

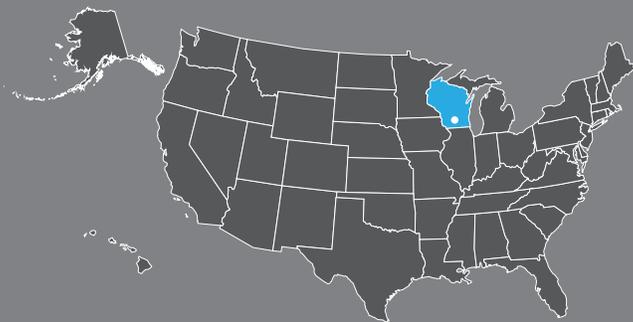
HUD PD&R Housing Market Profiles

Madison, Wisconsin



Quick Facts About Madison

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: tight**
- **Within Wisconsin, the top cheese-producing state in the United States with 3.4 billion pounds of cheese produced in 2017 (Wisconsin Agricultural Statistics), the Madison metropolitan area is a center for cheese production. The milk processing industry in the Madison metropolitan area had an economic impact of \$1.99 billion statewide (University of Wisconsin Extension, 2014, with adjustments by the analyst).**



By Marissa Dolin | As of March 1, 2019

Overview

The Madison metropolitan area is coterminous with the Madison, WI Metropolitan Statistical Area, encompassing four counties in southern Wisconsin. The city of Madison 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 high-tech industries.

- The population is currently estimated at 664,800. Population growth has been relatively steady since 2010 partially because of limited job loss and rapid recovery from the Great Recession, which contributed to steady net in-migration during the current decade.
- Despite relatively steady net in-migration, population growth has slowed during the current decade because of lower net natural increase compared with the 2000s. Net natural increase averaged 3,600 people a year during the 2000s and fell to an average of 3,100 people a year since 2010. Net in-migration averaged 3,400 people a year in the 2000s and 3,550 people a year since 2010, partially offsetting the decline in net natural increase.

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- The fastest growing age cohort is people aged 60 and older, rising from 15 percent during the 2006-to-2010 period to 19 percent of the population during the 2012-to-2017 period (5-year American Community Survey). The rising share of older residents has contributed to the decline in net natural increase during the current decade.
- The largest age cohort is people ages 15 to 29 years old, which includes most college students, and accounts for 23 percent of the total population. Student enrollment at UW was 44,400 during the fall 2018 semester (University of Wisconsin), accounting for approximately 7 percent of the total population.

Economic Conditions

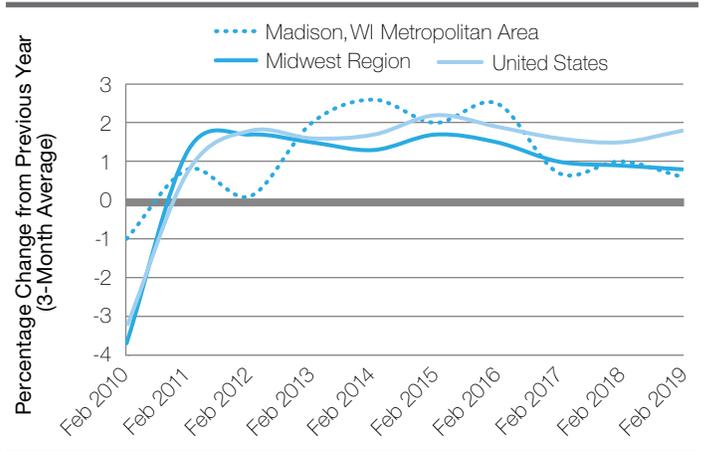
Economic conditions in the Madison metropolitan area have been strengthening since 2013 when nonfarm payrolls surpassed the pre-recession high. From 2014 through 2018, nonfarm payroll growth averaged 6,600 jobs, or 1.7 percent, annually.

During the 3 months ending February 2019—

- Nonfarm payrolls averaged 401,100, an increase of 2,400 jobs, or 0.6 percent from a year earlier, slowing from an increase of 1.0 percent, or 3,800 jobs during the previous year.
- Seven payroll sectors, including both goods-producing sectors and five of the nine service-providing sectors, added jobs. The manufacturing sector had the largest gain, up by 800 jobs, or 2.3 percent from the same period a year earlier. Fulfillment of previously announced expansions including 300 jobs at Sub-Zero Group, an appliance manufacturer, and 150 jobs at Stoughton Trailers contributed to growth.
- Four payroll sectors, all of which are service-providing sectors, had no gains or declined. The education and health services

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Nonfarm payroll growth in the Madison metropolitan area has been below the rate of growth for the United States since 2017.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Seven sectors in the Madison metropolitan area added jobs during the 3 months ending February 2019.

	3 Months Ending		Year-Over-Year Change	
	February 2018 (Thousands)	February 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	398.7	401.1	2.4	0.6
Goods-Producing Sectors	51.3	52.5	1.2	2.3
Mining, Logging, & Construction	17.0	17.5	0.5	2.9
Manufacturing	34.3	35.1	0.8	2.3
Service-Providing Sectors	347.5	348.6	1.1	0.3
Wholesale & Retail Trade	56.0	56.1	0.1	0.2
Transportation & Utilities	9.9	9.8	-0.1	-1.0
Information	16.7	16.8	0.1	0.6
Financial Activities	23.2	23.2	0.0	0.0
Professional & Business Services	51.9	51.9	0.0	0.0
Education & Health Services	48.4	47.8	-0.6	-1.2
Leisure & Hospitality	36.0	36.7	0.7	1.9
Other Services	20.5	20.7	0.2	1.0
Government	84.9	85.5	0.6	0.7
	(Percent)	(Percent)		
Unemployment Rate	2.5	2.4		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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sector had the largest decrease, down by 600 jobs, or 1.2 percent. A layoff of approximately 100 workers at Interim Healthcare of Wisconsin, a home healthcare provider, contributed to the loss.

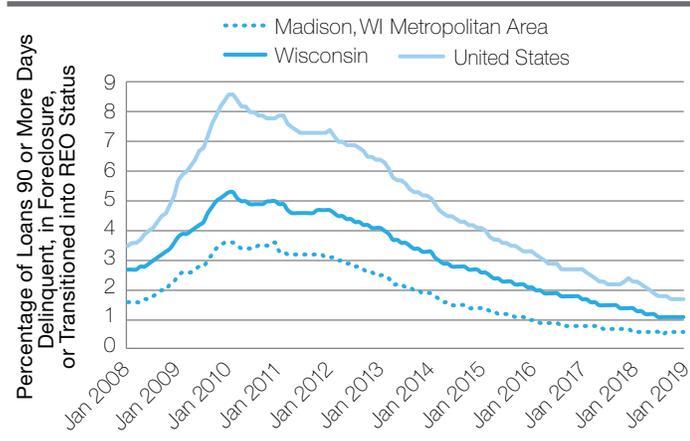
- The unemployment rate averaged 2.4 percent, down from 2.5 percent during the 3 months ending February 2018 and is currently at the same level as the previous historic low of 2.4 percent, which was recorded in 2000.

Expansion of companies in the healthcare technology industry has supported job growth during the current decade. Epic Systems Corp., a healthcare records management company, has added an estimated 7,000 employees since 2008, and Exact Sciences, a medical testing company, relocated to the city of Madison in 2009

Sales Market Conditions

The home sales market is currently slightly tight but shifting towards balanced conditions as home sales slow. The home sales vacancy rate is currently estimated at 1.0 percent, down from 2.0 percent in 2010. During the 12 months ending January 2019, the average home sales price, including new and existing homes, recorded the sixth year-over-year increase, while total home sales recorded the first year-over-year decline since the 12 months ending January 2015. In response to rising home sales prices and fewer home sales, the months of supply of inventory of homes for sale rose to 2.3 months in January 2019, up from 1.9 months in January 2018 (CoreLogic, Inc., with adjustments by the analyst). The rate of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and real estate owned (REO) properties was 0.6 percent during January 2019, unchanged from January 2018. The rate peaked in early 2010 at 3.6 percent, well below the 5.3-percent peak for the state of Wisconsin and the 8.6-percent peak for the United States.

The percentage of homes 90+ days delinquent, in foreclosure, or recently transitioned to REO status in the Madison metropolitan area has consistently been below that of the United States and the state since 2008.



REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

Largest Employers in the Madison Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Wisconsin-Madison	Government	10,000+
Epic Systems Corp.	Information	5,000–9,999
American Family Insurance	Financial Activities	1,000–4,999

Note: Excludes local school districts.

Source: Madison Region Economic Partnership

and has grown to 1,200 employees. Companies in other high-tech industries have also expanded in recent years. Software publishing firms employed 10,200 workers in 2017, up from 400 in 2002.

During the 12 months ending January 2019—

- The average home sales price for an existing home rose 7 percent to \$264,300, and the average sales price for a new construction home increased less than 1 percent to \$325,300.
- Total home sales declined 8 percent to 11,950. New construction sales fell 23 percent to 800 homes sold, and existing sales fell 7 percent to 11,150 homes sold.
- Because new home sales declined faster than existing home sales, the share of existing home sales fell to 7 percent of total home sales, down from 8 percent during the 12 months ending January 2018. At the peak, new home sales accounted for 16 percent of total home sales during the 12 months ending January 2008, but new home sales have comprised less than 10 percent of home sales since 2011.

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Existing home sales prices in the Madison metropolitan area have been increasing since mid-2013, and new home sales prices recently shifted from a decline to growth.



Note: Sales price data include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

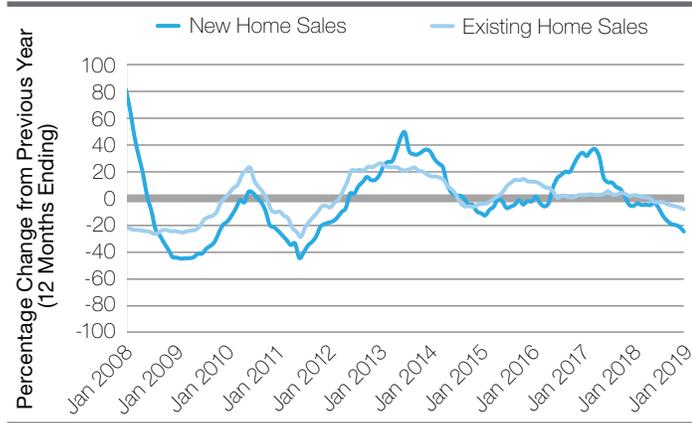


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Single-family home construction, as measured by the number of single-family homes permitted, peaked during 2017 and has slowed partially in response to declining home sales and slower job growth.

- During the 12 months ending February 2019, the number of single-family homes permitted declined to 1,575 from 1,650 during the previous 12 months (preliminary data).

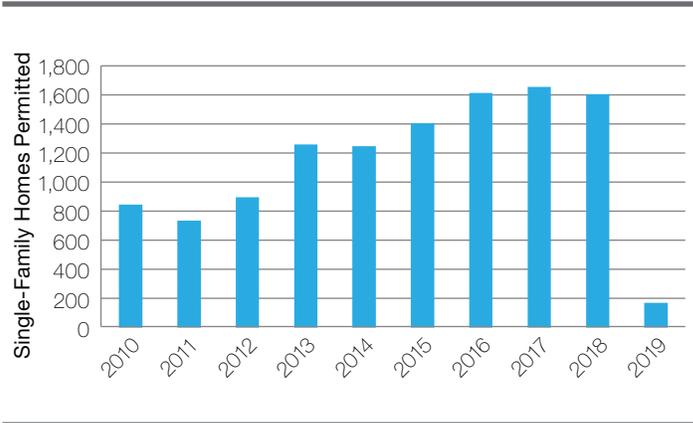
New and existing home sales in the Madison metropolitan area declined during the most recent 12 months.



Note: Sales data include single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

- From 2012 through 2017, single-family permitting increased by an average of 150 homes a year to 1,650 in 2017.
- Single-family home construction is concentrated in Dane County, which includes the city of Madison and adjacent suburbs, with jurisdictions in the county issuing approximately 85 percent of single-family home permits in the metropolitan area since 2012.

Single-family permitting in the Madison metropolitan area increased or remained steady each year from 2012 through 2017.



Note: Includes preliminary data from January 2018 through February 2019. Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Since 2010, renter households have increased an average of 1.9 percent annually, faster than overall household growth, contributing to currently tight market conditions. The majority of renter household growth has been absorbed by the apartment market as the relatively low foreclosure rate, which, if higher, would have likely shifted more single-family homes and townhomes to renter occupancy. Renter-occupied units in large buildings with five or more units, the majority of which are apartments, accounted for 61 percent of all renter-occupied units in 2017, rising from 57 percent of units in 2010.

- The apartment market is currently tight, shifting from very tight conditions earlier in the decade. The apartment vacancy rate during the fourth quarter of 2018 was 3.2 percent, compared with 3.5 percent a year earlier (RealPage, Inc.). From 2011 through 2016, the apartment vacancy rate had been below 3 percent.
- The average rent was \$1,147 during the fourth quarter of 2018, up 3 percent compared with the same quarter a year earlier and slowing from a 4-percent increase during the previous year. Rent growth averaged 5 percent a year from 2011 through 2016.
- Among the three RealPage, Inc.-defined market areas, the South Central Madison market area, which includes downtown

Madison, the west side of the city of Madison, and the city of Fitchburg, had the highest and fastest growing rent and lowest vacancy rate during the fourth quarter of 2018. The average rent rose 4 percent to \$1,197, and the vacancy rate was 2.8 percent, down from 3.4 percent during the fourth quarter of 2017.

- Student apartments, units that are marketed, but not limited to student-renters, are a growing part of the rental market. From 2012 through 2017, enough student-targeted apartments were built to house 5,900 residents (Triad Real Estate Partners, with adjustments by the analyst). During the 2017–2018 academic year, the average student apartment rent increased approximately 1 percent, and the student apartment vacancy rate rose to 4.2 percent, up from 3.4 during the previous academic year.

In response to slowing rent growth and an apartment vacancy rate that has risen from relatively lower levels earlier in the decade, multifamily construction (as measured by the number of units permitted) has declined during the most recent 12 months compared with the previous 12 months.

- During the 12 months ending February 2019, 1,975 multifamily units were permitted, down from 2,720 units during

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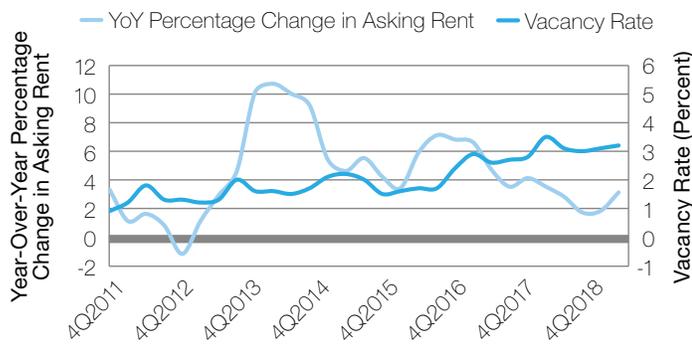


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the 12 months ending February 2018 (preliminary data). Permitting peaked in 2016 and has slowed to allow for absorption of recently completed units.

- From 2014 through 2017, an average of 2,750 units was permitted each year, above the average of 1,125 units permitted each year from 2010 through 2013.
- Multifamily permitting since 2010 has been concentrated near existing population and job centers. Nearly two-thirds of units permitted were in the city of Madison, and more than 97 percent of all units permitted were in Dane County.

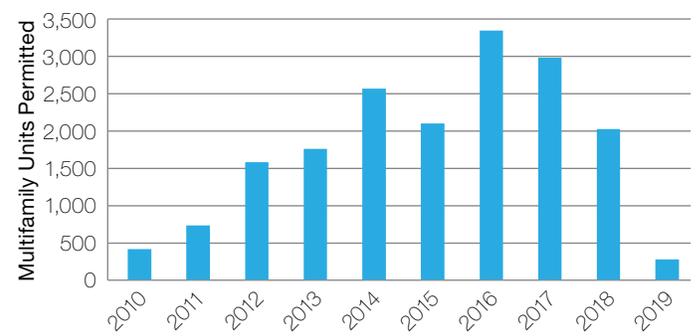
The apartment vacancy rate has been elevated and rent growth has slowed during 2017 and 2018 compared with the 2013-through-2016 period in the Madison metropolitan area.



4Q = fourth quarter.
YoY = year-over-year.
Source: RealPage, Inc.

- A notable project located in the downtown Madison business and entertainment district, 151 Wilson, was completed in 2018 and is currently in lease-up. The average rent is \$1,115 for a studio, \$1,696 for a one-bedroom, \$2,626 for a two-bedroom, and \$3,585 for a three-bedroom unit. The average rent at recently completed apartment properties in outlying neighborhoods in the city of Madison and in suburban Dane County tend to be lower than rent at properties in downtown Madison.

Multifamily permitting in the Madison metropolitan area peaked in 2016 and has slowed in recent years to allow for absorption of recently completed units.



Note: Includes preliminary data from January 2018 through February 2019.
Source: U.S. Census Bureau, Building Permits Survey

