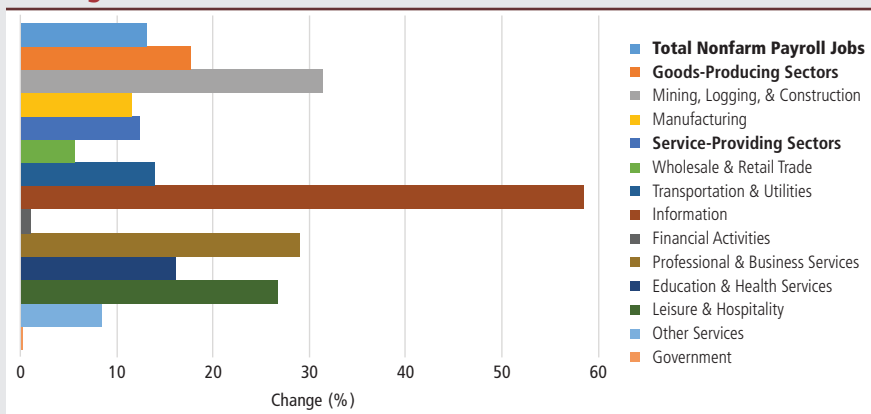


**Figure 3. 12-Month Average Nonfarm Payrolls in the Madison HMA**



Source: U.S. Bureau of Labor Statistics

**Figure 4. Sector Growth in the Madison HMA 2010 to Current**



Note: Government sector shows no change.  
Source: U.S. Bureau of Labor Statistics

### Historic Trends: 2000 through 2008

Growth was concentrated in the service-providing sectors, adding an average of 4,000 jobs, or 1.4 percent payroll growth, annually from 2001 through 2008. Job gains were largest in the professional and businesses services sector, with an average increase of 1,200 jobs, or 3.5 percent, annually, accounting for 30 percent of jobs added in the service-providing sectors. Epic Systems, a healthcare records company and currently the largest private sector employer in the HMA (Table 2), expanded from \$50 million in sales and 550 employees in 2000 to more than \$500 million in sales and 3,000 employees in 2008, contributing to growth in the service-providing sectors.

Offsetting job growth in the service-providing sectors, jobs in the goods-producing sectors declined by an average of 600 jobs, or 1.2 percent, annually, from 2001 through 2008, with losses concentrated in the manufacturing sector. The food manufacturing industry, which includes a portion of the 2 billion pounds of cheese produced annually, statewide, accounted for approximately one-half the jobs lost in the manufacturing sector in the HMA. The mining, logging, and construction sector increased by less than 100 jobs, or 0.1 percent, annually, because job gains in the early 2000s were offset by an average decline of 900 jobs, or 5.4 percent, annually from 2007 through 2008. Lower levels of homebuilding contributed to the decline.

### Historic Trends: 2009

The goods-producing sectors, which had been declining since the Great Recession began in 2007, were hardest hit, with a loss of 6,400 jobs, or 12.5 percent, comprising approximately 80 percent of job losses in the HMA during 2009. Layoffs and closures of manufacturing facilities included closure of the Land O'Lakes butter manufacturing facility, affecting 120 workers, and layoffs of nearly 400 workers at Sub-Zero Freezer Company, an appliance manufacturer.

**Table 2. Major Employers in the Madison HMA**

| Name of Employer                       | Nonfarm Payroll Sector      | Number of Employees |
|--|-----------------------------|---------------------|
| State of Wisconsin                     | Government                  | 36,475              |
| University of Wisconsin-Madison        | Government                  | 14,464              |
| UW Hospital & Clinics                  | Government                  | 7,447               |
| Epic Systems                           | Information                 | 7,400               |
| American Standard Insurance            | Financial Activities        | 4,000               |
| Madison Metropolitan School District   | Government                  | 3,591               |
| Wisconsin Physicians Service Insurance | Financial Activities        | 3,500               |
| Meriter Home Health                    | Education & Health Services | 3,000               |
| American Family Insurance              | Financial Activities        | 2,000               |
| CUNA Mutual Holding Co                 | Financial Activities        | 2,000               |

Note: All 10 of the largest employers in the HMA are located in Dane County.  
Source: Dane County

The service-providing sectors, which had been gaining jobs each year during the past decade, declined by 1,700 jobs, or 0.5 percent, during 2009. Only two of the nine service-providing sectors added jobs in 2009: the education and health services and the government sectors, which were up by 3,000 and 1,700 jobs, or 7.8 and 2.0 percent, respectively. UW and UW Health added a total of 700 employees, continuing to hire despite national economic conditions.

### Historic Trends: 2010 through 2016

Total nonfarm payrolls have been increasing since 2010, with larger gains since 2012. During 2010 and 2011, growth in the service-providing sectors offset losses in the goods-producing sectors with an average increase of 2,600 jobs, or 0.7 percent, annually. From 2012 through 2016, payrolls increased by an average of 7,100 jobs, or 1.9 percent, each year.

The goods-producing sectors continued to decline during 2010, down by 1,600 jobs, or 3.6 percent. The manufacturing sector, which had been declining since 2007, reached a low of 30,800 jobs in 2010, but has grown by an average of 500 jobs, or 1.5 percent, a year from 2011 through 2016. The mining, logging, and construction sector, which also had been declining since 2007, reached a low of 12,200 jobs in 2011, coinciding with a low in residential building permits. From 2012 through 2016, payrolls in the sector increased by an average of 900 jobs, or 6.2 percent, annually supported by increasing residential construction.

Job growth occurred in nearly all service-providing sectors from 2010 through 2016, with an average increase of 5,000 jobs, or 1.5 percent, annually. The only service-providing sector to decline was the government sector, down by less than 100 jobs, or 0.2 percent, annually. The Wisconsin Budget Repair Bill (Wisconsin Act 10), which passed in 2011, contributed to the decline in the sector during the early 2010s, and layoffs at UW during the summer of 2015 further contributed to the decline.

Expansion of companies in healthcare technology supported job growth during the current decade. Epic Systems has added more than 4,200 employees since 2010. Exact Sciences, a medical testing company, received FDA approval for their cancer screening test, Cologuard, in 2014, and has since added more than 750 jobs. The company is expected to break ground on a new building in the UW Research Park later in 2018 that will support further job growth.

Building on the high concentration of workers in the healthcare technology industry, companies in other information technology industries, including the video game industry, have expanded. The fastest growing sector from 2010 through 2016 was the information sector, increasing by 1,000 jobs, or 7.2 percent, annually. More than 50 software publishing firms, a portion of which are video game production companies, are in the HMA, and the firms have added an estimated 6,500 jobs during the current decade.



## Commuting Patterns

Among jobs in the HMA, approximately 75 percent are filled by a person living in the HMA. Workers commuting into the HMA for a job most frequently live in Rock, Sauk, and Milwaukee Counties, with residents of each of these counties filling 2 to 3 percent of jobs in the Madison HMA.

Most jobs in the HMA are in Dane County, which includes the city of Madison, and where an estimated 88 percent of total nonfarm payroll jobs are located.

## Employment Forecast

During the next 3 years, payrolls are expected to increase an average of 1.2 percent annually. Job growth is expected to continue, but at a slower pace

compared with the rate of growth since 2010. Tight labor market conditions during the 3-year forecast period are expected to result in a relatively low unemployment rate.

Additional job growth in both the goods-producing and the service-providing sectors is expected to contribute to payroll growth during the next 3 years. Three new UW buildings currently under construction; a chemistry lab, a renovation at the Babcock Hall dairy plant, and a new Meat Science lab are expected to attract students and research funding. Cellular Dynamics, a stem cell manufacturer, is currently building a new \$40 million facility and expects to add 120 employees. Sub-Zero, the appliance manufacturer that laid off employees in the late 2000s, is expected to hire 300 employees and has already begun a \$62 million expansion of an existing manufacturing facility.





# Population and Households

Current population: 660,900

Total population growth has slowed during the current decade because of lower net natural increase, while net in-migration levels have remained relatively steady.

## Population Trends

Despite relatively steady in-migration during periods of job growth, population growth in the Madison HMA has slowed during the current decade because of a decline in net natural increase (resident births minus resident deaths). Population growth was lowest from 2009 to 2010, a period of payroll decline, partially because of lower net in-migration. Since 2010, population growth averaged 6,725, or 1.1 percent, annually (Table 3), including net in-migration of approximately 3,575 people and net natural increase of 3,200 people. During the economic downturn, population growth slowed to 4,875, or 0.8 percent, from 2009 to 2010 including net in-migration of only 1,125 people and net natural increase of 3,750 people (Figure 5). The lower net in-migration is partially because of a decline in jobs. During the previous period of job growth, prior to the local economic downturn, total population growth was higher compared with the current period, with an average increase of 7,125, or 1.3 percent, annually, from 2000 to 2009. Average net in-migration was relatively similar to the current period at 3,525 people a year, but net natural increase was higher, averaging 3,600 people a year.

## Age Cohort Trends

The largest age cohort in the Madison HMA is people ages 15 to 29 years old, which includes most college students, accounting for 23 percent of the total population in 2016 (Figure 6). The fastest growing cohort is people aged 60 and older. The share of residents aged 60 and older grew from 15 percent of the

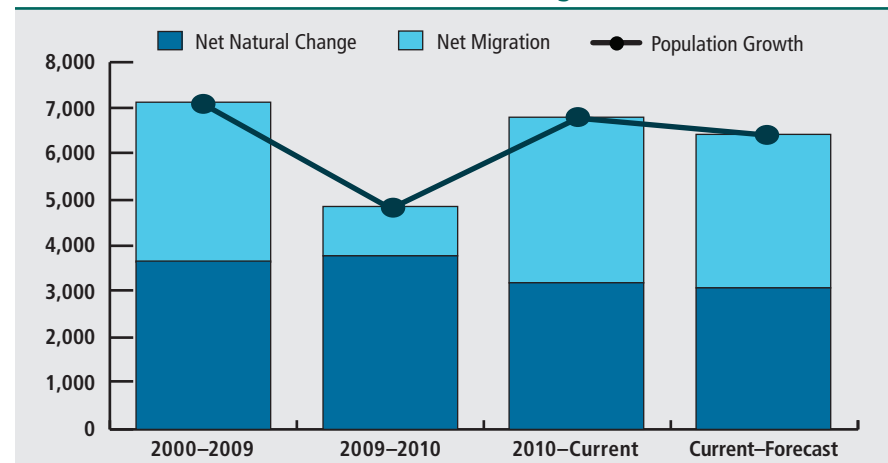
Table 3. Madison HMA Quick Facts

|                        | 2010                  | Current | Forecast |         |
|------------------------|-----------------------|---------|----------|---------|
| Population Quick Facts | Population            | 605,435 | 660,900  | 680,200 |
|                        | Average Annual Change | 7,000   | 6,725    | 6,450   |
|                        | Percentage Change     | 1.2%    | 1.1%     | 1.0%    |
| Household Quick Facts  | Households            | 250,898 | 276,400  | 285,500 |
|                        | Average Annual Change | 3,500   | 3,075    | 3,050   |
|                        | Percentage Change     | 1.5%    | 1.2%     | 1.1%    |

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Madison HMA 2000 Through the Forecast



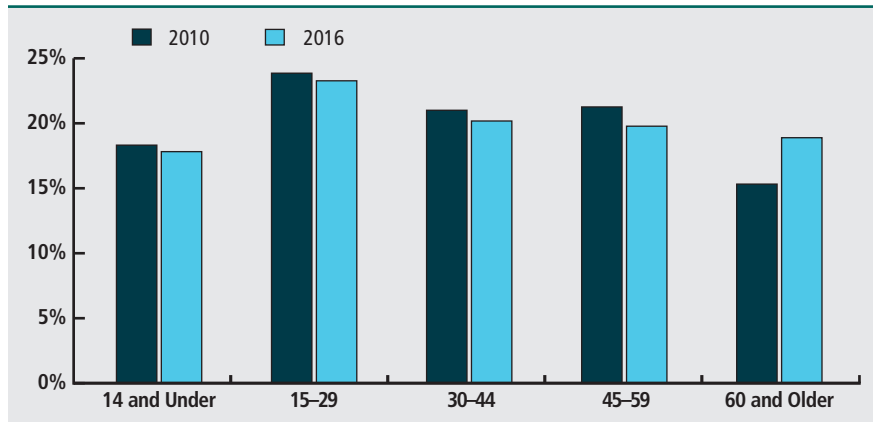
Note: Net natural change and net migration totals are average annual totals over the time period.

Source: U.S. Census Bureau, Bureau of Labor and Statistics

total population in 2010 to 19 percent in 2016 and was the only age cohort to increase as a share of the total population during this period. The rising share of older residents is expected to have contributed to the decline in net natural increase during the current decade.



**Figure 6. Population by age in the Madison HMA**



Source: American Community Survey, 2010 and 2016, 5-year data

### Student Enrollment and Households

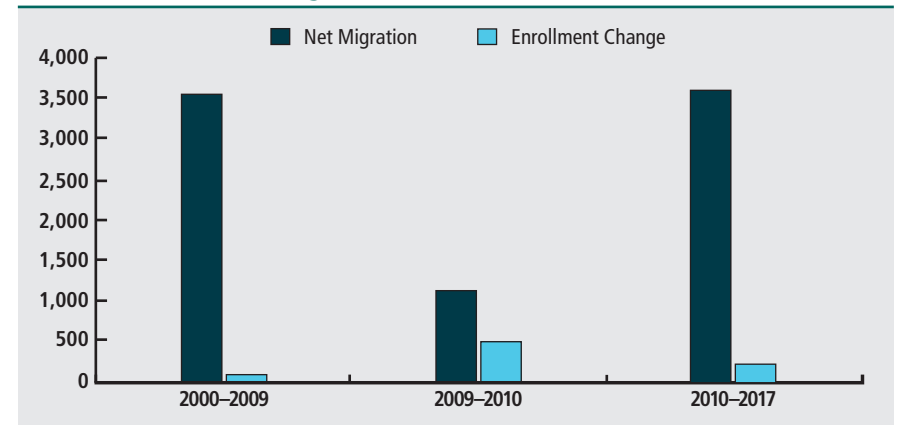
Student enrollment at UW was 43,800 during the fall 2017 semester, accounting for approximately 7 percent of the total population and an estimated 12 percent of all renter households in the HMA. Enrollment increases typically account for less than 10 percent of net in-migration, annually, but during the recent recessionary period, enrollment growth accounted for nearly one-half of net in-migration. From 2000 to 2009, enrollment increased by an average of 100 students a year, or approximately 3 percent of average annual net in-migration (Figure 7). From 2009 to 2010, enrollment increased by nearly 500 students, or approximately 45 percent of net in-migration. Since 2010, enrollment has increased by an average of 240 students a year, or 7 percent of net in-migration.

### Migration Trends

People moving into the Madison HMA are typically moving from a non-metropolitan area or from one of the three nearby major metropolitan areas; Milwaukee-Waukesha-West Allis, Chicago-Naperville-Elgin, and Minneapolis-St. Paul-Bloomington (Table 4). More people moved into the Madison HMA from

non-metropolitan areas and from the nearby major metropolitan areas than moved out of the HMA to those areas. Net out-migration, with more HMA residents moving out than in, was greatest to the Tampa, Seattle, Austin, Denver, and San Jose metropolitan areas, which have a high concentration of jobs in high-tech industries or are popular retirement destinations.

**Figure 7. Annual Average Student Enrollment and Net Migration Trends in the Madison HMA**



Source: Census Bureau, University of Wisconsin

**Table 4. Metro to Metro Migration Flows in the Madison HMA: 2011-2015**

|   | Into the HMA | Out of the HMA |
|---|--------------|----------------|
| <b>Non-Metro Area within U.S. or Puerto Rico</b>          | 8,139        | 7,960          |
| <b>Milwaukee-Waukesha-West Allis, WI Metro Area</b>       | 4,343        | 2,326          |
| <b>Chicago-Naperville-Elgin, IL-IN-WI Metro Area</b>      | 3,439        | 2,021          |
| <b>Minneapolis-St. Paul-Bloomington, MN-WI Metro Area</b> | 1,842        | 1,653          |
| <b>Janesville-Beloit, WI Metro Area</b>                   | 1,129        | 1,172          |

Notes: 2011-2015 American Community Survey, 5-year data. Excludes international migration.  
Source: U.S. Census Metro to Metro Migration Flows



### Population by Geography

Within the Madison HMA, approximately 80 percent of the population resides in Dane County and 20 percent resides in the remaining three counties of the HMA. Population growth was concentrated in the downtown Madison neighborhood and in suburban portions of Dane County (Map 3), with population in census tracts in those areas increasing approximately 1 percent or more, annually (2007–2011 and 2012–2016 American Community Survey 5-year data). A relatively large share of housing construction occurred in these areas, with approximately one-third of all apartment units built since 2012 in the downtown Madison neighborhood and nearly one-half of all single-family homes were built in suburban portions of Dane County, where land close to most employment centers is available for development. In the parts of the HMA farthest from the city of Madison, population tends to be relatively unchanged or declining.

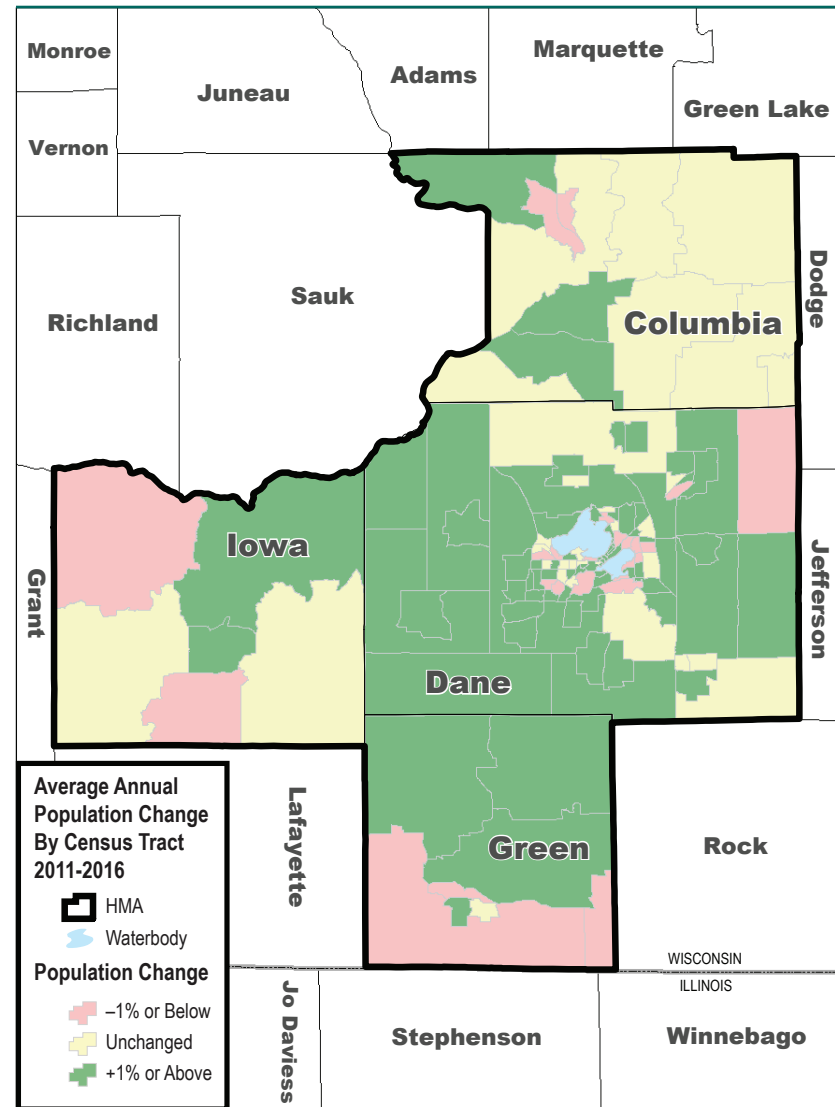
### Population Forecast

Population growth is expected to continue during the 3-year forecast period, but slower than the current rate. Low unemployment both in the Madison HMA and the nation are expected to contribute to fewer people moving to the HMA for jobs. The relatively large share of residents aged 60 and older is also expected to contribute to lower net natural increase, further slowing population growth. During the next 3 years, the population is expected to increase by an average of 6,450, or 1.0 percent, annually.

### Household Trends

Similar to population growth, household growth has also slowed during the current decade. Since 2010, the number of households increased by an average of 3,075, or 1.2 percent, annually, down from an average increase of 3,500 households, or 1.5 percent, annually from 2000 to 2010. During the 2000s, approximately three-fourths of additional households were owner-households, contributing to an increase in the homeownership rate from 61.0 percent in 2000 to 62.5 percent in 2010 (Figure 8). Since 2010, only one-third of additional

Map 3. Average Annual Population Change by Census Tract in the Madison HMA, 2011–2016



Source: American Community Survey 5-year data 2011 and 2016

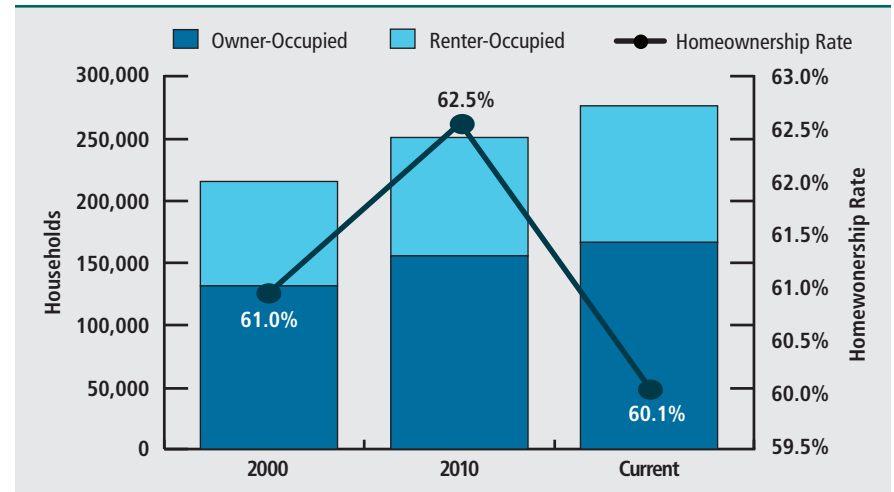


households were owner-households, contributing to the decline in the current homeownership rate to 60.1 percent.

### Household Forecast

Household growth is expected to slow to an average of 3,050, or 1.1 percent, annually, partially because of the slowdown in population growth. Approximately one-half of the additional households are expected to be owner households, an increase from the proportion during the current period, but below the level during the 2000s.

**Figure 8. Households by Tenure and Homeownership Rate in the Madison HMA**



Sources: 2000 and 2010–2000 Census and 2010 Census; current estimates by analyst



# Home Sales Market Conditions

Market Conditions: Slightly tight

Total home sales during the 12 months ending June 2018 are up from the previous 12 months, continuing year-over-year growth since 2015.

## Current Conditions

The home sales market in the Madison HMA is currently slightly tight, improving from slightly soft conditions in 2010. The home sales vacancy rate is currently estimated at 1.1 percent (Table 5), down from 2.0 percent in 2010. Home sales have increased during the 12 months ending June 2018, to 13,350, up 3 percent from the 13,000 homes sold during the previous 12 months (Metrostudy, A Hanley Wood Company). New and regular resale sales are up, and real estate owned (REO) sales are down (Figure 9). The average home sales price rose 4 percent to \$275,300 during the 12 months ending June 2018.

## New Home Sales

New home sales are up from the post-recessionary low in 2012. New home sales reached a historic high in 2007, with 1,750 homes sold, and then fell by an average of 230 homes, or 19 percent a year to 600 homes sold during 2012. As nonfarm payrolls exceeded the pre-recession high and have continued to rise since 2013, home sales have increased by an average of 70 homes, or 10 percent a year. During the 12 months ending June 2018, 1,000 new homes were sold, up from 900 during the previous 12 months.

## Existing Home Sales

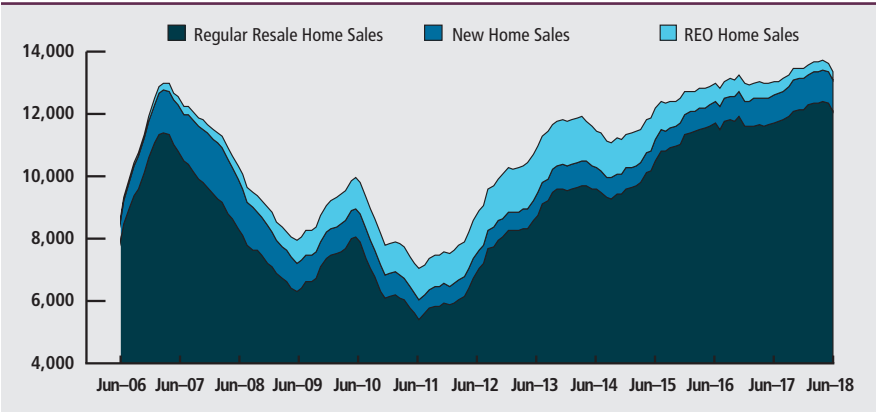
Existing home sales, including regular resales and REO sales, accounted for more than 90 percent of all homes sold in the HMA since 2005. Sales peaked in 2006, when both goods-producing and service-providing sectors were expanding, with

Table 5. Home Sales Quick Facts in the Madison HMA

|                                  | Madison HMA | Nation    |
|----------------------------------|-------------|-----------|
| <b>Vacancy Rate</b>              | 1.1%        | NA        |
| <b>Months of Inventory</b>       | 3.9         | 4.3       |
| <b>Total Home Sales</b>          | 25,700      | 4,204,000 |
| 1-Year Change                    | 2.1%        | -1.6%     |
| <b>Average Price-Existing</b>    | \$244,800   | \$315,300 |
| 1-Year Change                    | 3.1%        | 6.7%      |
| <b>Average Price-New</b>         | \$363,800   | \$403,400 |
| 1-Year Change                    | 2.6%        | 6.8%      |
| <b>Mortgage Delinquency Rate</b> | 0.6%        | 2.0%      |

NA = data not available  
 Note: Vacancy rate is as of the current date, home sales and prices are for the 12 months ending June 2018, and months of inventory and mortgage delinquency data is as of June 2018.  
 Sources: Metrostudy, A Hanley Wood Company, Wisconsin Realtors® Association, National Association of Realtors®, CoreLogic, Inc.

Figure 9. Sales Totals by Type in the Madison HMA



Source: Metrostudy, A Hanley Wood Company

11,250 homes sold, and then declined by an average of 860 homes, or 9 percent a year, to a historic low of 7,000 in 2011, the year before nonfarm payrolls returned to pre-recession levels. Supported by an elevated number of REO sales



during 2012 and 2013 and payroll expansion, existing home sales rose each year by an average of 830, or 9 percent. During the 12 months ending June 2018, 12,350 homes were sold. REO sales, which peaked in 2013 at 1,450, accounting for 13 percent of all existing home sales, have fallen to 250 during the past 12 months, accounting for 2 percent of all existing home sales.

### Delinquent Mortgages

The rate of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and REO properties in the Madison HMA peaked well below—and remains below—the national rate. As of June 2018, the rate was 0.6 percent compared with 0.7 percent a year earlier and a peak of 3.6 percent in early 2010 (CoreLogic, Inc.). By comparison, the portion of seriously delinquent home loans and REO properties in the nation was 1.9 percent in June 2018 compared with 2.3 percent a year earlier and a peak of 8.6 percent in 2010.

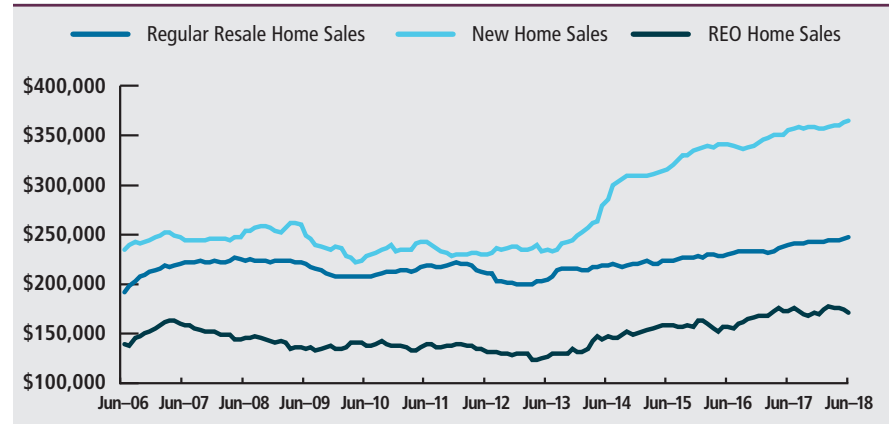
### New Home Sales Prices

New home sales prices have risen an average of 7 percent annually since the recent low in 2011 of \$229,700, when new home sales were also at a low (Figure 10). During the 12 months ending June 2018, prices averaged \$368,800, up 3 percent from a year earlier and \$110,400, or nearly 45 percent, above the previous peak of \$253,400 in 2008. Prices fell an average of 3 percent a year from 2008 through 2011, during the period of economic decline and early recovery.

### Existing Home Sales Prices

Existing home sales prices, including regular resale and REO sales, have risen an average of 5 percent annually since 2012. Prices averaged \$244,800 during the 12 months ending June 2018, up 3 percent from the previous 12 months. The current average price is \$255,700, or 29 percent above the low of \$189,100 in 2012. The previous high of \$220,400 was in 2006, followed by an average decline of 5 percent annually to the most recent low in 2012.

Figure 10. Average Sales Price by Type of Sale in the Madison HMA



Source: Metrostudy, A Hanley Wood Company

### Inventory of Homes for Sale

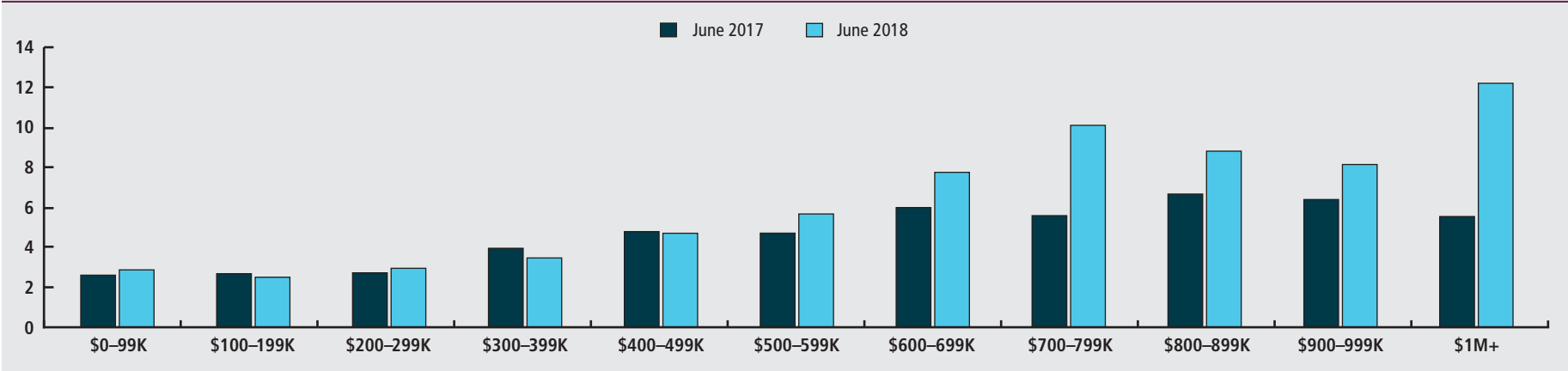
Total inventory of homes for sale, as measured by months of unsold inventory, is 3.9 months in June 2018, up from 3.5 months a year earlier (Wisconsin Realtors® Association). Most of the increase in inventory is in homes priced above \$500,000 (Figure 11). The inventory of homes for sale priced below \$300,000 increased slightly during the past year but remained below 3 months in June 2018. The inventory of homes priced between \$300,000 and \$500,000 fell compared with June 2017.

### Sales Permit Activity

Permitting of sales housing, including single-family homes, townhomes, and condominiums, has increased or remained essentially unchanged each year since 2012. An average of 3,300 homes was permitted each year from 2000 through 2007, approximately 15 percent of which were condominiums (Figure 12). Permitting fell to an average of 880 a year from 2008 through 2012, during the housing market downturn, but has risen to an average of 1,475 a year from 2013 through 2017. Condominium construction in the HMA has slowed considerably,



Figure 11. Months of Inventory of Homes for Sale by Price in the Madison HMA



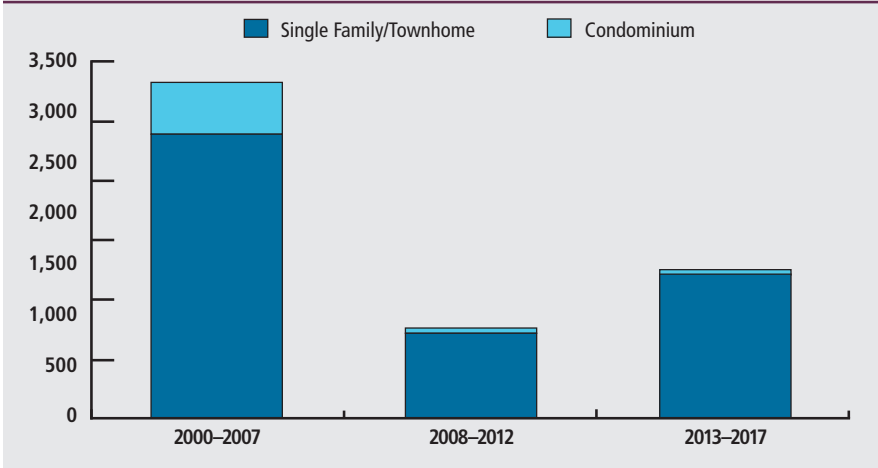
Source: Wisconsin Realtors® Association

falling to 5 percent of all sales permits from 2008 through 2012 and further to 2 percent from 2013 through 2017. During the 12 months ending June 2018, the number of homes permitted declined less than 2 percent compared with the previous 12 months, to 1,650 homes permitted.

**New Construction Properties**

New home construction is concentrated in the suburban areas surrounding the city of Madison in Dane County. Approximately three-fourths of existing homes sold during the 12 months ending June 2018 were priced below \$300,000 and 70 percent of new home sales were priced below \$400,000 (Figure 13). The Weatherly Condominiums in Sun Prairie, a suburb northeast of the city of Madison is a 24-unit property with 16 units built in the late 2000s and the final 8 units completed earlier in 2018. Two of the eight recently completed units have sold, and six are available for sale. Prices for the two-bedroom, three-bathroom condominiums are listed at \$235,000. Hometown Grove, a 31-lot subdivision in Verona, a southwest suburb of Madison, has three-bedroom homes listed for sale starting at \$330,000.

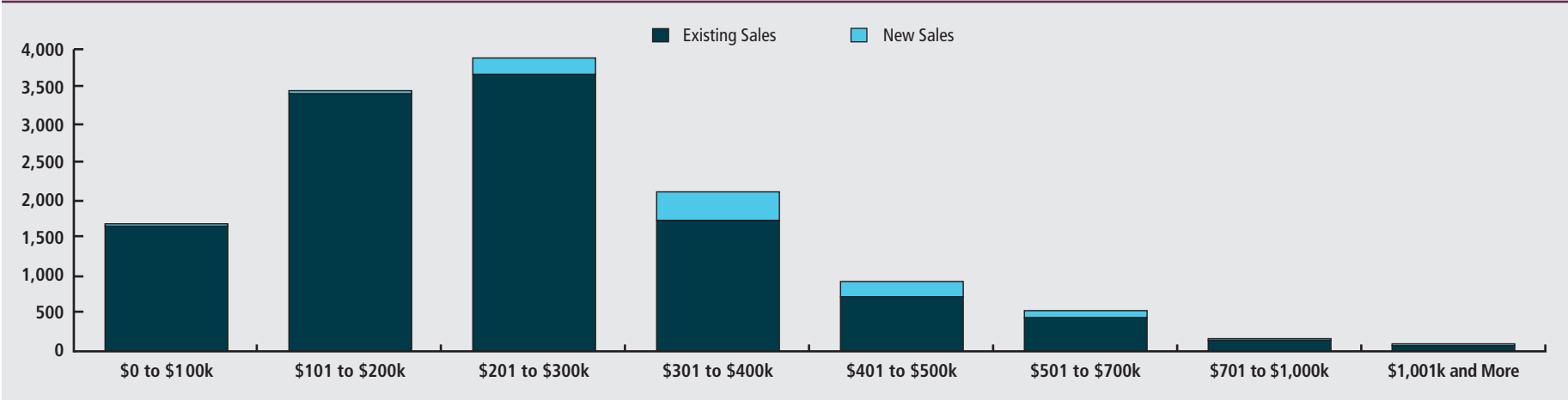
Figure 12. Average Annual Sales Permitting Activity in the Madison HMA



Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst



Figure 13. Sales by Price Range During the 12 Months Ending June 2018 Madison HMA



Source: Metrostudy, A Hanley Wood Company

**Forecast**

During the next 3 years, demand is estimated for an additional 4,825 homes. (Table 6). The 670 homes currently under construction are expected to meet a portion of demand during the first year of the forecast period. New homes priced under \$400,000 are expected to account for most of the demand, and demand is estimated to rise each year of the forecast.

Table 6. Demand for New Sales Construction Units in the Madison HMA During the Forecast Period

| Sales Units               |             |
|---------------------------|-------------|
| <b>Demand</b>             | 4,825 Units |
| <b>Under Construction</b> | 670 Units   |

Source: Estimates by analyst





# Rental Market Conditions

## Market Conditions: Balanced

Rental unit construction has been elevated since 2012, with approximately one-third of new units built in the downtown Madison/ UW campus area.

## Current Conditions and Recent Trends

Rental market conditions in the Madison HMA have transitioned from slightly soft in 2010 to currently balanced. The rental vacancy rate in 2010 was 6.7 percent and has fallen to an estimated 4.3 percent currently (Table 7). Since 2010, renter households have increased an average of 2.0 percent annually, faster than overall household growth and contributing to the decline in the vacancy rate.

**Table 7. Rental and Apartment Market Quick Facts in the Madison HMA**

| Rental Market Quick Facts             |  | 2010        | Current     |
|---------------------------------------|--|-------------|-------------|
|                                       | <b>Rental Vacancy Rate</b>                   | <b>6.7%</b> | <b>4.3%</b> |
|                                       | <b>Occupied Rental Units by Structure</b>    |             |             |
|                                       | <b>Single-Family Attached &amp; Detached</b> | 18%         | 16%         |
|                                       | <b>Multifamily (2-4 Units)</b>               | 24%         | 22%         |
| <b>Multifamily (5+ Units)</b>         | 57%  | 60%         |             |
| <b>Other (Including Mobile Homes)</b> | 1%   | 1%          |             |

| Apartment Market Quick Facts   |                               | Current | YoY Change |
|--------------------------------|-------------------------------|---------|------------|
|                                | <b>Apartment Vacancy Rate</b> | 3.0%    | +0.2       |
|                                | <b>Average Rent</b>           | \$1,130 | 1%         |
|                                | <b>Studio/One-Bedroom</b>     | \$988   | 1%         |
|                                | <b>Two-Bedroom</b>            | \$1,233 | 2%         |
| <b>Three-Bedroom or Larger</b> | \$2,002                       | 1%      |            |

YoY = year-over-year

Notes: The current date is July 1, 2018. Current data for 'occupied rental units by structure' is American Community Survey, 2016. The 2010 'occupied rental units by structure' data include adjustment by analyst. Sources: American Community Survey, 1-year data; RealPage, Inc.

Rental housing in the Madison HMA is comprised of 38 percent single-family homes, townhomes, and buildings with four or fewer units, 60 percent in larger buildings with five or more units, and the remainder are mobile homes and other housing types. Housing built for renter-occupancy, the majority of which were in apartment buildings with five or more units, has comprised approximately two-thirds of all housing units permitted since 2010 and has contributed to a change in apartment market conditions. The relatively low foreclosure rate, which, if higher, would have likely shifted more single-family homes and townhomes to renter occupancy, contributed to limited growth in the non-apartment rental housing stock.

## Apartment Market Conditions and Recent Trends

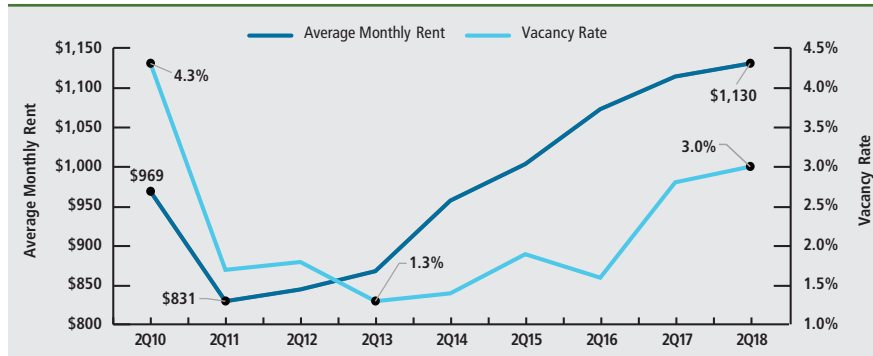
The apartment market has transitioned from balanced conditions in 2010 to currently slightly tight conditions. The apartment vacancy rate during the second quarter of 2018 was 3.0 percent, compared with 2.8 percent a year earlier and 4.3 percent in 2010 (Figure 14) (Real Page, Inc.). The average apartment rent was \$1,130, up 1 percent from a year earlier. The average rent in the Central Madison market area, which includes downtown Madison and the west side of the city of Madison is 3 percent above the average for the HMA, whereas other market areas range from 2 to 4 percent below average. Rent growth during the past year has slowed compared with an average increase of 5 percent a year from 2012 to 2017. Rental unit construction has been elevated since 2012 and has contributed to the higher vacancy rate and slower rent growth during the past year.

## Student Apartments

Student apartments; units marketed to, but not limited to, student-renters, typically near campus and designed to support the student lifestyle, are a growing part of the rental housing stock in the HMA. From 2012 through 2017, enough student-targeted apartments were built to house 5,800 people (Triad Real Estate Partners),



**Figure 14. Apartment Rents and Vacancy Rates in the Madison HMA**



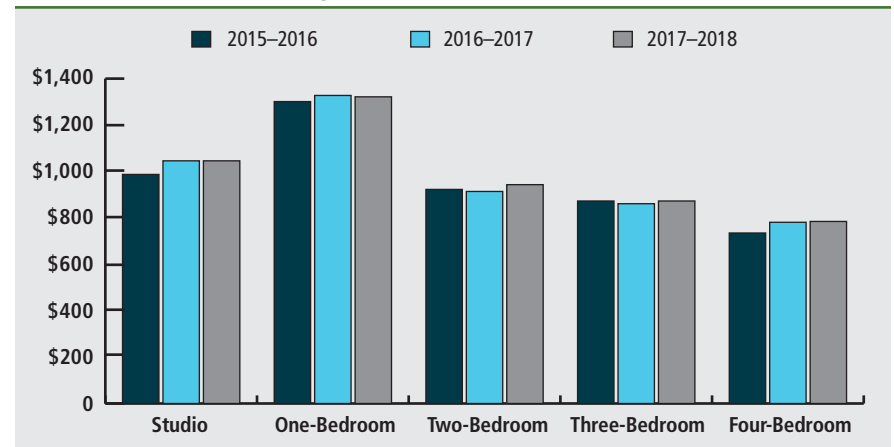
Source: Real Page, Inc.

whereas enrollment at UW increased by approximately 1,000 students during the same period. During the 2017–2018 academic year, the student apartment vacancy rate was 4.2 percent, up from 3.4 percent during the previous academic year. Average rent increased less than 1 percent from the previous academic year, and rents ranged from an average of \$1,318 for a one-bedroom unit to an average of \$784 for one bedroom in a four-bedroom unit (Figure 15). Student households are estimated to comprise 12 percent of all renter households in the HMA.

### Rental Permit Activity

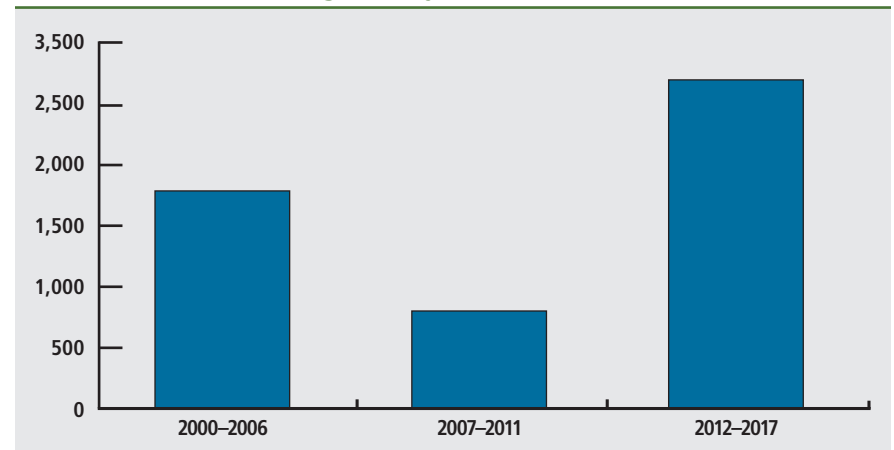
Rental permitting, including permitting of general occupancy apartments, student apartments, and senior housing, is currently at a historically high level. From 2000 through 2006, overlapping a period of job growth in the HMA, an average of 1,800 rental units were permitted annually (Figure 16). As the national economy began to slow and goods-producing jobs began to decline in the HMA, rental unit permitting fell to an average of 800 units a year from 2007 through 2011. The local economy began to add jobs in 2010, but the number of rental units permitted remained low through 2011. As payrolls in the HMA returned to the previous high in 2012, rental permitting also rose to levels from the early 2000s, and then exceeded them, averaging 2,725 units each year from 2012 through 2017. During

**Figure 15. Average Rent by Bedroom for Student Apartments in the Madison HMA**



Source: Triad Real Estate Partners

**Figure 16. Average Annual Rental Permitting Activity in the Madison HMA**



Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst



the 12 months ending June 2018, rental permitting slowed to 2,775 units, down from 3,125 during the previous 12 months, in response to slowing rent growth and rising vacancy rates.

### Recently Completed Rental Properties

During the current period of elevated rental permitting, construction has been concentrated in Dane County, mostly in the city of Madison and adjacent suburbs (Map 4). Approximately one-third of rental units permitted since 2012 were in the downtown Madison/UW campus neighborhood in the city of Madison. A recent zoning change along Washington Street on the east side of downtown Madison has permitted apartment construction in an area that was previously mostly office and retail use. Veritas Village, a 189-unit apartment on the east side of downtown Madison, currently in lease-up, is renting studio units for \$995 to \$1,350, one-bedroom units for \$1,320 to \$1,575, two-bedroom units for \$1,995 to \$2,295, and three-bedroom units for \$2,540 to \$2,755. On the far northeast side of the city of Madison, Hidden Creek Residences Apartments, Phase I, an 82-unit property, opened in 2017. Rents range from \$940 to \$1,015 for a studio, \$1,155 to \$1,240 for a one-bedroom, and \$1,605 for a two-bedroom unit.

### Forecast

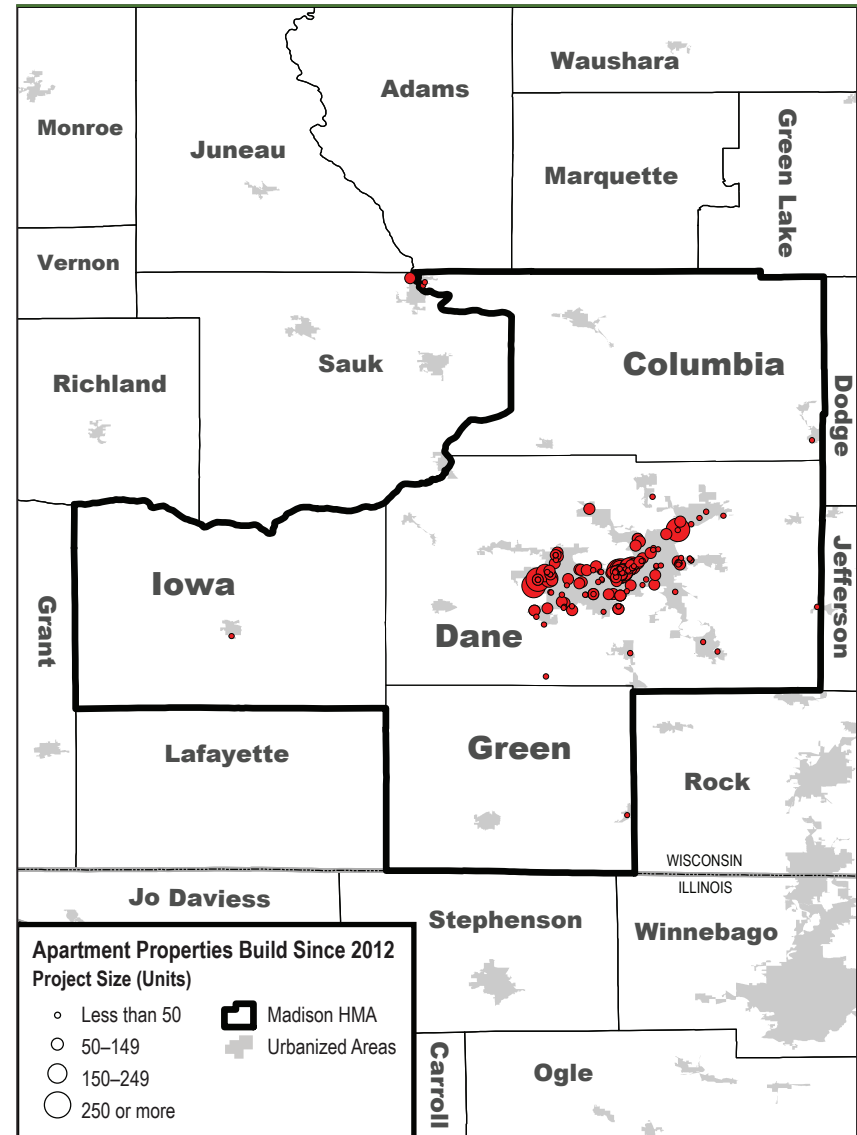
During the 3-year forecast period, demand is estimated for an additional 5,425 rental units. (Table 8). The 3,075 units currently under construction are expected to meet most of the demand during the first 2 years of the forecast period. Anticipated continuing job growth may encourage renter households to purchase homes, limiting demand for new rental units during the forecast period.

**Table 8. Demand for New Rental Construction Units in the Madison HMA During the Forecast Period**

|                    | Rental Units |
|--------------------|--------------|
| Demand             | 5,425        |
| Under Construction | 3,075        |

Source: Estimates by analyst

**Map 4. Completed Projects in the Madison HMA Since 2012**



Source: McGraw-Hill Construction Pipeline database, with adjustments by analyst

# Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census  
 2010: 4/1/2010—U.S. Decennial Census  
 Current date: 7/1/2018—Estimates by the analyst  
 Forecast period: 7/1/2018–7/1/2021—Estimates by the analyst

**A. Terminology Definitions.**

|                                       |   |
|---------------------------------------|---|
| <b>Demand</b>                         | The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.   |
| <b>Other Vacant Units</b>             | In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.   |
| <b>Building Permits</b>               | Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits. |
| <b>Distressed Sales</b>               | Short sales and real estate owned (REO) sales.  |
| <b>Seriously Delinquent Mortgages</b> | Mortgages 90+ days delinquent or in foreclosure.  |



|  |   |
|--|---|
| <p><b>Home Sales/<br/>Home Sales<br/>Prices</b></p>      | <p>Includes single-family, townhome, and condominium sales.</p>   |
| <p><b>Rental Market/<br/>Rental Vacancy<br/>Rate</b></p> | <p>Includes apartments and other rental units such as single-family, multifamily, and mobile homes.</p>   |
| <p><b>Forecast Period</b></p>                            | <p>7/1/2018–7/1/2021—Estimates by the analyst</p>   |
| <p><b>Student<br/>Apartments</b></p>                     | <p>Apartments designed and marketed to, but not limited to student residence and typically located close to a university campus. Leasing cycles and lease terms may be focused on the academic year.</p>  |
| <p><b>Senior Housing</b></p>                             | <p>Housing units limited to residence by older adults, typically age 55 and older. Properties classified as senior apartments, independent living facilities, continuing care retirement communities, or assisted living are considered senior housing.</p> |

**B. Notes on Geography**

|           |   |
|-----------|---|
| <p>1.</p> | <p>The metropolitan statistical area definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.</p> |
|-----------|---|



|    |  |
|----|--|
| 2. | Urbanized areas are defined using the U.S. Census Bureau’s 2010 Census Urban and Rural Classification and the Urban Area Criteria. |
| 3. | The Census Tracts referenced in this report are from the 2010 Census.  |

**C. Additional Notes**

|                            |  |
|----------------------------|--|
| 4.                         | This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.   |
| 5.                         | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information <u>on local economic and housing market conditions.</u> |
| <b>Contact Information</b> | <p>Marissa Dolin, Economist<br/>                 Chicago HUD Regional Office<br/>                 312-913-8893<br/> <a href="mailto:marissa.j.dolin@hud.gov">marissa.j.dolin@hud.gov</a></p>   |

For additional data pertaining to the housing market for this HMA, go to [huduser.gov/portal/ushmc/chma\\_archive.html](http://huduser.gov/portal/ushmc/chma_archive.html).

