

# HUD PD&R Housing Market Profiles

## Madison, Wisconsin



### Quick Facts About Madison

- **Current sales market conditions: tight**
- **Current apartment market conditions: slightly tight**
- **University of Wisconsin-Madison Athletics had a \$610 million economic impact statewide, supporting nearly 4,500 jobs and generating \$12 million in tax revenue in 2018 (University of Wisconsin-Madison Athletic Department). Home football games attracted nearly 585,000 attendees during the season and had a \$114 million economic impact statewide.**



By Marissa Dolin | As of May 1, 2020

### Overview

The Madison metropolitan area includes Dane County, the central county, and three surrounding counties: Columbia, Green, and Iowa in south-central Wisconsin. The four counties are coterminous with the Madison, WI Metropolitan Statistical Area. The city of Madison is 80 miles west of the city of Milwaukee and home to both the state capitol and the largest public university in the state, the University of Wisconsin-Madison (UW). Building on the more than \$1 billion in academic research spending each year since 2009, the area has also become a center for high-tech innovation. That innovation includes video game development and healthcare software, the latter of which is Epic Systems Corporation, a health records management software company with nearly 10,000 employees.

- The current population is estimated at 669,100, with an average annual increase of 4,900, or 0.7 percent, since 2017, slowing from an average gain of 6,875, or 1.1 percent, annually from 2010 to 2017. Net in-migration averaged 2,375 people annually since 2017, down from an average of 3,700 people annually from 2010 to 2017, when job growth was faster (Census Bureau population estimates as of July 1 and estimates by the analyst).

continued on page 2



PD&R



continued from page 1

- Most metropolitan area residents live in Dane County, which includes the city of Madison, and most people who move to the metropolitan area settle in Dane County. The current county population is estimated at 550,000, or approximately 82 percent of the total metropolitan area population, and net in-migration averaged 2,250 people annually since 2017.

- The college student-age population is a relatively large share of the local population compared with the nation. Residents ages 18 to 24 years old accounted for 12 percent of the population of the Madison metropolitan area in 2018, but only 9 percent of the population nationally (American Community Survey 1-year data).

## Economic Conditions

The economy grew each year from 2010 through 2019, exceeding the 2008 pre-recession high in 2012. From 2010 through 2017, nonfarm payrolls increased by an average of 5,400 jobs, or 1.4 percent, annually; gains in the professional and business services and the education and health services sectors led this increase. Epic Systems Corporation and Exact Sciences Corporation—the company that makes the Cologuard cancer screening test—added more than 5,000 jobs combined during the period. The government sector, which has been the largest sector in the metropolitan area for more than two decades, declined by an average of 100 jobs, or 0.2 percent, annually, shrinking from 24 percent of all jobs in 2010 to 21 percent of jobs in 2017. The Wisconsin Budget Repair Bill (Wisconsin Act 10), which passed in 2011, contributed to a decline in state and local government subsectors jobs during the early 2010s, and layoffs at UW during the summer of 2015 also resulted in a decline in jobs in the sector. During 2018 and 2019, job growth slowed to an average of 4,500 jobs, or 1.1 percent, annually, as tight labor market conditions limited job growth. The unemployment rate was at or below 3.0 percent from 2016 through 2019.

During the 3 months ending April 2020—

- Nonfarm payrolls averaged 385,600, down by 18,800, or 4.6 percent, from the same period a year earlier, and the first decline in a decade. The decline in payrolls is primarily because of measures taken to limit the spread of COVID-19, including a reduction in nonessential travel and limited consumer spending. As of April 30, 2020, consumer spending in counties with available data is estimated to be down 23 percent, 17 percent, and 13 percent, respectively, in Dane, Columbia, and Iowa Counties compared with January 2020 (Opportunity Insights Economic Tracker).
- Job losses were concentrated in the leisure and hospitality sector, down by 9,800 jobs, or 26.3 percent. The leisure and hospitality sector shrank to account for only 7 percent of all jobs in the metropolitan area during the most recent 3-month period, down from 9 percent a year earlier.

continued on page 3

### Nonfarm payrolls in the Madison metropolitan area declined in 9 of 11 sectors during the 3 months ending April 2020.

	3 Months Ending		Year-Over-Year Change	
	April 2019 (Thousands)	April 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	404.4	385.6	-18.8	-4.6
Goods-Producing Sectors	53.5	52.0	-1.5	-2.8
Mining, Logging, & Construction	17.6	17.0	-0.6	-3.4
Manufacturing	35.9	35.0	-0.9	-2.5
Service-Providing Sectors	350.9	333.6	-17.3	-4.9
Wholesale & Retail Trade	54.1	51.7	-2.4	-4.4
Transportation & Utilities	9.5	9.0	-0.5	-5.3
Information	16.9	16.5	-0.4	-2.4
Financial Activities	23.5	23.9	0.4	1.7
Professional & Business Services	52.1	53.3	1.2	2.3
Education & Health Services	50.1	48.4	-1.7	-3.4
Leisure & Hospitality	37.3	27.5	-9.8	-26.3
Other Services	20.5	19.1	-1.4	-6.8
Government	86.8	84.2	-2.6	-3.0
Unemployment Rate	2.7%	5.5%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

continued from page 2

- The professional and business services sector was one of only two sectors to add jobs, increasing by 1,200 jobs, or 2.3 percent, from a year earlier. Many businesses in this sector were able to convert to remote working, preserving many jobs while offices were closed.
- The unemployment rate averaged 5.5 percent, up from 2.7 percent a year earlier and the highest level since 2013. During the week of April 26 through May 2, 2020, continued unemployment insurance claims totaled 28,700, up from 3,300 during the week of February 2–8, 2020 (Wisconsin Department of Workforce Development).

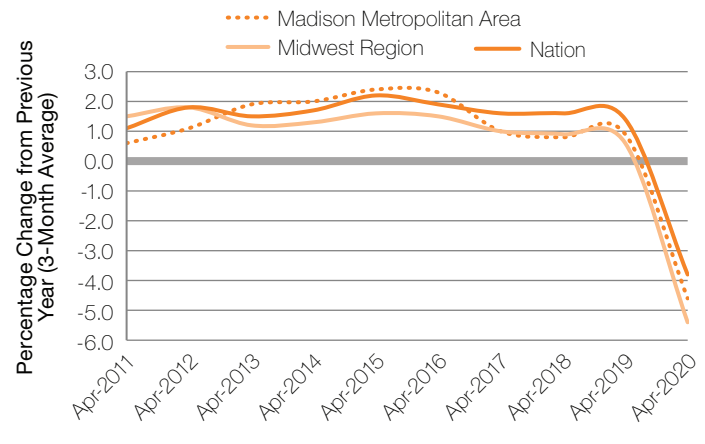
### Largest Employers in the Madison Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Wisconsin-Madison	Government	10,000+
Epic Systems Corporation	Information	5,000-9,999
Sub-Zero Group, Inc.	Manufacturing	1,000-4,999

Note: Excludes local school districts.

Source: Madison Region Economic Partnership

During the 3 months ending April 2020, nonfarm payrolls in the Madison metropolitan area declined for the first time in a decade as a result of countermeasures to slow the spread of COVID-19.



Note: Nonfarm payroll job growth.

Source: U.S. Bureau of Labor Statistics

### COVID-19 Analysis and Update

COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. A Stay at Home Order was put in effect from March 26, 2020, through May 13, 2020, for the state of Wisconsin to limit the spread of the coronavirus, closing recreational and entertainment businesses, nonessential retail, and restricting eating and drinking establishments. Manufacturers suspended production in late March, including a layoff of 1,100 workers at Sub-Zero Group, Inc., an appliance manufacturer, and 55 workers at Schoep's Ice Cream. Layoff notices resulting from actions taken to limit the spread of COVID-19 were also filed by owners of 21 full-service restaurants, four hotels, and three

national retail chains with stores in the area, affecting more than 1,600 workers. UW suspended face-to-face instruction on March 23, 2020, moving classes online and closing residence halls and some buildings for the remainder of the semester. In late April, the university estimated that it would incur \$100 million in financial losses and costs associated with the coronavirus. To cover the unanticipated costs, 16,000 staff and faculty will be required to take 3 to 6 furlough days before the end of October 2020. On May 18, 2020, university leadership announced that a mix of in-person and online classes is planned for the fall 2020 semester.

### Sales Market Conditions

The home sales market in the Madison metropolitan area is tight. The vacancy rate is currently estimated at 0.8 percent, down from 2.0 percent in 2010, when conditions were slightly soft. Economic growth each year during the 2010s has supported improved conditions since 2010. The average home sales price has risen an average of 5 percent year-over-year since 2014, exceeding the 2008-high in 2015 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Total home sales have declined since the 2018-high, partially because of slower economic and population growth and the limited inventory of homes for sale, especially at lower prices. In Dane County, the inventory of homes for sale fell to 3.2 months in April 2020, down from 4.1 months

a year earlier (Realtors® Association of South Central Wisconsin). Inventory was more limited for lower-priced homes, with 2.1 months for homes priced below \$200,000, and 2.4 months of inventory for homes priced between \$200,000 and \$349,999. In Columbia, Green, and Iowa Counties, for-sale inventories in April 2020 ranged from 3.1 to 4.0 months, down 1.0 month or more from a year ago. During April 2020, the rate of seriously delinquent mortgage loans and real estate owned (REO) properties in the Madison metropolitan area was 0.5 percent, unchanged from a year earlier; that rate was up slightly from the 0.4-percent rate in February 2020, which was the lowest since 2000 (CoreLogic, Inc.). The rates for the state and nation in April 2020 were 0.9 and

continued on page 4

continued from page 3

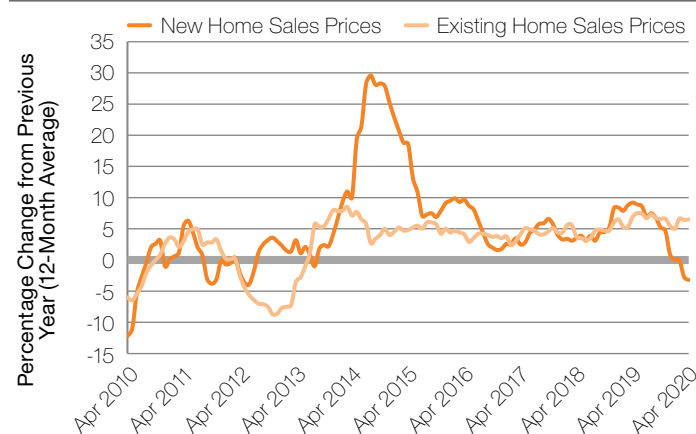
1.4 percent, respectively. The rate for the nation is also up 0.1 percentage point from a historic low recorded earlier in 2020, whereas the rate for the state has remained steady since late 2019.

During the 12 months ending April 2020—

- Existing home sales increased 2 percent from the previous 12 months to 10,900; by comparison, sales declined 11 percent a year earlier. Sales during the most recent 12 months were 7 percent above the pre-Great Recession high of 10,200 in 2007 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- The average price of an existing home increased 6 percent to \$277,000, moderating from a 7-percent increase a year earlier. The current average price is 26 percent, or \$57,350, above the 2008 high.
- The average new home sales price was \$346,400, down 3 percent from a year earlier. Compared with the current average existing home sales price, the average new home sales price is 25 percent, or \$69,400, higher.
- New home sales fell 11 percent to 780, continuing a period of decline that began in 2019. The number of new homes sold during the most recent 12 months was approximately 250 below the recent high in 2018 and 700 below the historic high in 2008.

Economic expansion during the 2010s contributed to an increase in single-family construction, as measured by the number of single-

In the Madison metropolitan area, the average existing home sales price has been increasing since 2013, while the average new home sales price has fallen since early 2020.



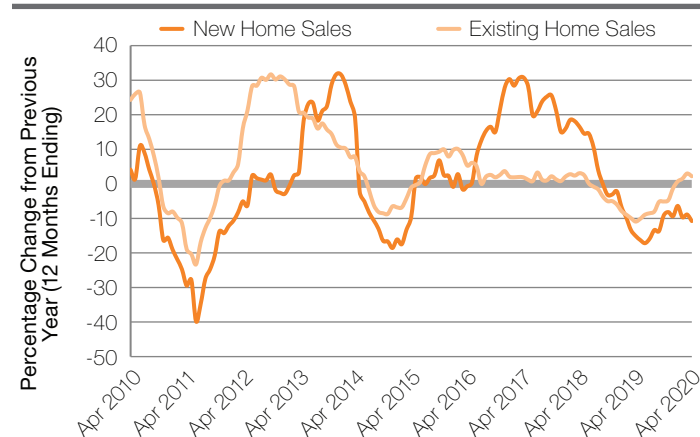
Note: Prices include single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

family homes permitted. Construction moderated in 2018 and 2019 as job and population growth slowed.

- Single-family permitting increased by an average of 150 homes annually from a low of 740 in 2011 to a high of 1,650 in 2017. Permitting declined by an average of 60 homes annually during 2018 and 2019 to 1,525 homes permitted during 2019.

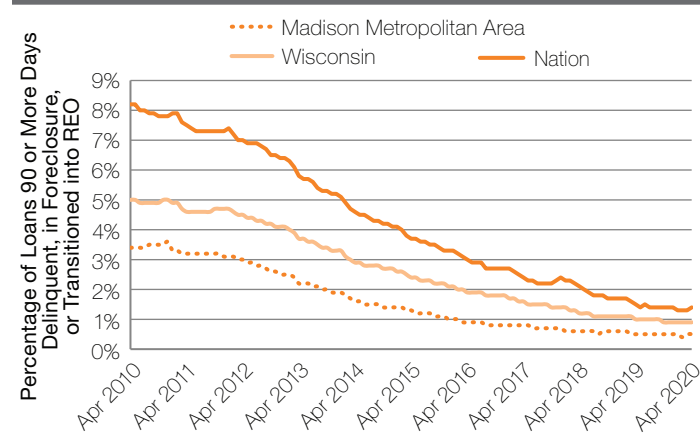
continued on page 5

During the 12 months ending April 2020 in the Madison metropolitan area, new home sales declined and existing home sales increased.



Note: Sales include single-family homes, townhomes, and condominiums.  
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The percentage of home loans that were seriously delinquent or had transitioned to REO status in the Madison metropolitan area peaked in 2010 and was at a historic low in February 2020.



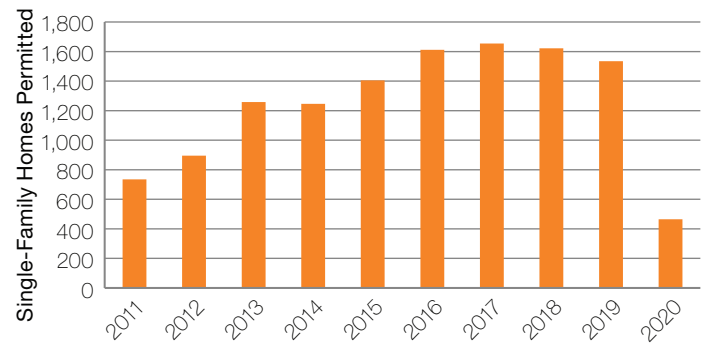
REO = real estate owned.  
Source: CoreLogic, Inc.



continued from page 4

- Single-family home construction continued to moderate in 2020, partially because of the decline in nonfarm payrolls. During the 3 months ending April 2020, only 360 homes were permitted, down from 380 homes during the same 3-month period a year earlier (preliminary data).
- Single-family homebuilding is concentrated in Dane County, with nearly 85 percent of all homes permitted in the metropolitan area in the 2010s. Smith's Crossing in the city of Sun Prairie, a suburb of Madison in Dane County, has three-bedroom attached single-family homes listed for sale starting at \$339,900 and similarly sized detached single-family homes starting at \$344,900.

### Single-family permitting moderated during 2018 and 2019 in the Madison metropolitan area.



Note: Includes preliminary data from January 2020 through April 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

## Apartment Market Conditions

Apartment market conditions are currently slightly tight. The apartment vacancy rate has been below 3.5 percent since 2012 and below 3.0 percent since 2019 (Real Page, Inc.). Rent growth averaged 3 percent annually since 2018, moderating from faster growth earlier in the 2010s. Multifamily buildings with 20 or more units, many of which are apartments, are a growing portion of rental housing in the metropolitan area. In 2018, these buildings accounted for 37 percent of all rental units, up from 33 percent in 2010 (American Community Survey 1-year data). Rental units in smaller multifamily buildings were the largest share of rental housing at 45 percent, single-family homes were 18 percent, and mobile homes were 1 percent of all rental units in 2018.

- During the first quarter of 2020, the apartment vacancy rate was 2.1 percent, down from 2.6 percent a year earlier and the lowest level since 2016. Apartment construction has moderated since 2017, resulting in the declining vacancy rate.
- The average apartment rent was \$1,193 during the first quarter of 2020, up 3 percent from a year earlier. The number of new construction apartments entering the market, which tend to have higher rents, has declined in recent years, contributing to slower rent growth.
- Among the three RealPage, Inc.-defined market areas during the first quarter of 2020, the average rent was the highest at \$1,223 in the South Central Madison market area, which includes the UW campus, adjacent downtown Madison business district, the state capitol building, and the western portion of the city of Madison. The West Madison market area, which includes the suburbs of Middleton and Verona, had the lowest vacancy rate at 1.8 percent.
- The vacancy rate at apartments within one-half mile of the UW campus, including purpose-built student apartments, was 1.9

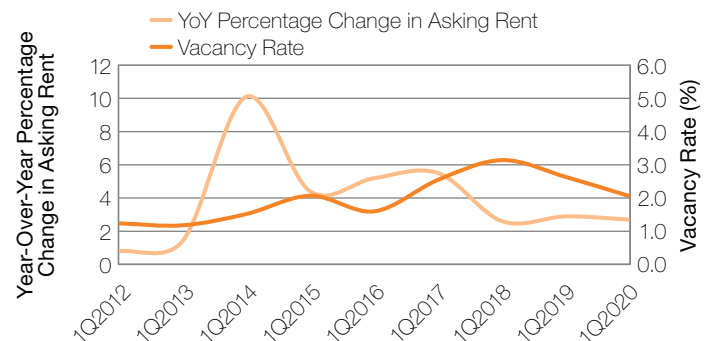
percent, up from 1.2 percent a year earlier. The average rent per bedroom was \$970, up 2 percent from a year earlier.

Multifamily construction, as measured by the number of units permitted, increased during the early and mid-2010s in response to economic and population growth, but construction has moderated in more recent years as job and population growth slowed.

- From 2012 through 2016, multifamily construction increased by an average of 520 units annually to a high of 3,350 units in 2016. From 2017 through 2019, construction fell by an average of 510 units annually to 1,800 units in 2019.
- Despite the recent slowdown in economic growth, multifamily construction increased slightly during the 12 months ending April 2020, with 2,150 units permitted, up 2 percent from the

continued on page 6

### During the past 2 years, rent growth has been steady despite a declining vacancy rate in the Madison metropolitan area.



1Q = first quarter. YoY = year-over-year.

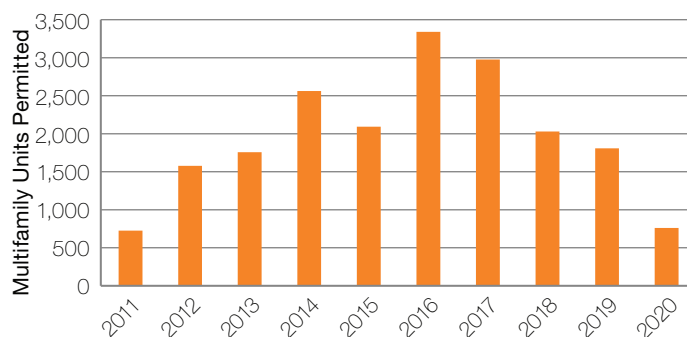
Source: RealPage, Inc.

continued from page 5

2,125 units permitted during the previous 12-month period (preliminary data).

- Multifamily construction is concentrated in Dane County where 98 percent of all multifamily units have been permitted since 2010. Construction was concentrated in the city of Madison, with approximately three-fourths of units, and the remainder were built in adjacent suburbs.
- On the isthmus in downtown Madison, the 54-unit 700 East Apartments are in lease-up. Rents range from \$1,225 for a studio to \$2,650 for a three-bedroom unit. Larger units have been slower to lease-up and a one-time \$1,000 rent reduction is offered with all 12-month leases of two- and three-bedroom units.
- Apartments outside the central Madison area tend to have lower rent. In the suburb of Verona, the 392-unit Timber Valley apartment complex opened earlier in 2019 and is currently in lease-up. Rents range from \$1,020 for a studio to \$1,740 for a two-bedroom-plus-den unit.

**Multifamily permitting peaked in the Madison metropolitan area in 2016 and has declined each year since.**



Note: Includes preliminary data from January 2020 through April 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst