

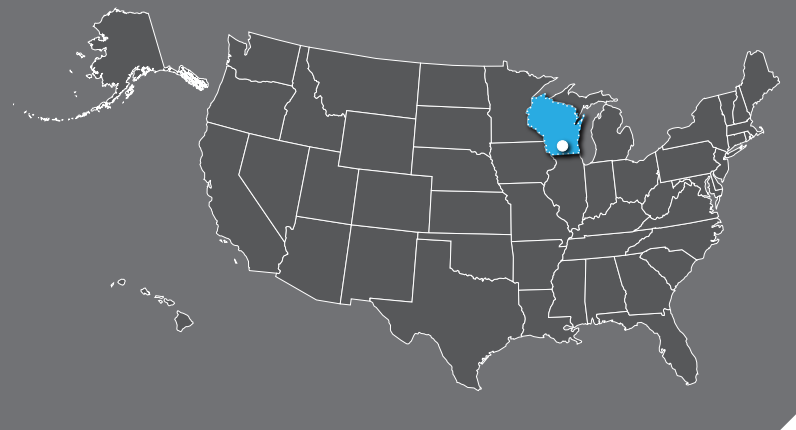
HUD PD&R Housing Market Profiles

Madison, Wisconsin



Quick Facts About the Madison Area

- Current sales market conditions: slightly tight
- Current apartment market conditions: slightly tight
- The University of Wisconsin-Madison (UW) and UW-affiliated organizations and startup companies had a \$30.8 billion economic impact in Wisconsin in 2022 (University of Wisconsin). UW directly and indirectly supported 232,000 jobs and generated \$1 billion in state and local taxes statewide that year.



By [Marissa Dolin](#) | As of January 1, 2024

Overview

The Madison, WI metropolitan area (hereafter, Madison metropolitan area) consists of four counties in south-central Wisconsin: Dane County, which is the central county, and the three outlying counties of Columbia, Green, and Iowa. The area is coterminous with the Madison Metropolitan Statistical Area. The city of Madison in Dane County is the capital of Wisconsin and home to the University of Wisconsin-Madison (UW), the largest public university in the state, and UW Hospital, the top-ranked hospital in the state and the central hospital for UW Health. The area is a center for high-tech and scientific research jobs, many of which are at companies founded by UW alumni or faculty. The local economy fully recovered from job losses associated with the 2020 recession at the end of 2022 and expanded during 2023. The home sales market is slightly tight, easing from tighter conditions 2 years ago. Compared with the record gains in 2021, home prices are increasing at a slower rate, and the months of inventory of homes for sale is up slightly. Apartment market conditions are slightly tight, easing from tighter conditions during the previous 2 years. The current vacancy rate is below the historical average from the mid to

continued on page 2



continued from page 1

late 2010s, but higher than the past 2 years, and rent growth moderated from faster gains a year earlier.

- The population is currently estimated at 688,900, up by an average of 4,150, or 0.6 percent, annually from 2020 through the current date. Since 2020, net natural increase averaged 1,725 people annually, and net in-migration averaged 2,425 people annually.
- Dane County, which includes the city of Madison, has the largest share of the population among the four counties, with 83 percent of all residents of the metropolitan area.

Since 2020, population growth in the county averaged 4,250 people, or 0.8 percent, annually, and was partially offset by a combined average annual decline of 100 people, or 0.1 percent, in the three outlying counties.

- Student enrollment at UW as of the fall semester of 2023 was 50,650. Young adults aged 18 to 24, a cohort that includes most college students, account for 13 percent of the population in the metropolitan area, a larger share than the 9-percent share for the nation, (2022 American Community Survey [ACS] 1-year data).

Economic Conditions

Nonfarm payrolls in the Madison metropolitan area grew faster than in the state of Wisconsin and the HUD-defined Great Lakes region during the past year. Nonfarm payrolls in the Madison metropolitan area averaged 428,300 jobs as of the fourth quarter of 2023, up by 7,900 jobs, or 1.9 percent, from a year earlier. Year-over-year job growth rates in the state of Wisconsin and the Great Lakes region are 1.3 and 1.4 percent, respectively, as of the fourth quarter of 2023. In the Madison metropolitan area, nonfarm payrolls exceeded the fourth quarter of 2019 level, the most recent comparable quarter previous to the 2020 recession, by the fourth quarter of 2022, a milestone that the state of Wisconsin and the Great Lakes region had not reached a year ago. Payrolls in the Madison metropolitan area currently exceed the fourth quarter of 2019 level by 10,000 jobs, or 2.4 percent. Payrolls in the state of Wisconsin and

the Great Lakes region are currently only 1.0 and 0.8 percent, respectively, above the fourth quarter of 2019 levels.

As of the fourth quarter of 2023—

- The professional and business services sector led job gains, increasing by 3,800 jobs, or 7.3 percent, from a year ago. The largest share of growth was in the professional, scientific, and technical services industry.
- The education and health services sector increased by 2,000 jobs, or 3.9 percent, from a year ago. SSM Health has been expanding in the area, with a \$75 million campus that opened in 2022, contributing to the recent gain in jobs because the healthcare provider continues to expand staffing.

continued on page 3

Six of 11 nonfarm payroll sectors in the Madison metropolitan area added jobs from a year ago as of the fourth quarter of 2023.

	3 Months Ending		Year-Over-Year Change	
	December 2022 (Thousands)	December 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	420.4	428.3	7.9	1.9
Goods-Producing Sectors	59.1	60.5	1.4	2.4
Mining, Logging, & Construction	20.2	20.9	0.7	3.5
Manufacturing	38.9	39.6	0.7	1.8
Service-Providing Sectors	361.3	367.8	6.5	1.8
Wholesale & Retail Trade	54.4	54.4	0.0	0.0
Transportation & Utilities	11.6	11.0	-0.6	-5.2
Information	19.3	18.7	-0.6	-3.1
Financial Activities	24.4	24.3	-0.1	-0.4
Professional & Business Services	52.3	56.1	3.8	7.3
Education & Health Services	51.6	53.6	2.0	3.9
Leisure & Hospitality	34.5	33.5	-1.0	-2.9
Other Services	21.0	21.1	0.1	0.5
Government	92.1	95.2	3.1	3.4
Unemployment Rate	1.9%	2.2%		

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

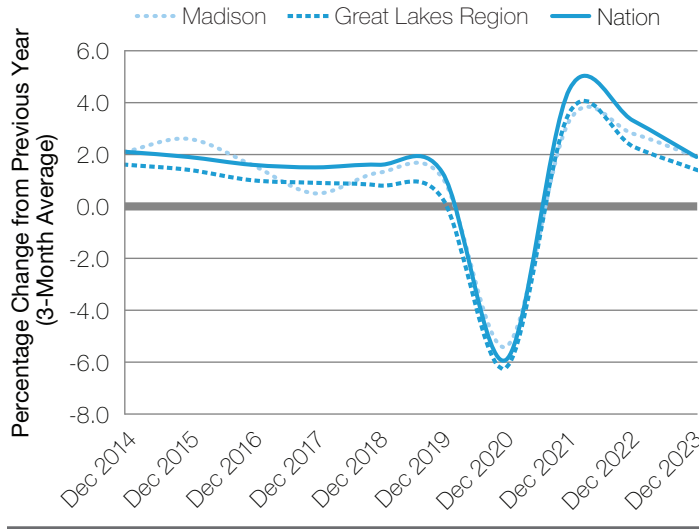
Source: U.S. Bureau of Labor Statistics



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- The leisure and hospitality sector had the largest decline, down by 1,000 jobs, or 2.9 percent, from a year ago. Currently, the sector is below the fourth quarter of 2019 level by 4,700 jobs, or 12.3 percent.
- The unemployment rate increased to 2.2 percent from 1.9 percent a year ago. The labor force grew by 13,700

The year-over-year rate of job growth in the Madison metropolitan area was faster than in the Great Lakes region during the past 2 years.



Source: U.S. Bureau of Labor Statistics

jobs, or 3.5 percent, faster than the increase of 12,100 jobs, or 3.1 percent, for resident employment, which caused the unemployment rate to rise.

The government sector is the largest employment sector in the Madison metropolitan area, with 95,200 jobs as of the fourth quarter of 2023, up by 3,100 jobs, or 3.4 percent, from a year ago. The two largest employers, UW Health and UW-Madison, are part of the sector, and the city of Madison is the state capital, with offices for many of the state service agencies. Earlier in 2023, state and local governments began receiving Coronavirus State and Local Fiscal Recovery Funds, part of the American Rescue Plan Act, contributing to recent job growth in the government sector. Counties and municipalities in the metropolitan area are expected to receive up to \$164.56 million in total funding, and the state of Wisconsin is expected to receive up to \$2.53 billion, with funds available to spend through 2026.

Largest Employers in the Madison Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
UW Health	Government	22,000
UW-Madison	Government	21,000
Epic Systems	Information	13,000

Note: Excludes local school districts.

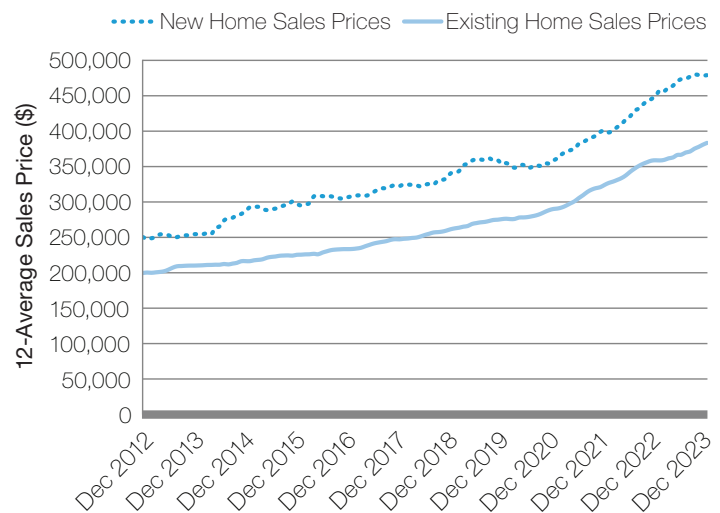
Source: 608 Today

Sales Market Conditions

The home sales market is slightly tight, easing from tighter conditions during 2021 and 2022. Following 2 years of the fastest and second fastest year-over-year price increases in more than 15 years during 2021 and 2022, the average home sales price increase in 2023 slowed to a rate similar to the late 2010s. Home sales declined during the past 2 years, down from a nearly 2-decade peak in 2021. Rising home mortgage interest rates in 2022 and 2023 reduced affordability of homebuying, contributing to fewer sales. The inventory of homes for sale, a ratio of active listings to homes sold, has risen modestly during the past 2 years, primarily because of fewer home sales, but the supply is still historically low. As of December 2023, the inventory of homes for sale was 1.6 months, up from a decade-low of 1.2 months in December 2021 (CoreLogic, Inc.). The current level of inventory is below the levels of 2.4 months in December 2017, 2018, and 2019.

- The average home sales price, including new and existing homes, was \$389,100 during 2023, up 6 percent from a year ago, following 11-percent and 12-percent year-over-year gains during the previous 2 years (CoreLogic, Inc.). The

In 2023, the average new home sales price exceeded the average existing home sales price by \$95,000, or 25 percent, in the Madison metropolitan area.



Note: Prices are for single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc.

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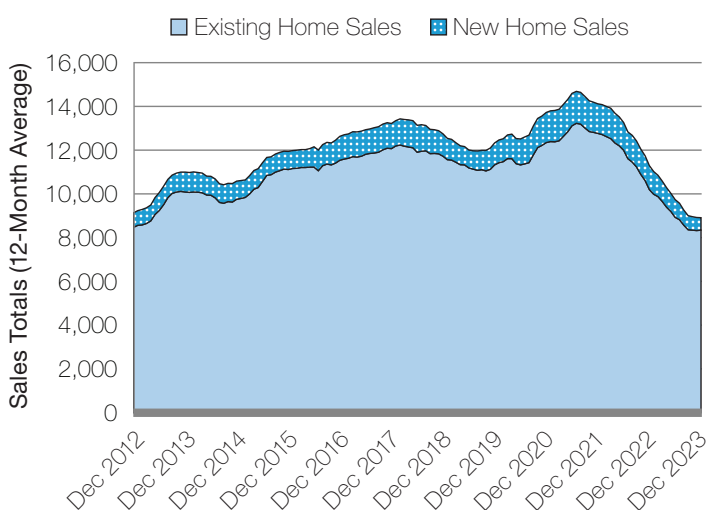
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6-percent increase in 2023 is the same as the average annual increase from 2017 through 2019 and slightly higher than the 4-percent average annual increase from 2013 through 2016.

- In 2023, existing home sales prices increased at a slightly faster rate than new home sales, rising 7 percent year-over-year to an average of \$383,100, compared with a 6-percent increase to \$478,100 for new homes.
- Total home sales, including new and existing homes, declined to 8,900, down 21 percent from a year ago, compared with a 20-percent decline during the previous year. Home sales reached a 17-year high in 2021 with 14,100 homes sold.
- A household earning the median family income in the Madison metropolitan area could afford to purchase 51 percent of homes sold during the fourth quarter of 2023, down from 76 percent in the fourth quarter of 2021, when mortgage interest rates were lower (National Association of Home Builders/Wells Fargo Housing Opportunity Index). The area is relatively more affordable than the nation overall, where a household earning the national median family income could afford to purchase 38 percent of homes sold in the fourth quarter of 2023, down from 54 percent 2 years earlier.

In response to declining home sales and reduced homebuying affordability, single-family home construction, as measured by the number of homes permitted, has declined during the past 2 years.

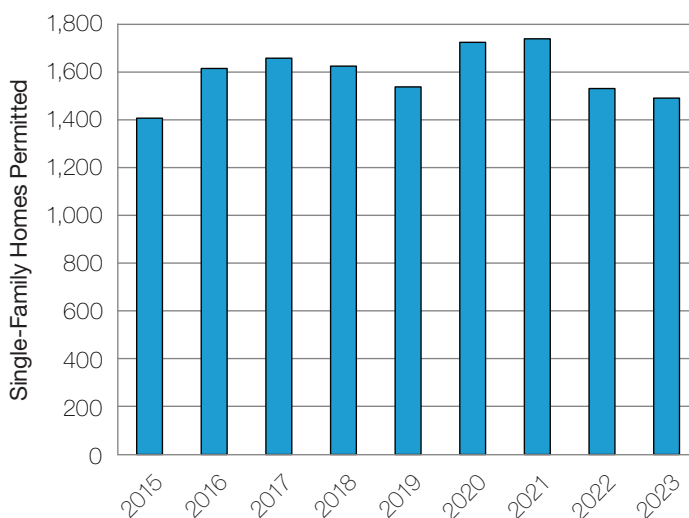
Total home sales in the Madison metropolitan area, including new and existing homes, were at the lowest level in more than a decade in 2023.



Note: Sales counts include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

- Single-family home permitting fell to 1,500 homes in 2023, down by 25 homes, or 3 percent, from 2022, continuing a period of decline that began a year earlier, when permitting fell by 200 homes, or 12 percent. The number of homes permitted in 2023 is below the average of 1,725 homes permitted annually in 2020 and 2021 and below the average of 1,600 homes permitted annually from 2016 through 2019.
- The largest share of permitting occurred in Dane County, with 1,275 homes, or 86 percent of all homes permitted in the metropolitan area in 2023. The next largest share was in Columbia County, which includes a portion of the Wisconsin Dells resort area, with 95 homes, or 6 percent of permits in the area; Iowa and Green Counties each had 4 percent of homes permitted in 2023.
- Most new single-family home construction is occurring in the suburbs of Madison. In the suburb of DeForest, homes in the 227-lot, two-phase Bear Tree Farms subdivision range in price from \$537,900 for a three-bedroom, 1,600-square-foot home to \$698,900 for a four-bedroom, 2,500-square-foot home. New homes in the city of Madison are more likely to be condominiums, such as the 16-unit Discover Besa property currently under construction, which is expected to be complete by the end of 2024. Condominium prices at Discover Besa range from \$294,000 for a one-bedroom, 900-square-foot unit to \$813,000 for a two-bedroom, 2,500-square-foot unit.

Single-family home permitting in the Madison metropolitan area peaked in 2021.



Sources: U.S. Census Bureau, Building Permits Survey; 2015–22—final data and estimates by the analyst; 2023—preliminary data and estimates by the analyst

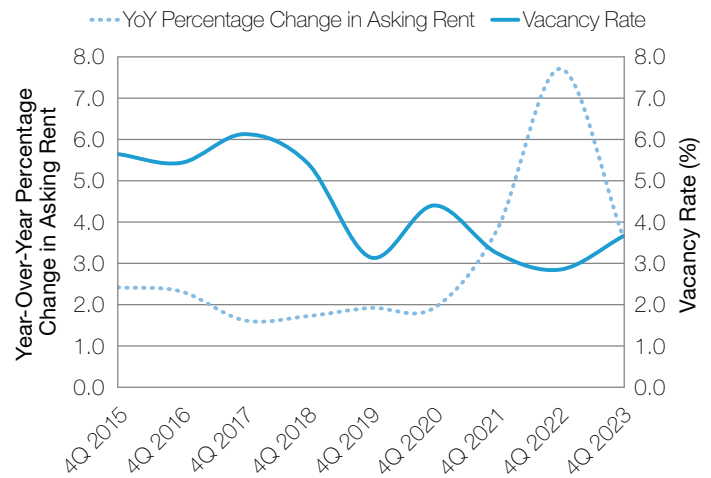
Apartment Market Conditions

Apartment market conditions are slightly tight as of the fourth quarter of 2023, easing from tighter conditions during the previous 2 years. The apartment vacancy rate, including properties in lease up, has increased from a year ago but is below historic levels from the mid- to late-2010s. Year-over-year rent growth has slowed from a year ago but is above the historic average rate of increase. Following closures in response to the COVID-19 pandemic that began in March 2020, the UW campus fully reopened for in-person classes in the fall of 2021, and Epic Systems, the largest private employer in the metropolitan area, required employees to return to the office. The reopening contributed to a rapidly tightening apartment market because many people returned to the area during a relatively short period after living elsewhere. Apartment absorption greatly exceeded the number of units completed in 2021, and in 2022, the number of units completed was similar to units absorbed, resulting in the lowest vacancy rate and largest annual rent increase in more than a decade as of the fourth quarter of 2022. In 2023, completions exceeded absorption, with 4,075 units built and 3,425 units absorbed (CoStar Group), or 19 percent more units completed compared with units absorbed, resulting in easing from tighter conditions. However, market conditions are expected to be slightly tight in the near term because only 2,600 units are currently under construction, which is less than 1 year of absorption at recent levels.

A sharp increase in eviction filings affected the overall rental vacancy rate, including apartments. In 2023, eviction filings increased to 2,675 in the Madison metropolitan area, up by approximately 840, or 46 percent, from filings in 2022 and more than double the number of filings in 2021 (Wisconsin Department of Administration). A federal eviction ban was in place from March 2020 through August 2021, and federal Emergency Rental Assistance funds were available from early 2021 through January 2023 to support renters in need of assistance in paying rent and utilities. The rise in evictions correlates with the end of the assistance programs.

- The apartment vacancy rate is 3.6 percent as of the fourth quarter of 2023, above the 2.8-percent rate one year earlier and the 3.2-percent rate 2 years earlier. Despite the increase in vacancies, the current rate is below levels from 2015 through 2018, when the rate was above 5.0 percent.
- The average asking rent is \$1,509 as of the fourth quarter of 2023, up nearly 4 percent from a year ago but a smaller increase than the 8-percent year-over-year gain during the previous year. By comparison, rent increased an average of 2 percent annually from the fourth quarters of 2015 through 2020 and 4 percent as of the fourth quarter of 2021.

As of the fourth quarter of 2023, rent growth has slowed, and the vacancy rate is up from a year earlier in the Madison metropolitan area.



4Q = fourth quarter. YoY = year-over-year.

Source: CoStar Group

- The CoStar Group-defined market areas with the fastest rent growth are West Madison and the three west suburban areas of Middleton, Verona, and Fitchburg, each with 4- to 5-percent year-over-year increases as of the fourth quarter of 2023. The market areas with the lowest vacancy rates are the outlying market areas of Iowa County and Columbia County, each with rates below 1.5 percent, and the Downtown Madison market area, which includes the UW campus, at 2.1 percent as of the fourth quarter of 2023.
- In the Madison metropolitan area, the multifamily rental market, which includes apartments and other rental units in buildings with two or more attached units, has a larger share of the overall rental market relative to the nation. As of 2022, approximately 85 percent of rental units in the Madison area were in multifamily buildings, 14 percent were single-family homes, and less than 1 percent were in other building types (2022 ACS 1-year data). By comparison, nationally, multifamily buildings were 65 percent of all rental units, single family homes were 31 percent, and other building types were 4 percent.

Multifamily construction, as measured by the number of units permitted, has moderated from a 2021 peak because of easing of apartment market conditions during the past year and higher interest rates on all types of loans since 2022, including construction loans for new apartment buildings.

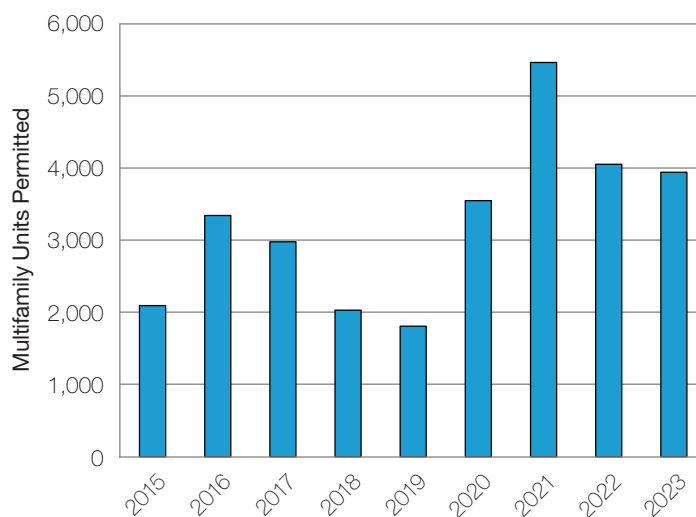
- Multifamily permitting declined to 3,950 units in 2023, down by 100 units, or 3 percent, from 2022. The decline follows a steeper decline of 1,400 units, or 26 percent, a year earlier.

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- The number of units permitted in 2023 is below the recent high of 5,450 units permitted in 2021 but above the average of 2,450 units permitted annually from 2015 through 2019.
- In 2023, nearly all multifamily permitting occurred in Dane County, with 95 percent of units permitted. The largest share was in the city of Madison, which had 2,225 units, followed by the cities of Fitchburg, Verona, and Sun Prairie, with 350 to 400 units each.
- In downtown Madison, rents tend to be higher because of proximity to the UW campus, state government offices, and the central business and entertainment district. The 207-unit Adria apartment property in downtown Madison opened in 2023, with average rents for studio, one-, and two-bedroom units of \$1,765, \$2,353, and \$3,645, respectively.
- Most apartment properties outside of downtown Madison have 50 to 200 units in buildings with two to four stories. The Preserve at Prairie Lakes in Sun Prairie, with 152 units, is an example of a typical, recently completed apartment in the area. Rents for studio, one-, and two-bedroom units averaged \$1,309, \$1,499, and \$1,849, respectively.

Multifamily permitting in the Madison metropolitan area peaked in 2021.



Sources: U.S. Census Bureau, Building Permits Survey; 2015–22—final data and estimates by the analyst; 2023—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. 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.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Resales	Closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.
Stabilized	A property is stabilized once a 90 percent or above occupancy rate is reached, or at least 18 months pass since the property was changed from under construction to existing on the CoStar Group website.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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