

COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

**Analysis of the  
Janesville-Beloit,  
Wisconsin  
Housing Market**

**As of April 1, 2003**



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

## **Foreword**

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing conditions and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis was developed by HUD's Economic and Market Analysis Division as thoroughly as possible on the basis of information available on the "as-of" date from both local and national sources. As such, they may be modified by subsequent developments. We wish to express our appreciation to those industry sources and government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: 1990 to 2000, 2000 to the as-of date of the analysis ("Current date"), and from the Current date to a "Forecast date." The analysis presents counts and estimates of employment, population, households, and housing inventory, as of the 1990 and 2000 Censuses, the Current date and Forecast date. For the purposes of this analysis the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production which would maintain a reasonable balance in demand-supply relationship given the market's condition on the as-of date of the analysis. This analysis was prepared by Mr. Raynard L. Owens, the Division's Field Economist in the Chicago Regional Office, based on field work conducted in April 2003. If there are questions regarding the findings and conclusions of the analysis, he may be reached at (312) 353-6236, extension 2665 and at [Raynard\\_L.\\_Owens@hud.gov](mailto:Raynard_L._Owens@hud.gov).

## **Housing Market Area**

The definition of the Janesville-Beloit, Wisconsin Housing Market Area (HMA) is coterminous with the Janesville-Beloit Metropolitan Statistical Area by the Office of Management and Budget, defined as Rock County. For purposes of this report, the Janesville-Beloit HMA is divided into two submarkets: the city of Janesville, and the remainder of the HMA, referred to in this report as the Remainder.

## **Summary**

The City of Janesville is the principal employment center of the HMA. Since 1990 more than half the housing production has occurred in the City of Janesville.

The Janesville-Beloit HMA economy slowed during the 3-year period 2000 through 2002 compared with the previous 3-year period when the unemployment rate was low and employment was increasing. The economic slowdown is reflected in job losses in manufacturing and other sectors of the economy.

The HMA's economic future appears to be positive with signs of growth in the service-producing and retail sectors of the economy.

Demand for new housing in the Janesville-Beloit HMA will remain strong for sales housing, and balanced for rental housing. Demand for new sales housing is strong, due to low mortgage interest rates and increased household growth. The rental market in Janesville and Beloit is expected to remain slightly soft.

The rates of population and household growth in the past 3 years have been moderate. The growth is primarily due to an increase in the number of people moving to the area for affordable housing. Increased net migration is primarily from the Madison, Wisconsin metropolitan area (Dane County) and northern Illinois counties. The rates of demographic and economic growth are expected to remain relatively stable during the 2-year forecast period.

Recent low mortgage interest rates have had a positive impact on new home construction in Janesville. Since 1998 the median sales price for existing homes in the HMA has averaged \$96,600 annually, or \$60,000 less than the median sales price of existing homes in Madison. These factors have led to increased home sales and contributed to the softening in the rental market, as renters converted to homeownership.

It is estimated that there will be demand in the HMA for 1,150 units of new sales housing and 450 new rental units over the 2-year forecast period.

## **Economy of the Area**

The economy of the HMA has been dependent on the manufacturing sector. In 2002 manufacturing jobs accounted for 23 percent of the total nonfarm jobs in the area.

General Motors Corp., with 4,600 employees, is the largest manufacturer and employer in the HMA, accounting for 29 percent of all manufacturing jobs. Since 1992 the economy of the area has diversified, and several industry sectors, such as health care and services, have experienced growth. The trends in resident civilian employment and nonfarm employment by industry sector since 1992 are presented in Tables 1 and 2.

The economy of the area has slowed recently due to the decline in manufacturing jobs in the HMA and a substantial slowdown in new firms relocating to the HMA. In 2000 the Beloit Corp., manufacturer of papermaking equipment, closed its business, resulting in the loss of 1,200 jobs. In 2002 General Motors transferred work from its Janesville automobile assembly plant to Flint, MI, resulting in the loss of 800 jobs. Despite the job losses, from 1999 through 2002 the economy of the HMA diversified and several employment sectors experienced job growth. From 1992 through 1999, the service-producing sector added 1,025 jobs annually. During the same period, trade, transportation, and utilities accounted for 35 percent of the job gains in the service-producing sector. From 1992 to the Current date, the education and health services sectors increased by 110 persons annually, or an average annual 1.5 percent change. Mercy Health System is the second-largest employer in the HMA, with an estimated 2,350 employees.

As a result of the affordable prices of homes and apartments compared with surrounding metropolitan areas, primarily Madison, the Janesville-Beloit HMA is becoming increasingly a bedroom community. As of the 2000 Census, approximately 23 percent of the total resident employment in the HMA, or 16,790 persons, commuted to jobs outside the metropolitan area.

The increased population and household growth is occurring on the fast-growing northeast side of Janesville because of the availability of buildable land and easy access to the transportation corridors of Interstate 90 and state highways 14 and 26. These factors have also led to the rapid growth in service businesses, such as big box retailers and other commercial businesses.

## **Household Incomes**

The median family income in the Janesville-Beloit HMA is estimated to be \$58,100 in 2003, a 1.4 percent increase since the 2000 Census. The rate of increase in median family income during the past 3 years has declined significantly compared with the 6.1 percent annual increase between 1990 and 2000, due in part to the loss of high-paying manufacturing jobs.

## **Population**

As of the 2000 Census, the population of the HMA totaled 152,307, up 0.9 percent annually from the 1990 Census. The population was estimated to be approximately 156,000 as of the Current date. Sixty percent of the population increase during the period occurred in the City of Janesville. From 2000 to the Current date, population growth for

the HMA increased an average of 1,225 persons annually. Population gains during the forecast period are expected to continue at a stable rate of 1,200 persons annually. The trends in population and household changes from 1990 through the Forecast date for the HMA and the two submarkets are presented in Table 3.

Net in-migration to the HMA, as a result of increased employment opportunities and available affordable housing, significantly contributed to the gains in population. Although some persons moved to the HMA for employment, much of the population increase has been from households who work in the Madison metropolitan area and north central Illinois. Between 1990 and 2000 net in-migration averaged 500 persons a year. The rate of population growth from net in-migration is estimated to have remained stable, at 500 persons annually, from 2000 to April 1, 2003. The rate of net in-migration is forecast to continue at the same level to April 1, 2005.

Annual data from the Wisconsin Department of Health and Family Services, Vital Statistics, indicates a relatively stable rate of net natural increase of 780 persons annually during the 1990s. From 2000 through the Current date, net natural increase in the HMA is estimated to have averaged approximately 730 persons annually. The level of net natural change is forecast to be 700 persons annually during the next 2 years.

## **Households**

Between 1990 and 2000, an average of 640 households a year were added in the HMA. The number of owner households increased by 610, or 95 percent of the total change. From 2000 to the Current date, household growth has remained relatively stable, averaging approximately 650 annually. An estimated 60,600 households are in the HMA as of April 1, 2003. Although the area lost 3,300 jobs from 1999 through the Current date, the area has become a bedroom community, the result of increased household and population growth from persons with high-paying jobs in surrounding areas such as Madison seeking affordable housing in the HMA. The housing market remains relatively strong and even stronger for sales given the lower interest rates. During the next 2 years, the growth of households is expected to increase slightly to an average of 675 annually. It is estimated that more than half, or 350 households, will occur in Janesville, basing estimates on current and prospective residential construction activity. The trends in households from 1990 through the Forecast date for the HMA are presented in Table 3.

## **Housing Inventory**

In response to the increased demand for housing, as a result of the gains in population and households, the housing inventory since 1990 has grown steadily. From 1990 to 2000 the housing inventory increased to 62,190 units, or an average annual increase of 740, while households increased by 640 annually. The overproduction of 600 units in rental inventory led to an increase in rental vacancies from 4.3 percent in 1990 to 7.3 percent in 2000. As of the Current date an estimated 64,450 housing units are in the HMA, or an average annual change of 750 units since the 2000 Census. The counts of housing

inventory, occupancy, and vacancy by tenure for the 1990 Census and 2000 Census and the Current date are presented in Table 4.

Because of job growth through increased economic diversification, and in-migration for affordable housing, a steady shift in demand to homeownership occurred throughout the 1990s. In 1990, 68 percent of all households in the HMA were owners; by 2000 the homeownership rate had increased to 71 percent.

Most of the single-family permit activity during the 1990s occurred while the national and local economy was strong during the second half of the decade. From 1990 through 1993, single-family production, as measured by building permits, averaged 490 units a year. Beginning in 1994 the demand for new homes began to increase steadily. From that year through 1999 single-family permit activity averaged 640 homes annually. The recession of 2000 and subsequent slow job growth reduced homebuilding activity during the past 3 years, only slightly. While the slow economy has reduced demand, low interest rates and lower sales prices in the HMA compared with Madison have kept activity relatively high. Building activity in the HMA, as measured by permits, has averaged 590 single-family homes a year, between 2000 and the Current date. More than half of the homebuilding activity in the past 3 years in the HMA occurred in the City of Janesville where buildable land is available. The level of single-family home construction of recent years is expected to continue during the forecast period due to the relative affordability of homes in the HMA. The trends in building permit activity in the HMA from 1990 to the Current date for single-family and multifamily housing are presented in Table 5.

## **Housing Vacancy**

As of 1990 the sales vacancy rate was 1.3 percent in the HMA and 1.0 percent in the City of Janesville. By 2000 the sales vacancy rate increased to 1.4 percent in the HMA and 1.3 percent in Janesville as a result of the housing inventory increasing faster than household growth. As of the Current date sales vacancy rates are little changed from 2000: sales vacancy is 1.1 percent in the HMA and 1.5 percent in Janesville.

Between 1990 and 2000 the rental vacancy rate increased from 4 percent to more than 7 percent in the HMA. The increase was the result of increased multifamily overproduction. The rental vacancy rate has increased to an estimated 8 percent as of the Current date. This subsequent increase is the result of both the prior increase in multifamily production and a decline in renter demand due to the economic slowdown and shift of a significant number of renter households that have become homeowners due to low mortgage interest rates.

## **Sales Market Conditions**

The market for sales housing since 2000 has been fairly strong. Affordable sales prices and low interest rates continue to fuel demand. Conditions have remained strong for both new and existing homes despite the economic slowdown. From 1998 through 2002, sales for new and existing homes in the HMA have averaged 1,750 annually. During the

period, the median sales price of existing homes has risen steadily from \$90,000 to \$102,500, or a 3.5 percent average annual change. The shift in demand toward sales housing has led to a tight single-family market and increased housing production. Sales in the 12 months ending March 2003 totaled 1,950 homes, a 13 percent increase over the same period a year earlier. The median sales price for existing homes during the most recent 12 months was \$103,500.

Both the South Central Wisconsin Multiple Listing Service and the Madison Area Builders Association estimate that the average price of new homes in the HMA during the past 12 months is approximately \$140,000 compared with an average price in the Madison area of more than \$192,300.

## **Rental Market Conditions**

Conditions in the Janesville HMA rental market are balanced with softness noted in some segments of the market. The current vacancy rate in the HMA is estimated to be 8 percent. The rental vacancy rate in the City of Janesville is estimated to be 9 percent currently and conditions are softer than in the Remainder of the HMA. The high vacancy rate in Janesville reflects a less competitive position of the older stock as well as the increase in new units in the north and northeastern parts of the city, where most of the production has occurred.

Rent concessions of 1 to 2 months' free rent are offered throughout Janesville. Current gross rent for new apartments in the HMA are \$585 for a one-bedroom unit, \$675 for a two-bedroom unit, and \$750 for a three-bedroom unit. The softer conditions in Janesville are anticipated to continue through the forecast period given the anticipated levels of production. There are 200 units of rental housing planned in both Janesville and Beloit during the next 24 months. Several local apartment developers indicated that absorption of new units has been moderate, averaging seven units a month.

While the conditions are soft in the market-rate segment of the rental market, conditions in the market for "affordable" and "federally assisted" rentals are balanced. As of the Current date, an estimated 2,500 units of federally assisted rental housing were in the HMA, according to the Wisconsin Housing and Economic Development Authority. Occupancy rates in assisted housing developments average 94 percent, and a 96 percent utilization rate is in Section 8 Housing Choice Vouchers.

## **Forecast Housing Demand**

Based on anticipated household growth and current market conditions, estimates indicate that a demand for new housing will be approximately 1,600 units during the 2-year forecast period ending March 2005. Demand in the HMA would best be met by the construction of 575 units of sales housing and 225 market-rate rental units annually. This level of construction would maintain a balance in demand-supply conditions in the sales market and help to bring the rental market in balance during the forecast period. Sales housing demand is expected to continue to increase as a proportion of total demand based

on a continued shift of renter households to homeownership as a result of low mortgage interest rates and the in-migration of homebuyers seeking affordable housing.

The REALTORS® Association of South Central Wisconsin anticipates that much of the demand for new single-family homes will be priced under \$140,000. It is expected that almost all 575 units of owner demand will be for single-family homes and a minimal number for condominiums.

A tabular summary of rental qualitative demand for the Janesville-Beloit HMA is presented in Table 6. The distribution of demand by bedroom size is based on trends in production in the current construction pipeline in which the demand has been the strongest for one- and two- bedroom units.



**Table 1**  
**Labor Force and Total Employment**  
**Janesville-Beloit HMA**  
**1992 to April 1, 2003**

	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Prior 12 Mos.</b>	<b>Current 12 Mos.</b>
Labor Force	74,500	74,800	76,100	78,300	79,600	80,100	79,700	77,700	78,000	79,300	78,300	79,200	78,400
Total Employment	68,400	70,100	72,100	75,200	76,600	77,300	76,400	74,600	74,100	74,200	72,800	73,900	73,000
Unemployment	6,100	4,700	4,000	3,100	3,000	2,800	3,300	3,100	3,900	5,100	5,500	5,300	5,400
Rate (%)	8.2	6.3	5.3	4.0	3.8	3.5	4.1	4.0	5.0	6.4	7.0	6.7	6.8

Source: Wisconsin Department of Workforce Development

**Table 2**  
**Nonfarm Employment**  
**Janesville-Beloit HMA**  
**1992 to Current Date**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Prior 12 Mos.	Current 12 Mos.
<b>Total Nonfarm</b>	60.8	62.3	64.5	67.3	67.4	69.1	69.9	70.8	70.5	68.8	67.3	68.4	67.5
Goods Producing	20.7	20.5	21.5	23.6	23.0	23.0	23.0	22.5	21.4	20.1	18.5	19.8	18.4
Construction	2.1	2.4	2.6	2.6	2.6	2.7	2.9	3.1	3.0	3.1	2.9	3.1	2.9
Manufacturing	18.6	18.1	18.9	21.0	20.4	20.3	20.1	19.4	18.4	17.0	15.6	16.7	15.5
Services Producing	40.1	41.8	43.0	43.7	44.4	46.1	46.9	48.3	49.1	48.7	48.8	48.6	49.1
Trade, Transportation & Utilities	11.6	12.0	12.2	12.4	12.6	13.3	13.7	14.3	14.4	14.7	15.0	14.8	15.1
Leisure & Hospitality	5.3	5.4	5.6	5.8	5.7	5.7	5.8	6.1	6.0	6.1	5.9	6.1	6.0
Financial Activities*	1.7	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.9	1.9	1.9	1.9
Professional Business Services	2.7	3.1	3.4	3.4	3.5	3.9	3.9	4.1	4.5	4.7	4.7	4.7	4.6
Educational & Health Services	7.1	7.3	7.3	7.4	7.5	7.9	8.1	8.2	8.1	8.3	8.3	8.3	8.4
Other Services	4.2	4.5	4.7	4.7	5.0	5.2	5.0	5.2	5.5	4.2	4.2	4.0	4.2
Government	7.6	7.8	8.0	8.2	8.3	8.4	8.6	8.6	8.8	8.8	8.8	8.8	8.9
Federal	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3
State	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.5	0.5
Local	6.8	7.1	7.3	7.5	7.6	7.7	7.8	7.9	8.0	8.1	8.1	8.0	8.1

Notes: \*Finance, Insurance, and Real Estate  
 Numbers may not add to totals due to rounding.  
 Source: Wisconsin Department of Workforce Development

**Table 3**  
**Population and Household Trends**  
**Janesville-Beloit HMA**  
**April 1, 1990 to April 1, 2005**

	April 1, 1990	April 1, 2000	April 1, 2003	April 1, 2005	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate	Number	Rate	Number	Rate
<b>Population</b>										
Janesville-Beloit HMA	139,510	152,307	156,000	158,400	1,280	.9%	1,225	0.8%	1,200	0.8%
Janesville	52,133	59,498	61,700	63,150	737	1.4%	730	1.2%	725	1.2%
Remainder of HMA	87,377	92,809	94,300	95,250	543	0.6%	500	0.5%	475	0.5%
<b>Households</b>										
Janesville-Beloit HMA	52,252	58,617	60,550	61,900	644	1.2%	640	1.1%	675	1.1%
Janesville	20,388	23,894	25,050	25,750	351	1.7%	390	1.6%	350	1.4%
Remainder of HMA	31,864	34,723	35,500	36,150	286	0.9%	260	0.7%	325	0.9%

Sources: 1990 and 2000: U.S. Census Bureau  
 Current and Forecast: Estimates by Analyst

**Table 4**  
**Housing Inventory Tenure and Vacancy**  
**Janesville-Beloit HMA**  
**1990 to April 1, 2003**

	Janesville-Beloit HMA			Janesville Submarket Area			Remainder of HMA Submarket Area		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
<b>Total housing inventory</b>	54,840	62,187	64,450	21,153	25,083	26,450	33,687	37,104	38,000
Occupied units	52,252	58,617	60,550	20,388	23,894	25,050	31,864	34,723	35,500
Owners	35,611	41,703	43,250	13,366	16,289	17,200	22,245	25,414	26,050
%	68.2	71.1	71.4	65.6	68.2	68.7	69.8	73.2	73.6
Renters	16,641	16,914	17,300	7,022	7,605	7,850	9,619	9,309	9,350
%	31.8	28.9	28.6	34.4	31.8	31.3	30.2	26.8	26.4
Vacant units	2,829	3,570	3,900	765	1,189	1,375	2,064	2,381	2,525
Available units	1,180	1,927	2,250	412	821	1,025	768	1,106	1,225
For sale	453	593	750	130	216	300	323	377	450
Rate (%)	1.3	1.4	1.1	1.0	1.3	1.5	1.4	1.5	1.5
For rent	727	1,334	1,500	282	605	725	445	729	775
Rate (%)	4.2	7.3	8.0	3.9	7.4	9.0	4.4	7.3	8.0
Other vacant	1,649	1,643	1,650	353	368	350	1,296	1,275	1,300

Note: Numbers may not add to totals due to rounding.  
Sources: 1990 and 2000: U.S. Census Bureau  
Current: Estimate by Analyst

**Table 5**  
**Residential Building Permit Activity**  
**Janesville-Beloit HMA**  
**1992 to April 1, 2003**

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Janesville-Beloit</b>											
Total	790	805	1,103	1,037	947	791	730	989	848	836	926
Single-family	573	599	720	639	620	560	611	669	576	549	631
Multifamily	217	206	383	398	327	231	119	320	272	287	295
<b>Janesville</b>											
Total	472	475	591	564	457	369	324	453	351	415	388
Single-family	289	296	336	313	295	264	297	343	284	277	276
Multifamily	183	179	255	251	162	105	27	110	67	138	112
<b>Remainder of HMA</b>											
Total	318	330	512	473	490	422	406	536	497	421	538
Single-family	284	303	384	326	325	296	314	326	292	272	355
Multifamily	34	27	128	147	165	126	92	210	205	149	183

Note: Multifamily is defined as two or more units in a structure.  
Source: U.S. Census Bureau, C40, Construction Reports

**Table 6**  
**Estimated Qualitative Annual Demand for New Market Rate Rental Housing**  
**Janesville-Beloit HMA**  
**April 1, 2003 to April 1, 2005**

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
\$585	80	\$675	95	\$750	20
\$635	70	\$725	85	\$800	20
\$685	65	\$775	70	\$850	15
\$735	55	\$825	60	\$900	15
\$785	45	\$875	50	\$950	10
\$835	35	\$925	40	\$1,000	10
\$885	25	\$975	30		
\$935	20	\$1,025	25		
\$985	15	\$1,075	20		
\$1,035	10	\$1,125	15		

Notes: Distribution above is non-cumulative. Demand of fewer than 10 units is shown as 0.  
 Numbers have been rounded for comparison.

Source: Estimates by Analyst