

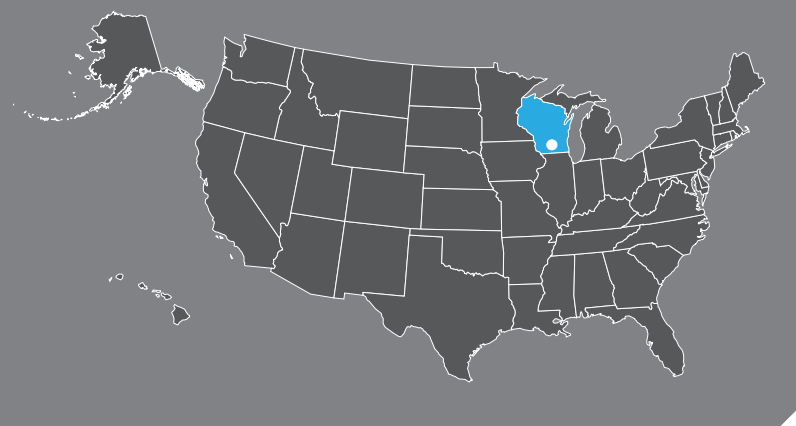
# HUD PD&R Housing Market Profiles

## Madison, Wisconsin



### Quick Facts About Madison

- **Current sales market conditions: very tight**
- **Current apartment market conditions: tight**
- **Attendance at University of Wisconsin-Madison (UW) athletic events drew 1.8 million visitors and had a \$610 million statewide economic impact in 2018. Each UW home football game at the 80,300-seat Camp Randall Stadium had an economic impact of \$16 million.**



By Marissa Dolin | As of January 1, 2022

### Overview

The 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 (MSA). The city of Madison is the capital of Wisconsin, and it is home to the University of Wisconsin-Madison (UW), the largest public university in the state, as well as UW Hospital, the top-ranked hospital in the state, and central hospital for UW Health. The area is also a center for high-tech and scientific research jobs, many of which are at companies founded by UW alumni or faculty. The economy is recovering from job losses that occurred in March and April 2020, but it lags behind the recovery in the state and nation, with 85 percent of jobs recovered as of December 2021, compared with 87 percent in Wisconsin and 97 percent in the nation (monthly, not seasonally adjusted). Measures to limit the spread of COVID-19 included holding most UW classes online, placing capacity restrictions at UW athletic events during the 2020–21 academic year, and temporarily transitioning an estimated 50 percent of jobs at least partially to telework, up from 20 percent pre-pandemic (analyst estimate informed by the U.S. Bureau of

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Labor Statistics [BLS]). Those measures contributed to reduced spending on services, slowing the local economic recovery.

- Population growth averaged 5,200, or 0.8 percent, annually, since 2017, slowing from an average of 8,075, or 1.3 percent, annually from 2010 to 2017. Rapid recovery from the Great Recession in the early 2010s contributed to higher net in-migration in the early and mid-2010s. Slower economic growth and lower net natural increase since 2017 led to slower population gains in more recent years. The population is currently estimated at 687,400.
- Most residents live in Dane County, which accounts for 82 percent of the total population. The county had average

population growth of 1.4 percent annually since 2010. The outlying counties of Columbia, Green, and Iowa have 9, 5, and 4 percent of the population, respectively, and all three counties grew slower than Dane County, each with average gains of less than 0.4 percent annually since 2010.

- Student enrollment at UW was 47,900 in fall 2021, or approximately 7 percent of the total population. The young adult age cohort, ages 20 to 39, is the largest age group in the area and grew slightly faster than the population overall, rising an average of 1.2 percent annually from 2010 to 2019, compared with 1.1 percent, annually for the population overall (2010 and 2019 American Community Survey [ACS], 5-year data).

## Economic Conditions

Total nonfarm payrolls had the largest year-over-year increase in over a decade during the fourth quarter of 2021, rising by 10,700 jobs, or 2.7 percent, reversing a portion of the 24,800-job loss, or 5.9 percent decline, that occurred a year earlier. By comparison, job growth averaged 6,500 jobs, or 1.7 percent, annually from 2011 through 2019, with slightly faster gains in the early 2010s and slower gains in the late 2010s. Relative to payrolls during the fourth quarter of 2019—the most recent comparable quarter before the onset of the COVID-19 pandemic—four sectors are currently fully recovered, with payrolls above the fourth quarter of 2019 levels; five sectors are partially recovered, with payrolls above the fourth quarter of 2020 levels, but below the fourth quarter of 2019; and two sectors have declined further since the fourth quarter of 2020.

During the fourth quarter of 2021 —

- The leisure and hospitality sector had the largest and fastest gain, up by 5,700 jobs, or 21.8 percent, supported by the full reopening of the UW campus and athletic events for the fall 2021 semester. Despite the recent growth, the sector has the largest remaining deficit among all sectors in the metropolitan area at 6,400 jobs, or 16.8 percent, below the same quarter in 2019.
- The manufacturing sector had the second largest and second fastest gain, up by 3,200 jobs, or 9.0 percent, from a year ago. The sector is fully recovered from losses in 2020, and the 38,800 jobs currently in the sector are the most in the sector since 1999.

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### In the Madison metropolitan area, 9 of the 11 nonfarm payroll sectors added jobs during the fourth quarter of 2021.

|                                  | 3 Months Ending              |                              | Year-Over-Year Change   |         |
|----------------------------------|------------------------------|------------------------------|-------------------------|---------|
|                                  | December 2020<br>(Thousands) | December 2021<br>(Thousands) | Absolute<br>(Thousands) | Percent |
| <b>Total Nonfarm Payrolls</b>    | 393.5                        | 404.2                        | 10.7                    | 2.7     |
| Goods-Producing Sectors          | 53.9                         | 58.4                         | 4.5                     | 8.3     |
| Mining, Logging, & Construction  | 18.3                         | 19.7                         | 1.4                     | 7.7     |
| Manufacturing                    | 35.6                         | 38.8                         | 3.2                     | 9.0     |
| Service-Providing Sectors        | 339.5                        | 345.8                        | 6.3                     | 1.9     |
| Wholesale & Retail Trade         | 53.8                         | 51.2                         | -2.6                    | -4.8    |
| Transportation & Utilities       | 9.5                          | 9.6                          | 0.1                     | 1.1     |
| Information                      | 17.6                         | 18.3                         | 0.7                     | 4.0     |
| Financial Activities             | 23.4                         | 22.5                         | -0.9                    | -3.8    |
| Professional & Business Services | 53.0                         | 53.1                         | 0.1                     | 0.2     |
| Education & Health Services      | 49.9                         | 50.9                         | 1.0                     | 2.0     |
| Leisure & Hospitality            | 26.1                         | 31.8                         | 5.7                     | 21.8    |
| Other Services                   | 20.7                         | 21.1                         | 0.4                     | 1.9     |
| Government                       | 85.5                         | 87.1                         | 1.6                     | 1.9     |
| <b>Unemployment Rate</b>         | 3.3%                         | 1.5%                         |                         |         |

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

Source: U.S. Bureau of Labor Statistics



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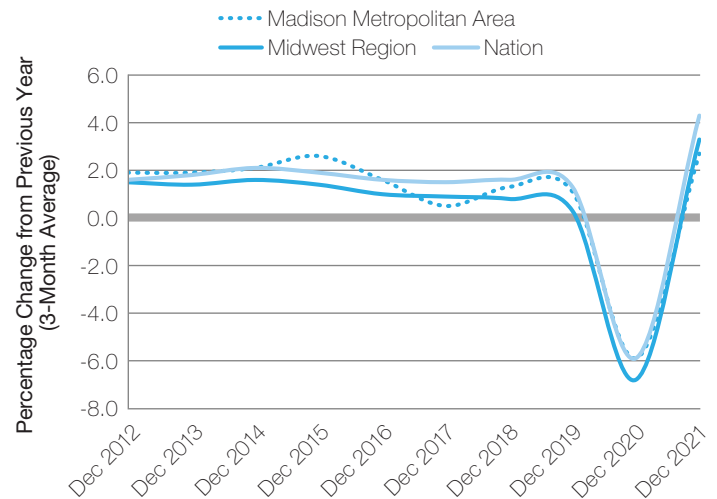
- The government sector, which is the largest sector in the metropolitan area, with 87,100 jobs, is partially recovered, rising by 1,600 jobs, or 1.9 percent from a year ago. The sector remains 4,400 jobs, or 4.8 percent, below the level during the fourth quarter of 2019. Relative to 2 years ago, the federal government subsector is fully recovered. The state government subsector is 1,100 jobs, or 2.1 percent, lower, and the local government subsector is 3,500 jobs, or 10.6 percent, lower than the level during the fourth quarter of 2019.
- The unemployment rate, currently at 1.5 percent, is down from a year ago, when it was 3.3 percent, and it is below the 2.2-percent rate from 2 years ago. Resident employment increased faster than the labor force over the past year, contributing to the decline in unemployment.

Research at UW helped launch private sector companies in high-tech and scientific research industries. University Research Park, a UW-affiliated office park that opened in 1984, is currently home to more than 125 companies, with over 3,500 employees, and it had a statewide economic impact of nearly \$850 million in 2015. The largest locally founded tech company is Epic Systems Corporation, a digital healthcare records management company. Started in 1979 by a UW alumnus, the company had 550 employees in 2000 and currently employs 9,600 workers. Despite the recent economic downturn, the number of high-tech and scientific research jobs has continued to increase. From April through October 2020, Madison had a 74-percent increase in the inflow of tech workers, gaining 1.77 workers for each one that left, up from 1.02 during the same period in 2019 (LinkedIn).

## Sales Market Conditions

Home sales market conditions in the Madison metropolitan area are very tight, with an estimated 0.8 percent vacancy rate, down from 2.0 percent in 2010. Home sales prices increased at the fastest rate in nearly two decades during 2021, with total home sales prices, including new and existing homes, rising 11 percent from a year earlier (CoreLogic, Inc.). The inventory of homes for sale is at a record low at 1.2 months, down from 1.6 months a year earlier. Inventory has been less than 6 months (typically indicative of a balanced market) since mid-2013, and less than 2 months since August 2020. Following a 9-percent increase in 2020, home sales stabilized in 2021, partially because of limited inventory of available homes for sale. Mortgage interest rates, which were at a historic low, averaging less than 3.0 percent for a 30-year fixed rate mortgage from July 2020 through September 2021, rose above 3.0 percent in recent months (FreddieMac). The lower rates attracted buyers in 2020, but the higher interest rates, and therefore

During the fourth quarter of 2021, nonfarm payrolls in the Madison metropolitan area, Midwest Region, and nation all had their fastest gain in over a decade.



Source: U.S. Bureau of Labor Statistics

## Largest Employers in the Madison Metropolitan Area

| Name of Employer                     | Nonfarm Payroll Sector           | Number of Employees |
|--------------------------------------|----------------------------------|---------------------|
| University of Wisconsin-Madison (UW) | Government                       | 22,038              |
| UW Health                            | Government                       | 15,358              |
| Epic Systems Corporation             | Professional & Business Services | 9,600               |

Note: Excludes local school districts.

Source: City of Madison, Government of Dane County

higher monthly payments, may have reduced the number of households able to afford a home in late 2021, limiting gains in home sales.

- Existing home prices averaged \$327,200 in 2021, up 12 percent from 2020, accelerating from average gains of 6 percent annually from 2017 through 2020 and 4 percent, annually from 2013 through 2016 (CoreLogic, Inc.).
- New home prices averaged \$401,400 in 2021, up 12 percent from 2020, accelerating from an average gain of 4 percent annually from 2010 through 2020.
- Total home sales, including new and existing homes, numbered 13,350 in 2021, unchanged from a year ago. Existing home sales increased by about 200 homes, or 2 percent, but were offset by an equivalent reduction in new home sales. In 2020, new home sales were elevated relative to the late 2010s. Faster utilization of vacant,

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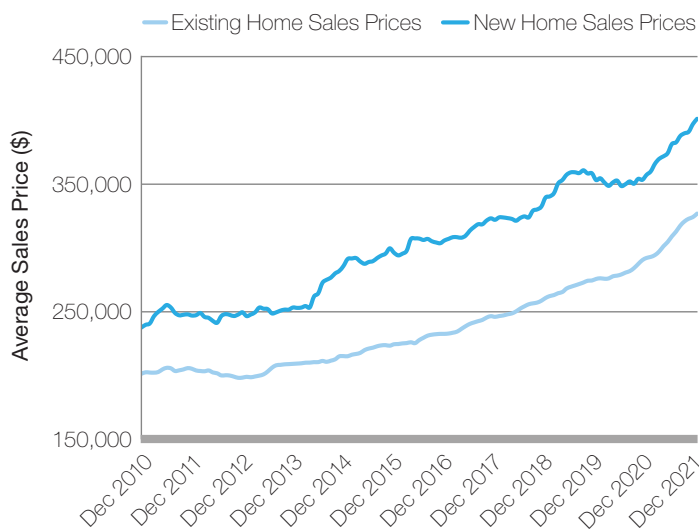
developable lots in 2020 because of elevated sales resulted in fewer lots available for development in 2021.

- The percentage of home loans in the Madison metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status fell to 0.7 percent in December 2021, down from 1.4 percent in December 2020, when economic

contraction at the onset of the COVID-19 pandemic led to a temporary rise in the delinquency rate. Utilization of forbearance programs, combined with economic recovery, allowed many homeowners to avoid foreclosure.

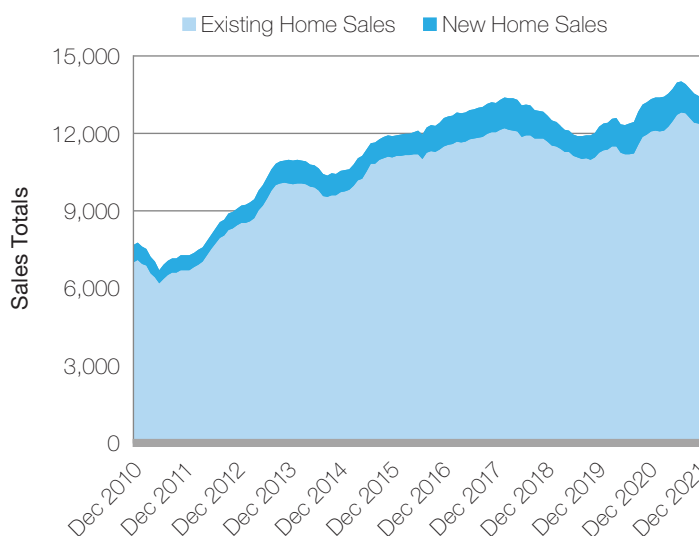
In response to tightening market conditions and low inventory of homes for sale, single-family construction, as measured by the number of homes permitted, increased modestly in 2020 and 2021 compared with 2019. Despite the modest recent gains, permitting has been relatively stable since 2016.

### New and existing home sales prices increased faster in 2021 than in 2020 in the Madison metropolitan area.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

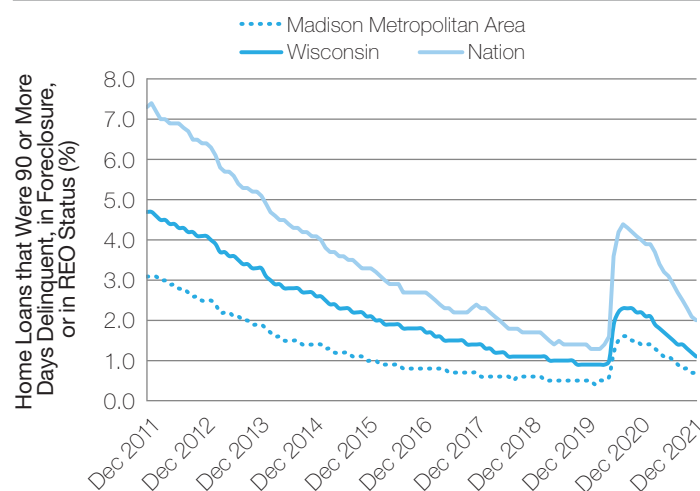
### Total home sales, including new and existing, were unchanged in 2021 compared with 2020, partially because of a slowdown in sales in late 2021 in the Madison metropolitan area.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

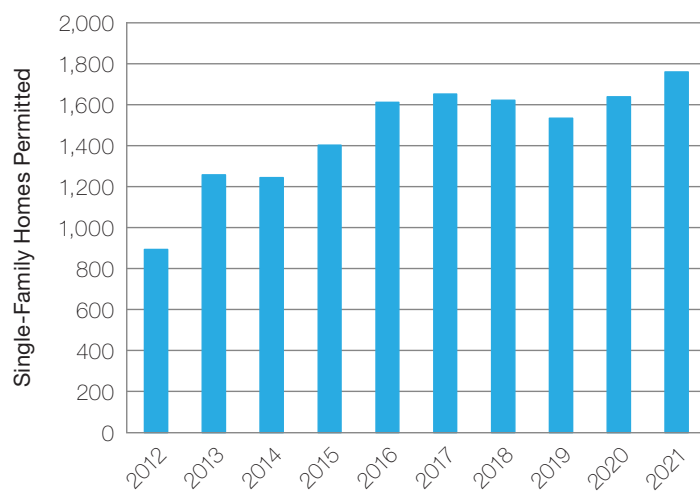
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### The rate of seriously delinquent mortgages and REO properties in the Madison metropolitan area has been declining since October 2020.



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

### Single-family permitting increased in 2020 and 2021 in the Madison metropolitan area.



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2019 final data and estimates by the analyst; 2020 and 2021—preliminary data and estimates by the analyst

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- In 2021, single-family permitting increased by 120 homes, or 7 percent, to 1,750 homes permitted, following a 6-percent, or 95-home increase in 2020 (preliminary data). By comparison, permitting increased by an average of 180 homes, or 16 percent, annually from 2013 through 2016. Permitting then stabilized, averaging 1,600 homes annually from 2016 through 2019.
- Approximately 82 percent of all single-family homes permitted in 2020 and 2021 were in Dane County. The City of Madison, the unincorporated areas of Dane County, and Sun Prairie, a northeastern suburb, had the largest shares, each with over 100 homes permitted annually.

- On the lower priced side of new home construction, Holland Fields, a 12-home duplex development in the northern Madison suburb of DeForest, is selling two-bedroom, two-bathroom homes ranging from \$385,000 to \$390,000. On the higher priced side, the Eagle Trace subdivision, with nearly 250 lots in the west Madison suburb of Middleton, is selling four-bedroom homes starting at almost \$600,000. A local builder, Veridian Homes, is actively constructing 18 subdivisions, 15 of which are expected to open new phases in 2022.

## Apartment Market Conditions

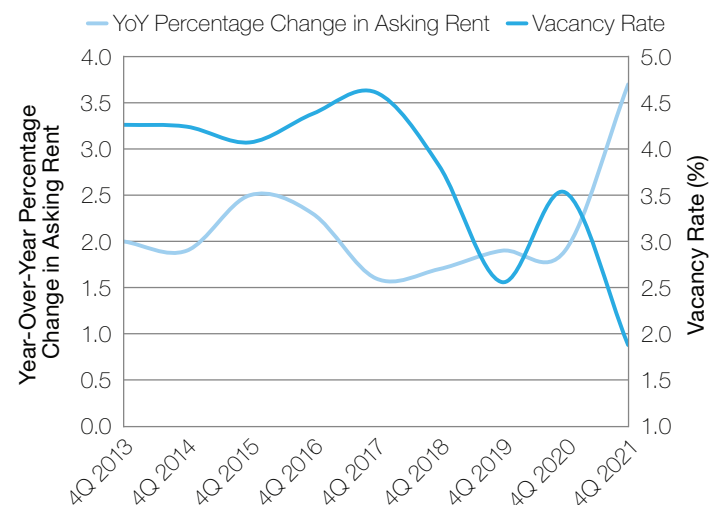
Apartment market conditions in the Madison metropolitan area are tight. For each unit completed in 2021, approximately 1.3 apartment units were absorbed, bringing the apartment vacancy rate to the lowest level in more than two decades. The combination of students and staff returning to the UW campus in fall 2021, and the very tight home sales market, which has led to some renter households delaying the shift to homeownership, contributed to the recent rise in apartment absorption. A slowdown in permitting in 2018 and 2019, and prolonged construction times since 2020 because of supply-chain and labor availability constraints, has led to fewer units entering the apartment market, also contributing to tight conditions.

Federal policy interventions also affected the apartment and overall rental market vacancy rates by helping households stay in their homes despite financial adversity. Emergency Rental Assistance (ERA) funds to support households behind on rent and utility payments was enacted by Congress in late December 2020, with a second round of funding in March 2021. In Dane County, a total of \$18.2 million was distributed, assisting nearly 6,300 households in 2021 (U.S. Department of the Treasury).

During the fourth quarter of 2021 —

- The apartment vacancy rate was at a two-decade low of 1.9 percent, down from 3.5 percent a year earlier (CoStar Group). The rate was elevated in 2020, partially because of temporary UW campus closures and increased use of telework, which enabled workers to live elsewhere. Prior to the onset of the pandemic, vacancy had been falling, with the rate declining an average of 1.0 percentage point annually from 2017 through 2019, reaching the previous low of 2.6 percent during the fourth quarter of 2019.
- Apartment rent growth was above average, rising 4 percent from a year earlier to \$1,286. By comparison, rent increased an average of 2 percent annually from 2013 through 2020.

During the fourth quarter of 2021, the apartment vacancy rate was at the lowest level, and rent growth was at the highest rate in over a decade in the Madison metropolitan area.



4Q = fourth quarter. YoY = year-over-year.  
Source: CoStar Group

- In the CoStar-defined Downtown Madison market area, which includes the central business and entertainment district, the state capital, and the UW campus, the vacancy rate was 1.6 percent, down from 2.5 percent a year earlier when the area was impacted by increased online classes and telework. Partially to maintain the low vacancy rate, rent growth has been relatively steady, averaging slightly below 2 percent annually during the past 3 years.
- Among the 10 CoStar-defined market areas, all had an increase in rent from a year earlier, ranging from 1 percent in the Columbia County market area to 7 percent in the Middleton market area. Nearly all areas had a decline in

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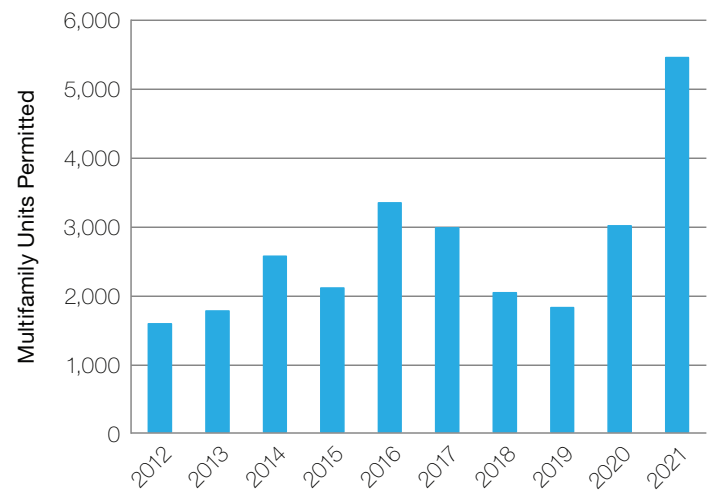
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the vacancy rate, except the Verona market area, where the vacancy rate increased 1.0 percentage point to 4.4 percent.

In response to tight apartment market conditions and economic recovery, multifamily construction, as measured by the number of units permitted, has increased in the past year.

- In 2021, multifamily permitting increased more than 80 percent from 2020 to 5,450 units (preliminary data). By comparison, permitting averaged 3,150 units annually during 2016 and 2017 and 1,925 units annually during 2018 and 2019.
- Multifamily permitting accounted for the majority of housing permitted over the past decade in the Madison metropolitan area, at 63 percent of all housing permitted from 2012 through 2020 and rising to 76 percent of housing in 2021. Local initiatives to rezone land in the city of Madison and surrounding suburbs for multifamily development enabled the large share of multifamily housing over the past decade.
- By jurisdiction, the city of Madison had the largest share of multifamily permits in 2021, with 60 percent of units. The remainder of Dane County, including suburbs immediately adjacent to Madison, permitted 38 percent of the units, and Columbia, Green, and Iowa Counties had a combined 2 percent of multifamily units permitted.
- Despite the rapid rise in multifamily permitting in 2021, only 3,900 apartment units are currently under construction (CoStar Group). Most of the difference between permitting and units under construction is attributed to builders delaying groundbreaking after receiving a building permit because of labor or building material shortages. A smaller portion of the difference is attributed to non-apartment multifamily housing, such as condominiums and assisted-

**In the Madison metropolitan area, multifamily permitting had the largest year over year increase in more than a decade in 2021.**



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2019 final data and estimates by the analyst; 2020 and 2021—preliminary data and estimates by the analyst

living facilities. Condominiums have accounted for approximately 4 percent of multifamily permitting since 2011, with limited fluctuations from year to year.

- The largest apartment development under construction in the metropolitan area is University Park, a 465-unit mixed income property on the west side of the city of Madison, with about half of the units designated for low-income households. The apartment under construction with the highest expected rent is the 96-unit Avenir Apartments in downtown Madison, with monthly rent expected to average \$1,916 per unit.