

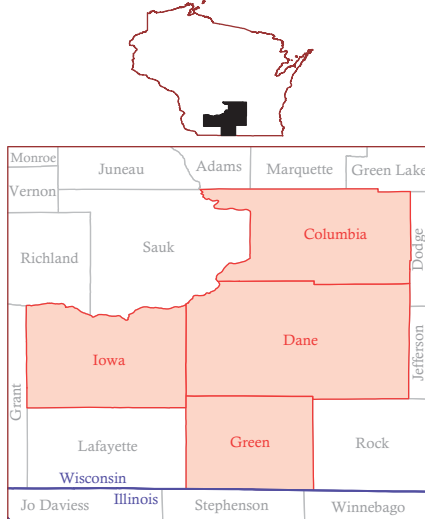


Madison, Wisconsin

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2015



Housing Market Area



The Madison Housing Market Area (HMA) is coterminous with the Madison, WI Metropolitan Statistical Area, which consists of four counties: Columbia, Dane, Green, and Iowa. The state capital and the University of Wisconsin-Madison, which has more than 43,250 students, are in downtown Madison. The city of Madison is also the hometown of world-renowned architect Frank Lloyd Wright.

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Summary

Economy

Economic conditions in the Madison HMA continued to improve, maintaining a trend that began during 2010. During the 12 months ending May 2015, nonfarm payrolls increased by 7,500 jobs, or 2.0 percent, to 384,600. The unemployment rate declined to 3.7 percent from 4.6 percent during the past 12 months. During the next 3 years, economic conditions should remain strong and nonfarm payrolls in the HMA are expected to increase 1.6 percent annually. Table DP-1 at the end of this report provides additional economic and population data on the HMA.

Sales Market

The sales housing market in the HMA is currently slightly tight, with a 1.2-percent vacancy rate, down from 2.0 percent in April 2010. Home sales (including single-family homes, townhomes, and condominiums) in the HMA totaled 10,200 during the 12 months ending May 2015, down 550, or more than 5 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company). Demand is forecast for 6,275 new homes during the next 3 years (Table 1). The 360 homes currently under construction and a portion of the estimated 6,700

other vacant housing units that will likely reenter the sales market will satisfy some of the demand during the forecast period.

Rental Market

The rental housing market in the HMA is currently balanced, with an estimated vacancy rate of 6.0 percent, which is an improvement from the 6.7-percent rate in April 2010. Students at the University of Wisconsin-Madison (UW-M) are estimated to account for more than 13 percent of all renter households in the HMA. During the forecast period, demand is estimated for 5,550 new market-rate rental units (Table 1). The 3,225 units currently under construction will meet a portion of the demand.

Table 1. Housing Demand in the Madison HMA During the Forecast Period

	Madison HMA	
	Sales Units	Rental Units
Total demand	6,275	5,550
Under construction	360	3,225

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2015. A portion of the estimated 6,700 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2015, to June 1, 2018.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Madison HMA have continuously improved since the end of 2009, with the rate of job growth increasing during the past 24 months relative to previous years. Nonfarm payrolls reached an all-time high of 384,600 during the 12 months ending May 2015, which is an increase of 7,500 jobs, or 2.0 percent, from the 12 months ending May 2014, when nonfarm payrolls increased by 7,900, or 2.1 percent. Table 2 shows nonfarm payroll jobs by sector in the HMA. From the end of 2009 through May 2013, nonfarm payrolls increased by an average of 3,600, or 1.0 percent, annually. Strong job growth has contributed to declining unemployment. The unemployment rate during the 12 months ending

May 2015 was 3.7 percent, down from 4.6 percent during the previous 12 months and well below a high of 6.4 percent during 2010. Figure 1 shows trends in labor force, resident employment, and unemployment rate in the HMA from 2000 through 2014.

The state government and UW-M provide a strong and steady economic base for the HMA. These large government employers have historically helped limit job losses from economic downturns, but in turn are not engines for rapidly adding jobs during periods of economic growth. For example, during the recent national recession, the Madison HMA only recorded job losses during 2009, when nonfarm payrolls declined 2.2 percent, which was significantly lower than the national and Wisconsin average job declines of 4.3 and 4.4 percent, respectively. The state and nation were still losing jobs during 2010 while the HMA had resumed job growth. Much of the recent growth in the Madison HMA can be attributed to job growth in biotechnology firms that have started as offshoots from research at UW-M and from healthcare-related job growth associated with the school.

UW-M, the largest employer in the HMA, has a significant impact on the local economy. An April 2015 study titled “The University of Wisconsin’s \$15 billion impact on the Wisconsin economy” estimated that UW-M has a \$12 billion-a-year economic impact on the local economy (NorthStar Consulting Group). Part of the economic impact comes from research conducted at the university. UW-M had more than \$1.1 billion in research expenditures in 2013, which was the fourth highest level of any university in the nation (National Science Foundation).

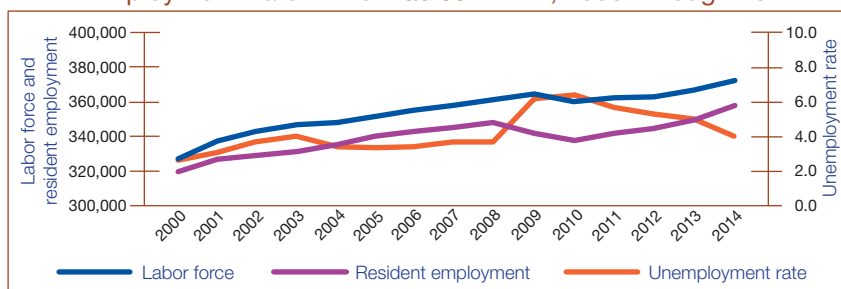
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Madison HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	May 2014	May 2015		
Total nonfarm payroll jobs	377,100	384,600	7,500	2.0
Goods-producing sectors	46,700	49,200	2,500	5.4
Mining, logging, & construction	14,600	15,200	600	4.1
Manufacturing	32,100	34,000	1,900	5.9
Service-providing sectors	330,400	335,400	5,000	1.5
Wholesale & retail trade	54,200	54,900	700	1.3
Transportation & utilities	8,900	9,100	200	2.2
Information	13,900	14,700	800	5.8
Financial activities	23,000	23,300	300	1.3
Professional & business services	47,500	48,300	800	1.7
Education & health services	43,800	45,100	1,300	3.0
Leisure & hospitality	33,600	33,800	200	0.6
Other services	18,700	18,800	100	0.5
Government	86,700	87,400	700	0.8

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through May 2014 and May 2015.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Madison HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

Looking forward, the research from the university can lead to new products or services being developed and new companies being formed. The Wisconsin Alumni Research Foundation, or WARF, is a private nonprofit organization that manages and licenses the university's intellectual property to private startup companies. Some of the startups in the HMA that are the result of research at the university, which are usually smaller firms with less than 100 employees, include Life-Gen Technologies, LLC, a genomics company that focuses its research on the aging process in genes, and Mirus Bio LLC, a life sciences company that develops nucleic acid based technologies and products.

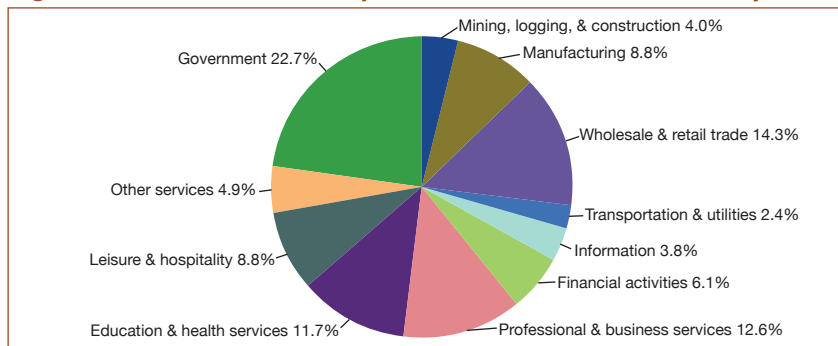
UW-M contributes to the government sector being the largest employment sector in the HMA, with 87,400 jobs,

and accounts for 22.7 percent of all nonfarm payrolls (Figure 2). During the 12 months ending May 2015, government sector employment increased by 700 jobs, or 0.8 percent, from the previous 12 months. Because the city of Madison is the state capital, state government jobs, which total 50,200, account for more than 57 percent of all government sector jobs. The two largest employers in the HMA are UW-M and the University of Wisconsin Hospital and Clinics, which were split off from the university in 1995 and reorganized as a public authority, with 21,800 and 8,600 employees, respectively. Table 3 lists the 10 largest employers in the HMA.

The manufacturing sector led job growth during the 12 months ending May 2015 and increased by 1,900 jobs, or 5.9 percent, to 34,000 jobs. The manufacturing sector in the HMA includes traditional manufacturers such as Kraft Foods with 1,200 employees and Stoughton Trailers, which builds transportation equipment and has 800 employees. Biomedical manufacturing also has a large presence in the HMA, with such firms as GE Healthcare, Cardiac Sciences, and Natus Medical, all of which manufacture medical devices in the HMA. Manufacturing employment is still 6,000 jobs, or 15 percent, below the 2000 level of 40,000 jobs; since the start of 2011, this sector has increased by an average of 725 jobs, or 2.3 percent, annually.

Although the manufacturing sector recorded the strongest growth during the past 12 months, the information sector has led the HMA in job growth since the start of the most recent economic expansion that began during 2011. The information sector has increased by an average of 750 jobs, or

Figure 2. Current Nonfarm Payroll Jobs in the Madison HMA, by Sector



Note: Based on 12-month averages through May 2015.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Madison HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Wisconsin-Madison	Government	21,800
University of Wisconsin Hospital and Clinics	Government	8,600
Epic Systems	Information	8,100
SSM Health Care of Wisconsin	Education & health services	6,375
American Family Insurance	Professional & business services	3,650
Meriter-UnityPoint Health	Education & health services	3,450
University of Wisconsin Medical Foundation	Education & health services	2,650
WPS Health Insurance	Professional & business services	2,000
CUNA Mutual Group	Professional & business services	1,770
Kraft Foods	Manufacturing	1,200

Note: Excludes local school districts.

Sources: University of Wisconsin system; In Business magazine

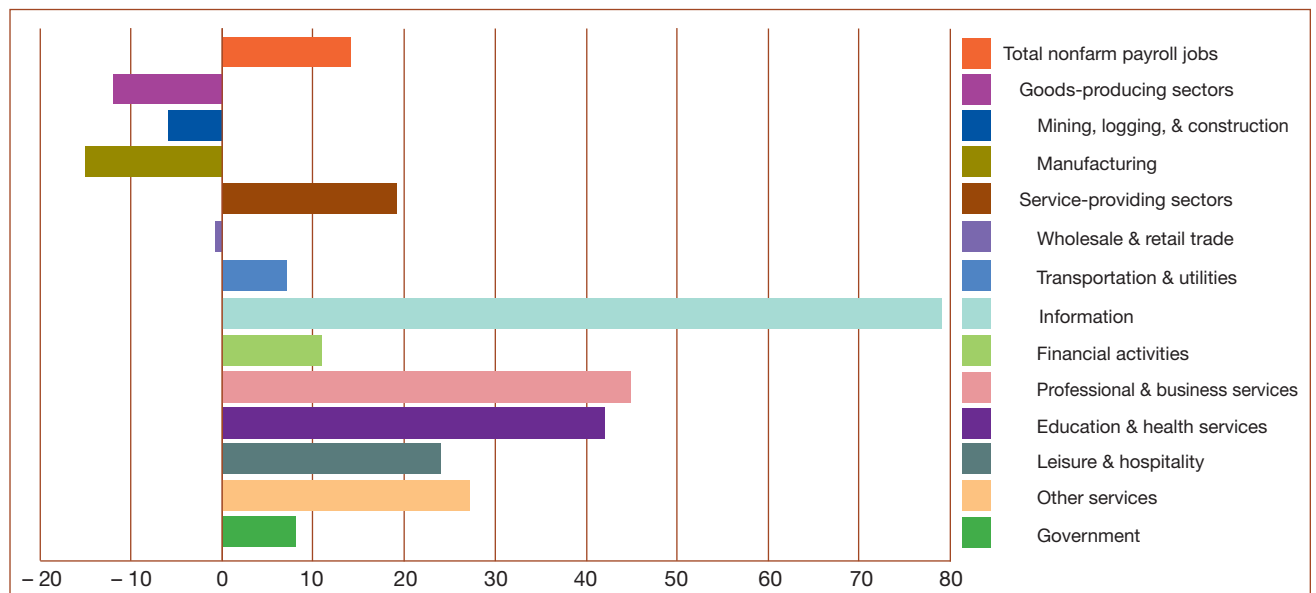
6 percent, annually since 2011 and has also been the strongest growing sector in percentage terms in the HMA since 2000, increasing by an average of 450 jobs, or 4.1 percent, annually (Figure 3). A significant portion of this growth is related to Epic Systems Corporation, a medical software provider that is now the largest private employer in the HMA with more than 8,100 employees. In 2008, when Epic announced its \$300 million campus expansion, it had 3,250 employees; the company has added more than 600 jobs in the past year. During the 12 months ending May 2015, the information sector grew by 800 jobs, or 5.8 percent, to total 14,700.

The professional and business services sector has been the second fastest growing employment sector in the HMA since 2000, increasing by an average of 1,025 jobs, or 2.6 percent, annually. This job growth is partly attributable to the nexus provided by research being conducted at UW-M. Scientific research and development services, an industry grouping within professional

and business services, is expanding in the HMA as research that is initially conducted at the university eventually becomes the basis for a startup firm. One of the firms in this industry is Exact Sciences, which has recently gained Food and Drug Administration approval for its noninvasive colon cancer procedure using molecular screening. Before this screening procedure was approved in the past year, the firm had 110 employees; it currently has 430 employees, with plans to double that number by 2017. During the 12 months ending May 2015, employment in the professional and business services sector increased by 800 jobs, or 1.7 percent, which follows an increase of 2,200 jobs, or 4.7 percent, during the previous 12 months.

In addition to hosting all these technology and medical research companies, the Madison HMA is also a regional healthcare center for south-central Wisconsin. SSM Health Care Wisconsin and Meriter-UnityPoint Health are the largest employers in the education and health services sector and are

Figure 3. Sector Growth in the Madison HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through May 2015.

Source: U.S. Bureau of Labor Statistics

the fourth and sixth largest employers in the HMA, with 6,375 and 3,450 employees, respectively. The education and health services sector was the second leading job growth sector during the 12 months ending May 2015, increasing by 1,300 jobs, or 3.0 percent, to 45,100. It has also been the third fastest growing sector overall since 2000, adding an average of 970 jobs, or 2.5 percent, annually.

Because the recent job growth brought new people to the area, and because UW-M is likely to see an increase in enrollment in 2018 because of the demographics of the state, the construction of new housing units has surged recently. This growth has increased employment in the mining, logging, and construction sector. During the 12 months ending May 2015, nonfarm payrolls in the mining, logging, and construction sector increased by 600 jobs, or 4.1 percent, following an increase of 1,000 jobs, or 7.4 percent, during the previous 12 months. Most of the construction projects are multifamily housing projects in the city of Madison. During 2013, when the recent surge in multifamily construction began, \$223 million of the total \$347 million in ongoing construction projects in the city of Madison were apartment projects in the downtown area (http://host.madison.com/business/real-estate/the-changing-face-of-madison-a-new-downtown-development-boom/article_d8df4849-4861-5c36-b67a-45a213d22914.html).

The recent period of fairly strong job growth is a marked change from the conditions that existed previously. The 2000s were a period of fairly slow but steady economic growth for the Madison HMA. From 2000 through 2002, nonfarm payrolls increased by an aver-

age of 4,400, or 1.3 percent, annually. Job growth during these years was led by the professional and business services sector, which increased by an average of 1,600 jobs, or 4.8 percent, annually. During 2003, nonfarm payrolls declined minimally by 400 jobs, or 0.1 percent, because the professional and business services sector declined by 1,300 jobs, or 3.5 percent. Beginning in 2004, the economy in the HMA expanded for 5 consecutive years, with nonfarm payrolls increasing by 4,025, or 1.1 percent, annually to reach 365,000 by the end of 2008. Again, job growth was led by the professional and business services sector, with jobs increasing by an average of 1,500, or 3.9 percent, annually. Also during this time, the information sector had fairly robust growth in percentage terms and increased 7.4 percent annually, which translates to 640 jobs added per year. During 2009, as the national economy entered a recession, nonfarm payrolls in the HMA declined by 8,100 jobs, or 2.2 percent. As commercial and residential construction slowed during the economic downturn, job losses were greatest in the mining, logging, and construction sector, which declined by 2,800 jobs, or 17.0 percent. The economy began to improve again during 2010, and by 2012 nonfarm payrolls had surpassed their prerecession peak, increasing by an average of 3,225, or 0.9 percent, annually. Job growth was led during these years by the professional and business services sector, which increased by an average of 1,625, or 3.9 percent, annually.

During the 3-year forecast period, the economy in the Madison HMA is expected to continue expanding. Nonfarm payrolls are expected to increase an average of 1.6 percent annually.

The rate of job growth is expected to be strongest during the first year and moderate each year thereafter. Although gains are expected in nearly every sector, job growth is projected

to be greatest in the professional and business services sector because of continued job growth from commercial applications of research conducted at UW-M.

Population and Households

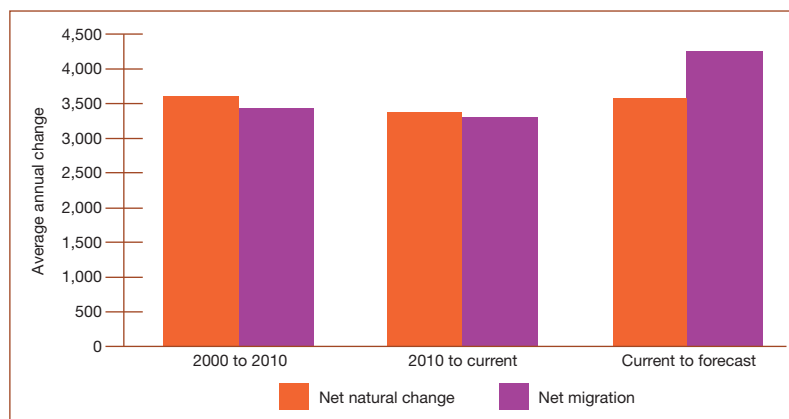
The population of the Madison HMA is an estimated 639,600 as of June 1, 2015. The population of the HMA has increased by an average of 6,625, or 1.1 percent, annually since April 2010. Net in-migration to the HMA since 2010 has averaged 3,275 people annually and accounted for approximately 50 percent of the HMA's population growth during this time. Dane County, where the city of Madison is located, has an estimated population of 520,000, which accounts for more than 80 percent of the HMA's population.

The strongest period of population growth in the HMA during the previous decade coincided with the strongest period of job growth, 2000 to 2002,

when the population increased by an average of 7,400, or 1.4 percent, annually. Net in-migration during that period averaged 4,225 people per year (Census Bureau population estimates, as of July 1), accounting for 57 percent of population growth. From 2002 to 2009, population growth averaged 7,050 people, or 1.2 percent, a year, with annual growth ranging from 1.1 to 1.3 percent. During the period, net in-migration averaged 3,350 people annually and accounted for 48 percent of all population growth. Job losses in the HMA slowed net in-migration to 1,100 people in 2010, and the population increased by only 4,700, or 0.8 percent. Figure 4 shows the components of population change from 2000 through the forecast period.

The number of households in the HMA is currently estimated at 265,300, an average annual increase of 2,775, or 1.1 percent, since 2010. During the 2000s, households increased at a higher rate of 1.5 percent, or 3,500 households, annually. Since April 2010, renters have comprised nearly 75 percent of household growth, which is up significantly from the average of 27 percent from 2000 to 2010. Tighter mortgage lending standards and an increased propensity to rent contributed to the decreased portion of new owner

Figure 4. Components of Population Change in the Madison HMA, 2000 to Forecast



Notes: The current date is June 1, 2015. The forecast date is June 1, 2018.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

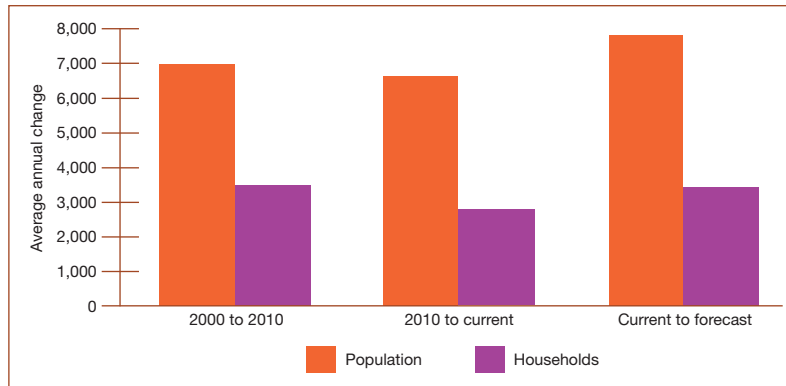
Figure 5. Number of Households by Tenure in the Madison HMA, 2000 to Current



Note: The current date is June 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Madison HMA, 2000 to Forecast



Notes: The current date is June 1, 2015. The forecast date is June 1, 2018.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

households during the past 4 years. Figure 5 shows the number of households in the HMA by tenure since 2000.

During the forecast period, the number of households in the HMA is expected to increase by an average of 3,425, or 1.3 percent, annually, while population growth is expected to average 7,775, or 1.2 percent, annually. Approximately 95 percent of the population and household growth during the forecast period is likely to occur in Dane County. Figure 6 shows population and household growth in the HMA from 2000 through the forecast period.

Housing Market Trends

Sales Market

The sales housing market in the Madison HMA is currently slightly tight. Increasing home sales and limited homebuilding activity from 2008 through 2013 resulted in a decline in the estimated sales vacancy rate from 2.0 percent in April 2010 to 1.2 percent currently. During May 2015, the HMA had a 4.6-month supply of

inventory on the market, down from a 5.9-month supply during May 2014 and a 6.5-month supply during May 2013 (Realtors® Association of South Central Wisconsin). In May 2015, 2.5 percent of all mortgage loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real

Housing Market Trends

Sales Market *Continued*

estate owned (REO) status, which was down from 3.2 percent in May 2014 and well below the peak level of 5.4 percent in May 2012 (Black Knight Financial Services, Inc.).

New home sales (including single-family homes, townhomes, and condominiums) in the Madison HMA totaled 680 during the 12 months ending May 2015, an increase of only 10 sales from the 12 months ending May 2014 (Metrostudy, A Hanley Wood Company). The average sales price of a new home was \$313,800 during the 12 months ending May 2015, an increase of \$35,300, or nearly 13 percent, from the previous 12 months as strong demand for new homes is outpacing the ability of developers to deliver new product.

New home sales in the HMA peaked in 2006 with 1,725 sales at an average price of \$245,400. Following the peak, new home sales declined for 6 consecutive years by an average of 190 sales, or slightly more than 16 percent, annually from the end of 2006 through 2012. The average sales price also declined during this time, but the drop was not as sharp. From 2006 through 2012, the average sales price of a new home declined by an average of \$1,300, or less than 1 percent, annually to \$237,600 by the end of 2012. During 2013, the market for new homes rebounded and sales increased by 180, or more than 30 percent, to 780 sales. The average sales price of a new home was \$248,500 during 2013, an increase of \$11,000, or nearly 5 percent, from the previous year.

Sales of existing homes (including single-family homes, townhomes, and condominiums) increased in the Madison HMA during the 12 months ending May 2015. Existing home

sales totaled 10,250, an increase of 150, or slightly more than 1 percent. Existing home sales reached a new high in 2013, when 10,400 existing homes sold, which was 50 sales, or less than 1 percent, higher than the previous peak level of 10,350 sales during 2006. The average sales price of an existing home in the HMA was \$225,600 during the 12 months ending May 2015, which was an increase of \$8,900, or more than 4 percent, from the previous 12 months, when the average sale price increased by \$20,700, or nearly 11 percent. After peaking in 2006, sales of existing homes declined for 5 consecutive years by an average of 780, or 9 percent, annually to 6,450 existing homes sold in 2011. The average sales price decreased at a lower rate, declining from \$217,100 in 2006 to \$215,300 during 2011, an average decline of less than 1 percent annually. During 2012, sales of existing homes increased by 2,625 sales, or nearly 41 percent, to 9,075. The number of existing home sales was accompanied by a sharp drop in the average sales price, which declined by \$21,800, or more than 10 percent, to \$193,500 during 2012.

The large increase in the number of existing home sales and the corresponding price drop during 2012 were because of an increase in REO sales to 1,350, an increase of 320 sales, or 31 percent, from 2011. The average sales price of an REO property was \$131,900 during 2012, a decline of \$11,200, or 8 percent, from 2011. During 2006, 180 REO properties sold, and this number steadily increased by an average of 170, or nearly 42 percent, annually to 1,025 REO sales in 2011. Since peaking in 2012, REO sales have been steadily declining in the HMA. During the 12 months

ending May 2015, 900 REO properties sold, down by 200 sales, or 18 percent, from the previous 12 months.

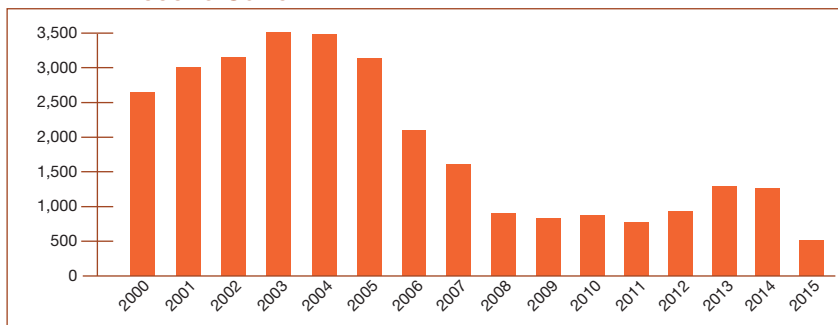
Building activity, as measured by the number of single-family homes permitted, was unchanged during the 12 months ending May 2015, with 1,275 single-family homes permitted (preliminary data). Building activity started to increase in 2013 after the downturn because of the housing crisis in 2008. From 2012 through 2014, an average of 1,125 new homes were permitted annually. Even with the recent increase in single-family home permitting, production is still

well below previous periods. Single-family home construction peaked in 2003 with 3,500 homes permitted and averaged 3,050 homes annually from 2000 through 2003. The number of single-family homes began to decline in 2004, and continued to decline to a low of 740 single-family homes permitted in 2011. Figure 7 shows the number of single-family homes permitted annually from 2000 to 2015.

One of the more recent developments in the HMA is West Prairie Village in northwest Dane County. This project has 213 single-family lots, with the first phase of 115 homes currently under development. Home sales prices at this development range from \$280,000 to \$350,000 for three- and four-bedroom homes. In addition, the Westbridge subdivision in Waunakee is a 283-unit single-family home development expected to complete buildout in 2015. Home prices range from \$332,000 to \$410,000 at this subdivision.

Demand is estimated for 6,275 new homes in the Madison HMA during the 3-year forecast period, with demand increasing during each year (Table 1). The 360 homes currently under construction will meet part of the demand during the first year. A portion of the 6,700 other vacant units in the HMA may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes priced from \$250,000 to \$399,000 (Table 4). New single-family home construction is likely to be strongest in Dane County.

Figure 7. Single-Family Homes Permitted in the Madison HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through May 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Madison HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
135,000	199,999	630	10.0
200,000	249,999	1,000	16.0
250,000	299,999	1,500	24.0
300,000	399,999	1,750	28.0
400,000	499,999	940	15.0
500,000	and higher	440	7.0

Notes: Numbers may not add to totals because of rounding. The 360 homes currently under construction and a portion of the estimated 6,700 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is June 1, 2015, to June 1, 2018.

Source: Estimates by analyst

Rental Market

The rental housing market in the Madison HMA (which includes renter-occupied single-family homes, mobile homes, and apartment units) is currently balanced, with a 6.0-percent vacancy rate, which is down from 6.7 percent during April 2010. Figure 8 shows rental vacancy rates in the HMA from 2000 to the current date. Apartment units in a building with five or more housing units constitute nearly 58 percent of all occupied rental units, and single-family homes represent 12 percent (2013 American Community Survey).

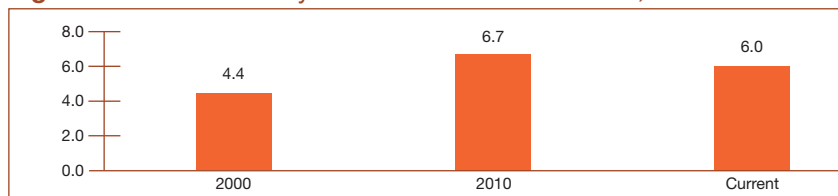
The apartment market in the HMA is balanced. The vacancy rate during May 2015 was 6.8 percent, up from 4.8 percent 1 year earlier (Reis, Inc.). The increase in the current vacancy rate is because the many apartment units completed during the past 2 months are likely to be leased as students return to school in August. The average rent for an apartment is currently \$994, which is up \$46, or nearly 5 percent, from the previous year. The apartment vacancy rate declined from 7.0 percent during 2006 to 4.9 percent in 2009 and again to 2.7 percent in 2012 because of limited multifamily construction and an increase in the formation of renter households. At the end of 2012, the average rent for an apartment in the Madison HMA was \$867, an average increase of \$18, or more than 2 percent, annually from the end of 2009.

Multifamily construction started to increase in response to tightening apartment market conditions in 2012, and, as those new units began to come on line, the apartment vacancy rate increased, reaching 4.1 percent during 2013. The average rent for an apartment increased by \$56, or more than 6 percent, to \$923 in 2013.

Multifamily construction, as measured by the number of units permitted, has increased significantly since the end of 2011 as builders have responded to tight rental market conditions. During the 12 months ending May 2015, 3,500 multifamily units were permitted, an increase of 450 units, or 15 percent, from the previous 12 months (preliminary data). The current level of production is significantly higher than the average of 2,300 multifamily units permitted annually from 2000 through 2006. With the start of the economic downturn in 2007, multifamily construction declined to an average of 1,075 units permitted annually from 2007 through 2011. From 2012 through 2014, with tight apartment market conditions and above average population and job growth, the number of multifamily units permitted increased significantly, peaking at 4,075 units permitted in 2014. Figure 9 shows the number of multifamily units permitted from 2000 through 2015.

During the 2014–2015 academic year, UW-M had an enrollment of more than 43,250 students, only 8,100 of whom lived on campus. The large number of students living off campus has a significant impact on the local housing market, and the rental market in particular. It is estimated that

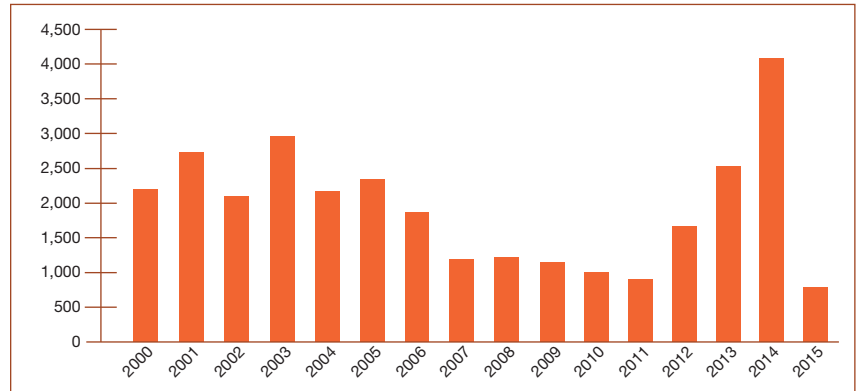
Figure 8. Rental Vacancy Rates in the Madison HMA, 2000 to Current



Note: The current date is June 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Units Permitted in the Madison HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through May 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

students at the university account for more than 13 percent of all renter households in the HMA and more than 35 percent of all renter households in the city of Madison. With this large number of students living off campus, part of the recent surge in multifamily construction are new apartment units that have been developed to meet the housing needs of students. Since 2012, more than 3,450 apartment units have been permitted within a ZIP Code that borders the university, accounting for more than 40 percent of all apartment units permitted in the HMA during that time. Apartments within ZIP Codes that border the university currently have a vacancy rate of 13.2 percent (Reis, Inc.). The high vacancy rate may be caused in part by the nearly 700 units that have come on line during 2015 and were not available for students to rent until the start of the 2015–2016 school year. Although not strictly restricted to students, these new units will have anywhere from one to five bedrooms in each unit, with residents of these units being able to sign a lease on a per-bedroom basis, instead of a group of roommates signing a lease for the whole apartment

together. Apartments located within a ZIP Code that borders the university have an average rent of \$1,857, which is 87 percent higher than the HMA average. Part of the reason for higher rents around the university is because apartments with four and five bedrooms, which do not exist elsewhere in the HMA, have higher rents. Also, many of the units that cater to student housing needs come with most utilities included in the rent. Enrollment at UW-M is expected to remain flat until the fall of 2018, when enrollment is expected to increase because more high school graduates are expected in the state of Wisconsin. The university has no current plans to construct new on-campus housing but will be undertaking several renovations of existing dormitories during the next 3 years.

Several new apartment projects have recently opened in the Madison HMA. The Domain, which is between the state capitol building and UW-M in downtown Madison, is a 326-unit development that opened in April 2015 with rents ranging from \$1,010 for a studio unit to \$3,700 for a two-bedroom penthouse unit. The 306 West apartment building, on Main

Housing Market Trends

Rental Market *Continued*

Street two blocks from the state capitol building, opened in May 2015. It has 176 units with one-bedroom units renting from \$1,375 to \$1,800 and two-bedroom units renting from \$2,300 to \$3,500.

During the forecast period, demand is estimated for 5,550 new market-rate

rental housing units (Table 1). Demand is expected to be greatest for two-bedroom units with rents in the \$1,325-to-\$1,524 range (Table 5) in the downtown area of Madison. The 3,225 units currently under construction that will come on the market during the next 3 years will meet a portion of the forecast demand.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Madison HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700 to 899	55	900 to 1,099	85	1,125 to 1,324	200	1,350 to 1,549	110
900 to 1,099	180	1,100 to 1,299	200	1,325 to 1,524	930	1,550 to 1,749	310
1,100 or more	40	1,300 to 1,499	750	1,525 to 1,724	680	1,750 to 1,949	330
		1,500 to 1,699	380	1,725 to 1,924	330	1,950 to 2,149	270
		1,700 to 1,899	200	1,925 to 2,124	300	2,150 to 2,349	65
		1,900 or more	50	2,125 or more	75	2,350 or more	20
Total	280	Total	1,675	Total	2,500	Total	1,100

Notes: Numbers may not add to totals because of rounding. The 3,225 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2015, to June 1, 2018.

Source: Estimates by analyst

Data Profile

Table DP-1. Madison HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	319,055	337,387	361,000	0.6	1.5
Unemployment rate	2.6%	6.4%	3.7%		
Nonfarm payroll jobs	338,000	359,400	384,600	0.6	1.5
Total population	535,421	605,435	639,600	1.2	1.1
Total households	215,899	250,898	265,300	1.5	1.1
Owner households	131,591	156,931	160,400	1.8	0.4
Percent owner	61.0%	62.5%	60.5%		
Renter households	84,308	93,967	104,900	1.1	2.2
Percent renter	39.0%	37.5%	39.5%		
Total housing units	226,540	268,734	280,500	1.7	0.8
Owner vacancy rate	1.1%	2.0%	1.2%		
Rental vacancy rate	4.4%	6.7%	6.0%		
Median Family Income	\$61,400	\$80,000	\$80,900	2.7	0.3

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2015. Median Family Incomes are for 1999, 2009, and 2013. The current date is June 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 6/1/2015—Analyst’s estimates
Forecast period: 6/1/2015–6/1/2018—Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_MadisonWI_15.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.