**Madison, Wisconsin**

The Madison metropolitan area, 75 miles west of Milwaukee in south-central Wisconsin, consists of Columbia, Dane, and Iowa Counties. Dane County, a center of education, technology, and government, includes Madison, the state capital and the metropolitan area’s principal city, with 46 percent of its population. As of January 1, 2013, the population of the metropolitan area is estimated at 585,400, reflecting an annual increase of 6,100, or 1.1 percent, since April 1, 2010.

Economic conditions in the Madison metropolitan area are weak. In 2012, nonfarm payrolls decreased to 346,100 jobs, down 500 jobs, or 0.1 percent, compared with the increase of 1,800 jobs, or 0.5 percent, in 2011. The greatest losses in nonfarm payrolls occurred in the mining, logging, and construction, the professional and business services, and the manufacturing sectors, which decreased by 1,300, 900, and 500 jobs, or 11.4, 2.3, and 1.7 percent, respectively. The loss in the construction subsector was concentrated in residential and nonresidential building construction, wherein excess inventory and stricter lending standards combined to limit building activity. Nonfarm payroll increases in the government, education and health services, and information sectors totaled 1,600, 800, and 300 jobs, or 1.8, 1.9, and 2.7 percent, respectively. The net jobs added in the government sector included increases of 900 and 700, or 1.7 and 2.7 percent, in the state and local government subsectors, respectively. The state of Wisconsin is the largest employer in the metropolitan area, with 54,300 employees, including 21,350 at the University of Wisconsin-Madison. Other major employers include American Family Insurance, with 3,800 employees, and Epic Systems Corporation, a technology company that develops medical software, the company has 6,200 full-time employees in suburban Verona and anticipates a total of 8,000 full-time employees by 2015. Epic is currently completing construction on its third corporate campus, which is expected to open in the summer of 2013 with a construction value of $400 million. In addition, Epic expects to begin construction on a fourth corporate campus in the fall of 2013; the campus is expected to open in 2015 with a construction value of $225 million. During the 12 months ending November 2012, the unemployment rate decreased from 5.3 to 5.0 percent. By comparison, from 2000 through 2008, the unemployment rate averaged 3.4 percent. The sales housing market in the Madison metropolitan area remains slightly soft, with a current sales vacancy rate of 1.6 percent, but it improved during the past year after soft market conditions prevailed from 2008 through 2011. According to data from the South Central Wisconsin Multiple Listing Service, new and existing home sales increased 27 percent, to 6,800 homes sold, in 2012. The current sales level exceeds the average of 5,950 homes sold annually from 2008 through 2010 but remains below the average of 8,300 homes sold annually from 2005 through 2007. The average sales price increased 2 percent, to $179,000, in 2012. The available inventory of new and existing homes averaged a 5.0-month supply during 2012, the lowest recorded inventory since 2005 and compared with the 6.8-month supply recorded in 2011. According to LPS Applied Analytics, as of November 2012, 6.7 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 7.3 percent in November 2011.

Single-family homebuilding activity in the area increased during the past year because of increased home sales. Based on preliminary data, during the 12-month period ending November 2012, single-family permits were issued for 850 homes, up 18 percent from 730 homes permitted a year ago. The current level of permitting activity is above the average of 790 homes permitted annually from 2008 through 2010, but it remains significantly below the average of 2,075 homes permitted from 2005 through 2007. Prices for new three-bedroom, single-family homes start at approximately $165,000, with lower prices found in areas outlying the city of Madison near new infrastructure projects, highway corridors, and employment centers.

Rental housing market conditions in the Madison metropolitan area are tight, with a 3.6-percent vacancy rate; the rate is down from 6.7 percent in April 2010 partially because of population growth, low levels of apartment production from 2008 through 2011, and increased hiring at Epic. According to Reis, Inc., in the third quarter of 2012, the apartment rental vacancy rate was estimated at 2.7 percent, relatively unchanged from 2.6 percent in the third quarter of 2011. The vacancy rate declined because of strong demand from empty nesters and young professionals for Class A properties in downtown Madison. Asking apartment rents in the third quarter of 2012 averaged $643, $758, $941, and $1,036 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively.
Average asking rents for all apartment units increased 3 percent, to $858, compared with the rents recorded a year ago.

Multifamily construction activity increased significantly in the metropolitan area during the past year. Based on preliminary data, during the 12 months ending November 2012, approximately 1,450 multifamily units were permitted, double the 730 units permitted a year ago. The current level of permitting activity remains below the average of 1,750 units permitted annually from 2005 through 2007. According to preliminary data, at least 800 apartment units were recently completed, currently under construction, or in the pipeline, including two projects in Verona. The West End, a 104-unit apartment, opened 52 units in June 2012 with asking rents of $750 to $900 for a studio unit, $910 to $1,100 for a one-bedroom unit, and $1,000 to $1,500 for a two-bedroom unit. The first phase is fully leased, and the remaining 52 units are expected to be complete in September 2013. Siena Ridge, a 96-unit project with studio, one-bedroom, and two-bedroom units, is currently under construction and is expected to open in the spring of 2013. Asking rents range from $775 for a studio unit to $1,525 for a two-bedroom unit.