2023

Housing Snapshot Report

Cover Image: *The Ace Apartments, a City-supported affordable housing development by Movin' Out and Commonwealth Companies at 4602 Cottage Grove Road, Madison*
Image Source: *Kyle Jewell - One Media*

Contents

Executive Summary

The intent of this report is to annually track a brief set of metrics that assist in analyzing progress that City programs and initiatives are making toward overcoming barriers and impediments to housing choice. The figures in this report detail both economic and demographic trends, as well as growth in the City's housing supply.

The City of Madison is growing at a rapid pace. Much of this growth has been among renter households and high income earners - though there has been recent, strong growth in homeownership that has outpaced rental growth since 2019. The effect of this household growth creates tension that increases "competition" within the housing market, which has historically not added units at a fast enough rate to keep up with the demands of household growth.

While recent permitting trends have seen issuance of about 2,000 permits for new dwellings annually, and 2021 saw issuance of permits for a record 3,633 dwelling units, 2022 numbers returned to slightly above average. Even with thousands of new units in the pipeline, the City's vacancy rate is still well below healthy levels that could help alleviate rapid rental cost appreciation. With demand exceeding supply, as well as drastic increases in construction cost, almost all new rental units are unaffordable to the median renter household as they open, even though they will eventually be relatively affordable.

Similarly, most new dwelling units built for owner occupancy are not only unaffordable to the median renter household, but to the median household overall. Recent stabilization in interest rates (even though elevated above pandemic lows), lack of supply (owners holding onto their units instead of moving up), and drastic demand increase from high-income household growth have further driven owner appreciation. These trends in availability and cost for both ownership and rental markets have created a significant supply-demand mismatch - which disproportionately impacts lower-income households as they compete with higher-income households for the same units of housing.

Conversely, there are many households that able to afford more expensive units than there are such units available, indicating a simultaneous relative affordability for the highest-income households in the City.

While the City has made strides in increasing rental vacancy, the rate of permitting for owner-occupied development has not alleviated ownership unit pressure or rising costs, nor has the raw number of new single-family permits risen significantly since the recession. Since the onset of the pandemic, rates of housing cost-burden has increased significantly for both owner and renter households, indicating housing costs that have risen at a rate faster than that of most incomes.

From a fair housing perspective, the historic racialization of poverty manifests in part as low-income households in Madison disproportionately being comprised of persons of color. In practice, this has led to economic segregation by housing cost that reinforces patterns of racial segregation (i.e. lower-cost and income-restricted housing programs not being equally distributed geographically). The need to build more new, affordable housing for low-income households to promote economic empowerment associated with safe and stable housing is more important than ever, yet historic peripheralization of lower-cost housing remains, with larger than expected concentration of units on Madison's North and South sides.

There has been, however, recent growth in homeownership rates for Black, Asian, and Hispanic/Latino households in the City. Homeownership remains one of the most crucial ways through which wealth is created and housing stability increased, but housing security and affordability in any form is important. For renters, the median Black household is the only demographic by race or ethnicity unable to currently afford the median rent in the City. This ties into economic segregation of geographic opportunity, significantly limiting affordable housing access to certain areas of the City, and limiting options for access within the housing market.

City Growth Trends

There has been continued growth in the City of Madison since 2010, with growth occurring in both owner and renter households (though almost all growth is occurring at higher incomes, regardless of tenure). Population growth over the past few years is slightly increased from 2010-2018, and household growth elevated slightly higher than that of population growth (representing smaller average household sizes).

Overall, there has been not just been growth of higher income households, but also a significant decrease in the number of lower-income households. Some of this loss could be wage inflation for Madison's lower-income residents ($50,000 annual income represents a household of two earning $12 per hour each), however it seems likely that many lower-income households are also "priced out" of the City's housing market - moving instead to other, more relatively affordable municipalities.

Renter household growth has remained fairly consistent, though there has been recent larger growth in ownership markets from demand created by the high-income households within the City. However, growth in ownership markets appears to be outpacing the growth of new supply of ownership units (new construction), which is indicative of both the tightening of the ownership market overall, as well as a significant transition of low-density rental units in the City converting to ownership as they enter the active sales market.

Looking forward, current projections to 2050 indicate future growth of 115,000 people in 59,000 households.

	2011-2021		*2019-2021*	
	Compound Annual Growth Rate	Total % Growth	Compound Annual Growth Rate	Total % Growth
Population	1.4%	14.5%	2.0%	4.1%
Households (total)	1.7%	17.9%	3.1%	6.4%
Renter Households	2.4%	27.0%	2.6%	5.2%
Owner Households	0.9%	9.3%	3.8%	7.7%
Households By Annual Income				
< $25,000	-1.6%	-15.0%	-0.1%	-0.2%
$25,001 - $50,000	-0.6%	-5.6%	-3.0%	-5.8%
$50,001 - $75,000	0.9%	9.7%	2.6%	5.2%
$75,001 - $100,000	1.7%	17.9%	6.2%	12.8%
> $100,000	6.5%	87.4%	8.0%	16.7%

Methodology: These figures are based on data provided by the US Census Bureau through their American Community Survey 5-Year Estimates. The numbers for total population was retrieved from table DP05. The number of total households and breakdown of households by income were retrieved from table DP03. The number of households by tenure was retrieved from table B25118.

New Housing Inventory

The *vast* majority of new dwelling units built in the last several years have been in multifamily buildings. In 2021, building permits issued for 5+ unit buildings (reliably considered rental due to lack of condo construction) reached a new high of 3,273 total units - an increase over the previous 8-year high of 1,842.

While 2022 saw reduced numbers of permits from the record highs of 2021, the 2,026 permits issued for units in 5+ unit buildings would have been a record production number in any other year. In total, permits issued in 2022 represent 2,350 new units to be added to the City's supply (likely in 2023/24, as most larger-scale developments take at minimum 12 months to complete construction).

The number of single-family homes and permits for smaller multi-unit buildings continues to show decrease year-over-year after peak in 2019. Some of this decrease is likely due to increased cost and supply chain issues, which are more easily absorbed into construction at scale (though many developers work in singular markets, not necessarily in both depending upon their expertise).

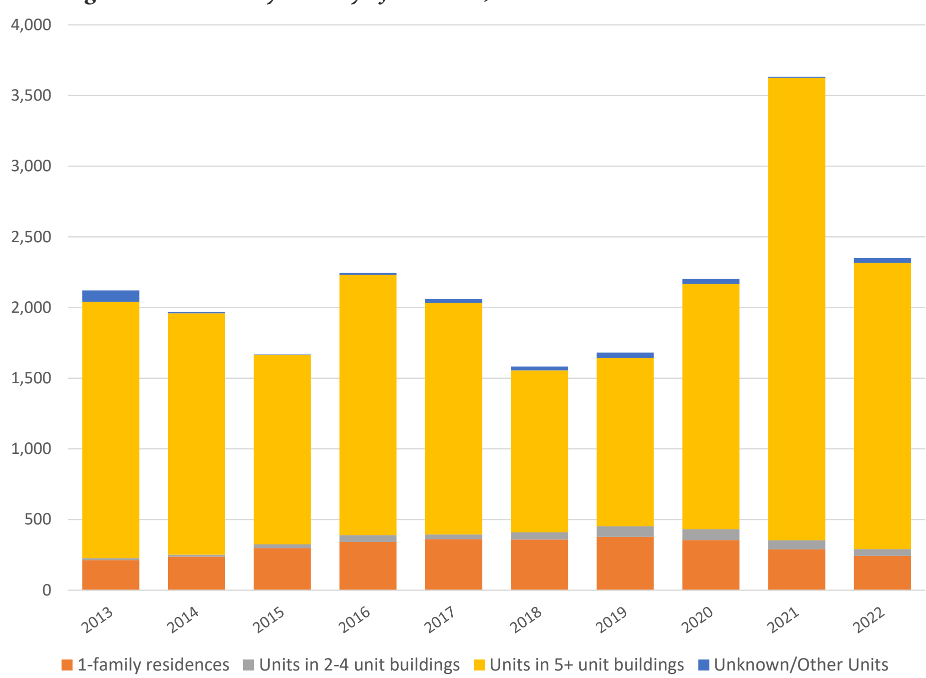
New single-family permits issued in 2022 were the lowest number since 2014, when production was still rising out of recession-level lows. Had single-family construction kept the same production rate as in 2019 (378 units), there would be 247 additional single-family homes produced over the past three years.

As the City largely prioritizes infill development under the guidance of the Comprehensive Plan, most development activity may continue to be at scale, as construction of 2-4 unit buildings has also continued to decrease (high of 76 units permitted in 2020, decreasing to 48 units permitted in 2022).

Accessory Dwelling Units (ADUs), though not explicitly broken out in the chart below, continue to increase in number though are a substantially small portion of the construction market as a whole. The number of ADUs recently permitted include three in 2022, two in 2021, and one each in 2019 and 2018. ADUs were made a permitted use in all residential districts across the City in 2021, so it remains possible that numbers will increase.

Taken in whole, the 2,350 units in buildings issued permits in 2022 is higher than the average of the past decade and still show robust construction activity, even if it represents a significant decrease over prior year.

Building Permits Issued by the City of Madison, 2013-2022



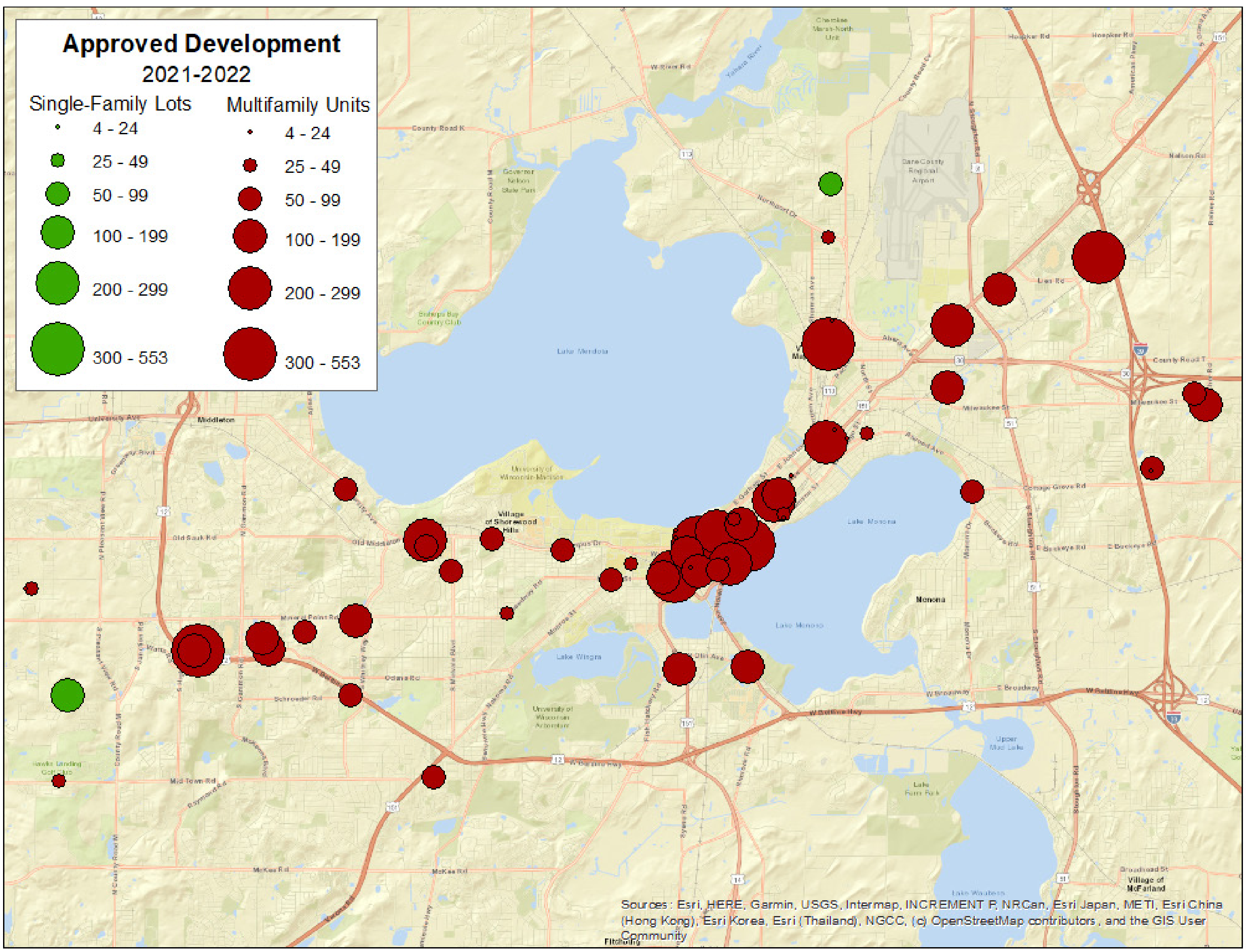
Methodology: Information reported from Building Inspection Division's "New Construction Permits" report. "Unknown/Other Units" include all new dwellings not contained in the other three categories.

Dispersion of New Housing Approvals

As the City has focused on infill growth under the guidance of the Comprehensive Plan, Madison has seen exactly that - strong multifamily growth on well-sited redevelopment parcels, particularly centrally downtown (both student-focused and general residential) and on the isthmus through both the Wilson Street and East Washington corridors.

Though these areas saw the largest share of approved developments in 2022, there are several other large, key redevelopments directly in or adjacent to recent adopted City plans - namely the Oscar Mayer Special Area Plan, Odana Area Plan, and the East Towne Area Plan. Much of the other multifamily development in the City continues to occur on major transportation corridors, especially those exceptionally well-served by transit.

Developing peripheral areas have seen approvals for both multi-family development and plats of single-family lots, though only two areas of the City saw new single-family lot approvals in 2022, as peripheral areas are largely the only areas with large enough tracts of land for significant subdivision.

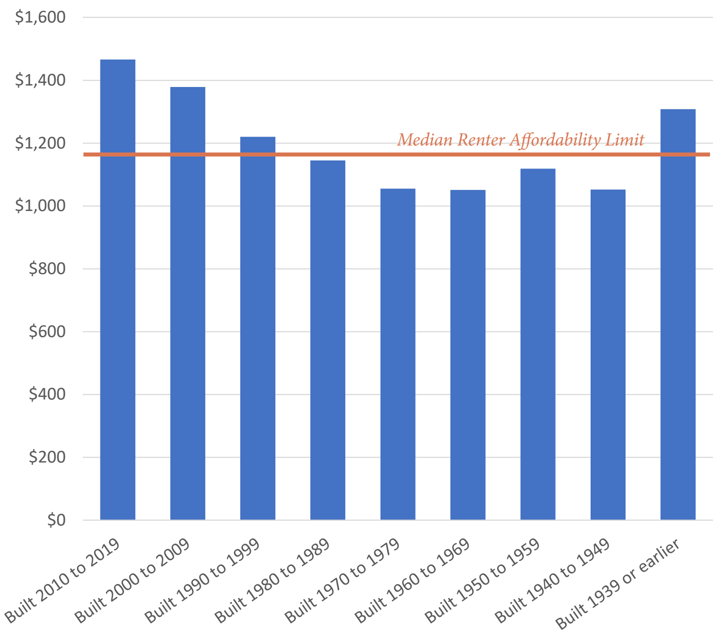


Methodology: Information derived from Planning Division's spatial database, which tracks land use applications reviewed by Plan Commission. As such, all plats and most multifamily buildings are captured as of 2022, though changes to ordinances may affect what is tracked. Most new permitted single-family residences are not captured in this data, but new single-family lots are.

Gross Rent and Housing Age

The median renter household in the City of Madison, with an income of $46,151, can "afford" (spending 30% of their income) an all-inclusive rental cost of $1,171 per month before becoming cost-burdened.

Median Affordability by Age of Rental Housing, 2021



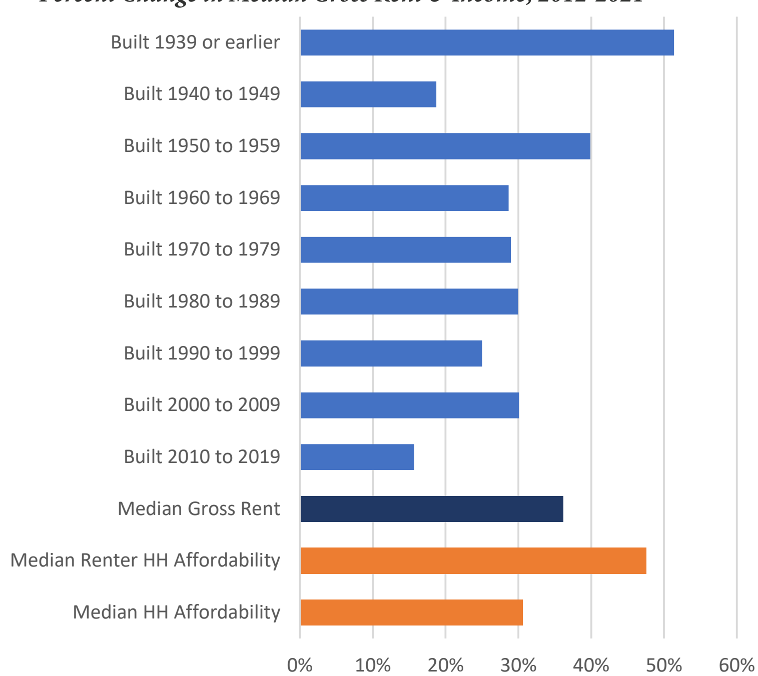
In practice this means that the median, or typical, renter household can't afford to live in the typical new-construction developments that are coming online. However, as buildings continue to age, the *relative* rents that they're capable of capturing in the market decrease compared to continued new construction - which in effect creates increased opportunities for rents cheaper than "market" in the future by building in the present.

In Madison, buildings *generally* begin to reach typical renter affordability (30% of median renter income or less) once they reach the point of being 30 years post-construction. This doesn't carry true with Madison's oldest buildings, which hold special exception to these generally decreased rental rates. Buildings built earlier than 1939 represent some of Madison's most historic residences - while others, though not historic, still command relatively higher rents due to central location and access to amenities.

The median rent for units built 2010 or later is about $1,466 per the American Community Survey, while the median for units built from 2000 to 2009 is about $1,379 - both out of reach for the typical renter household. Renter households generally find the greatest value and affordability levels in the City when renting units that were built between 1940 and 1989.

Appreciation of rental costs by age of housing over the past decade has shown generally increasing levels of relative affordability for the typical renter in the market (household income appreciation of 47% for the typical renter household, compared to a 36% increase in rental costs for the typical unit). However, the growth of higher-income renter households in the City is not limited to wage-growth for households already living in Madison, but also represents significant in-migration.

Percent Change in Median Gross Rent & Income, 2012-2021

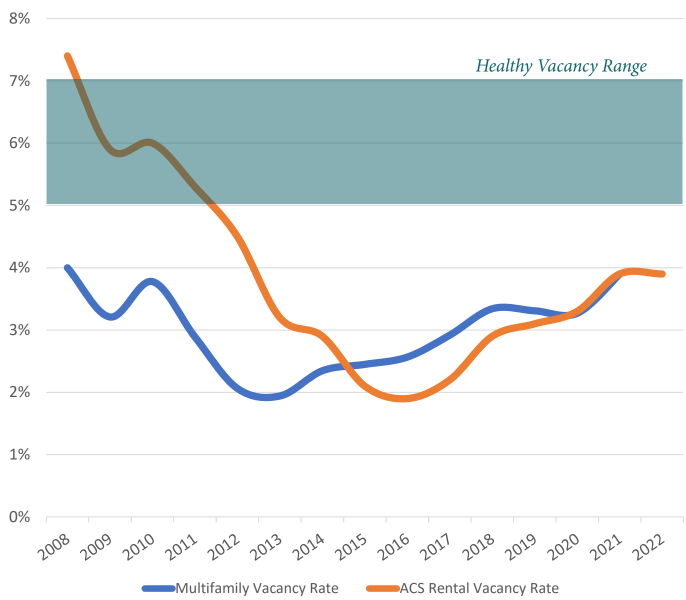


Methodology: This information was summarized using data from the American Community Survey tables B25111 and B25119, which report median gross rent by year structure built and median household income by tenure, respectively. Figures shown represent 2021 and 2012 ACS 5-Year data.

Rental Vacancy Rates

There has been a substantial undersupply of rental units in the City's housing market since the Great Recession, and until very recently the development and construction of new rental units has generally not kept pace to meet the existing (and continuously growing) demand.

Rental Vacancy Rate - ACS and MGE



Progress towards increasing the vacancy rate in a City experiencing rapid growth relies on creating more new housing in the City than there are households being created (either through in-migration or creation of new households from existing households). Although progress *has* been made in raising the vacancy rate since 2016, that rate is still approximately 1.1% below the low end of a healthy vacancy range, which is generally considered to be between 5% and 7%.

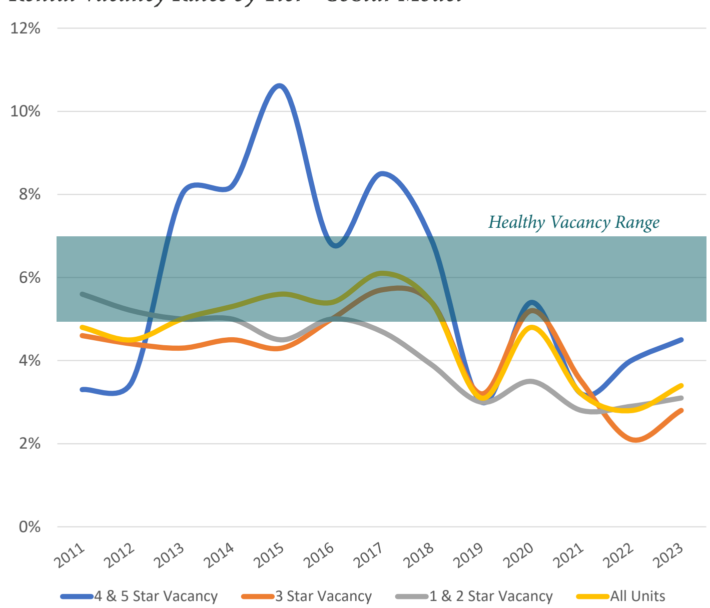
Even while rental vacancy is increasing, median gross rent is increasing with it. Though more apartments are "available", it is not substantial enough to decrease cost barriers to entry, as building more housing alone typically does not lower general cost appreciation in the market or make housing more affordable.

While the American Community Survey estimates vacancy rates for the market as a whole, there is significant lag between when survey estimates are taken and when they're made available (~2 years). Because of this, the City supplements vacancy rate data by utilizing CoStar, which tracks vacancy for professionally managed properties through marketing and back-end property management software.

Although CoStar data is largely limited to professionally-managed rental properties (excluding some "mom and pop" landlords), their estimates offer a substantial benefit in that vacancy can be tracked by "tiers" of the housing market. While CoStar trends show that vacancy for all classes of rental properties are below the healthy range of 5%-7%, they are substantially lower for low- and mid-cost 1 star, 2 star, and 3 star properties - indicating tighter competition for units at the lower-cost ends of the rental market, even though renter incomes have shown significant increase.

This increased competition in the lower portion of the market has the potential to disproportionately impact lower-income households as they compete with higher-income households for the same units of housing.

Rental Vacancy Rates by Tier - CoStar Model



Methodology: These figures are based on data provided by the ACS 5-Year Estimates and MGE multifamily vacancy rate data, which was published each quarter until the 3rd Quarter of 2021. The total rental vacancy rate was retrieved from table DP04. Total rental vacancy includes all rental properties, including single-family homes. For the MG&E vacancy rate, the rates were published by zip code and a weighted average was taken based on the rental population by zip code. CoStar data is sourced directly from CoStar, which tracks "professionally managed" properties, utilizing raw rental data from corporately-affiliated sites such as Apartments.com. CoStar tiers are delineated by specifications of the dwelling unit and amenities.

Rental Cost Increases and Affordability

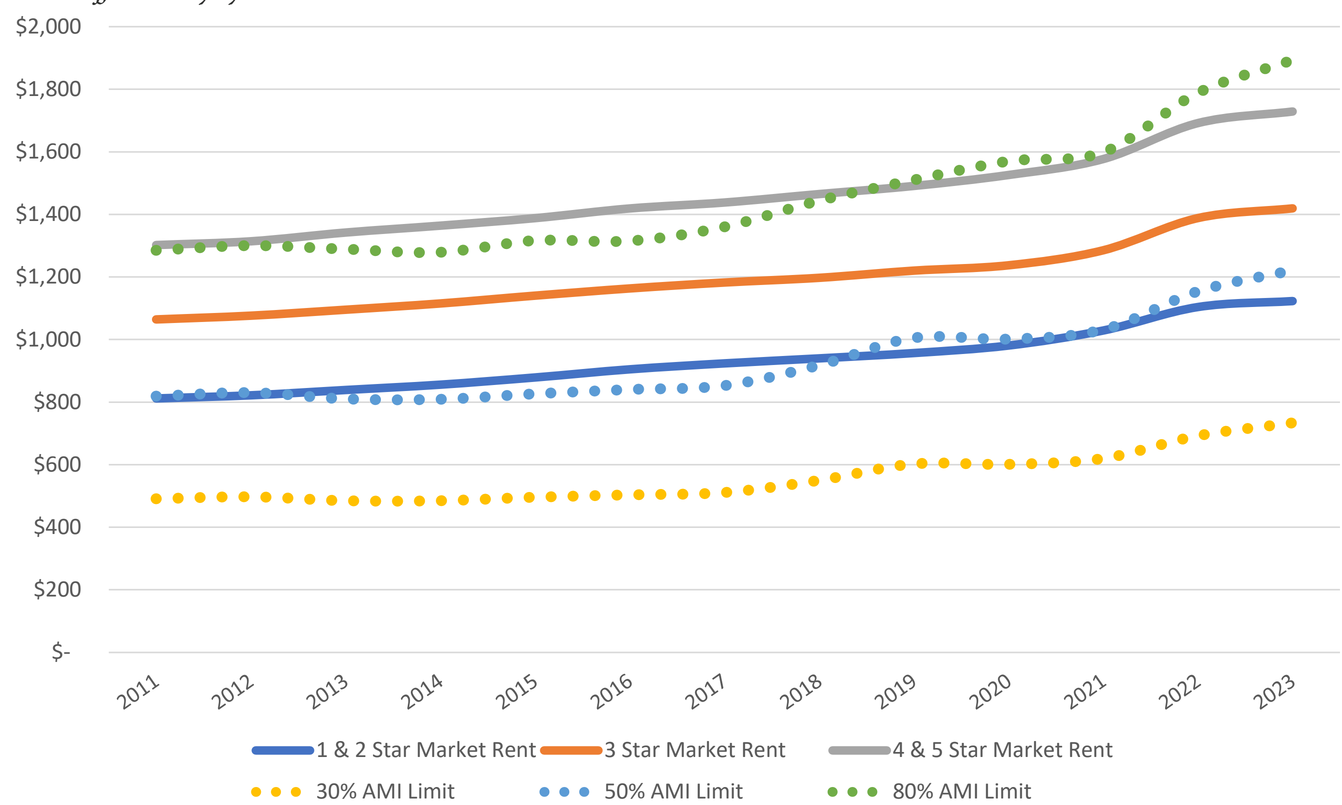
Within many City of Madison programs, household eligibility is determined by level of Area Median Income (AMI). Any households with incomes at or below 80% AMI are by definition considered to be “low-income”, while the lowest income households in the community are those with incomes at or below 30% AMI (extremely low-income). Because AMI adjusts for household size, a household at 80% AMI with 4 members has a higher income threshold than one with 3 members, as the household of 4 needs to spend more for the same level of resources.

Since the latter half of the 2010s, the median household income has consistently increased in the City, and has consistently increased at a rate above those of rental costs.

When taking household incomes for a household of 2 at each AMI band and calculating 30% of their incomes to determine an “affordability limit” (average renter households size = 2.02), households with the most acute levels of inaccessibility and unaffordability are the lowest income households in the community - those with incomes 30% AMI and lower, who are unable to afford the market rent for even 1 and 2 star properties in the City. The financial gap for a 2-person renter household with an income of exactly 30% AMI represents an additional $300 that would need to be spent monthly to afford market rent on a 1 or 2 star property.

It’s only recently that incomes have risen enough that a household of 2 at 80% AMI could afford a 4 or 5 star market rent at 30% of income or less, though many of these households may choose to “rent down” to a lower-cost unit within the market, opting to spend less of their income on housing than would otherwise be affordable to them (but increasing competition at more affordable ends of the market should they choose to do so). Though these prices display the median by tier, new construction generally has a 20% premium above median 4 & 5 star market cost.

Rental Affordability by Area Median Income

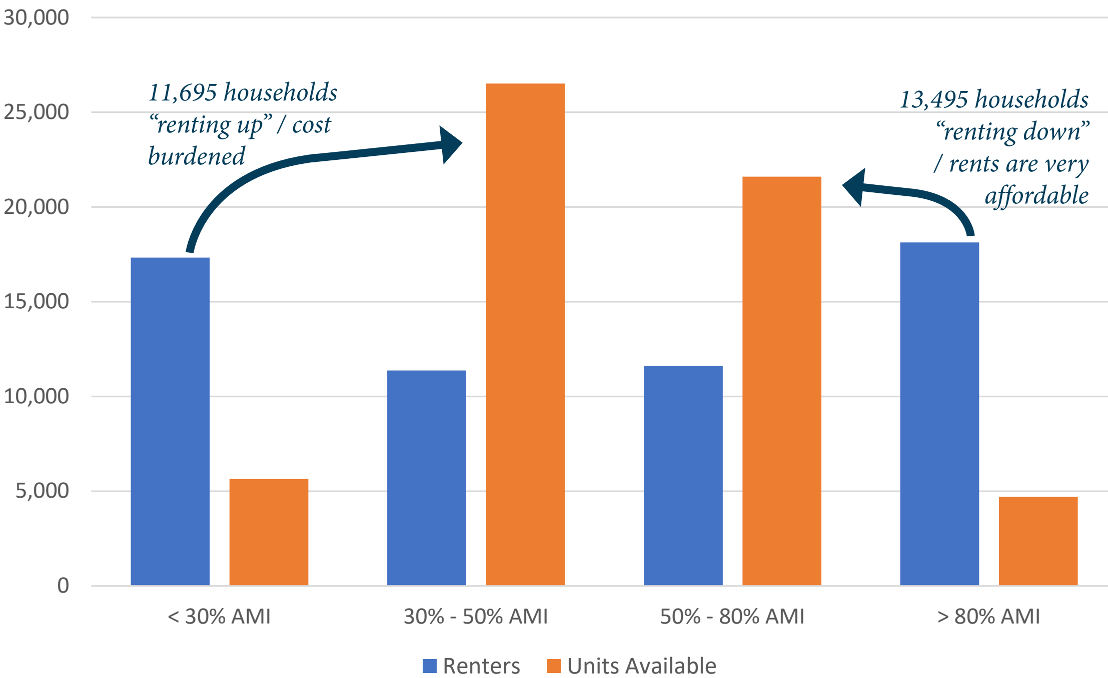


Methodology: Data on Market Rent by class of Building taken from CoStar Market data. AMI Affordability Limits for households by AMI level are calculated by current year (2023) HUD FY Income limits for a family of 2 so that rental costs represent no more than 30% of total household income.

Rental Housing Supply/Demand Mismatch

There is a significant shortage of rental units that are within the upper affordability limits for both the lowest- and highest-income renter households in the City. At the lowest income band (<30% AMI), this gap is 11,695 rental units, meaning that there are 11,695 renter households at the lowest income level who need to be cost burdened by necessity to find a place to live in the City (because units don't exist that would have a rent affordable to them).

Rental Market Supply and Demand by Income/Rental Cost



The need at this income level grew by 395 units from 2018 to 2019, meaning that more renters became classified as low-income than the number of units that were created at that price point (or "dropped" in price relative to incomes). About 5,000 of these 30% AMI renter households are student households, which leaves a gap for about 6,700 extremely low-income non-student households in the City.

Notably, there is also a gap at the top end of the rental market. There is a feasible limit to rent that can be charged for a given unit, though household income can well exceed that amount. These households "underconsume" (rent down) within the housing market, which means units they rent are incredibly affordable to them, at the same time occupying units that are more appropriately affordable for lower-income cohorts. This creates a market where for the highest-income households rent is generally affordable, while being drastically unaffordable for the lowest-income households at the same time.

From 2010 to 2019, the rental gap between units available and households (*increase in need*) has grown for 30% units (additional 1,150 unit gap), 50%-80% units (additional 2,505 unit gap), and >80% AMI units (additional 3,725 unit gap). Variations in this data year to year indicate that there are thousands of rental units priced approximately at the 50% AMI rent limits, which represents a 2023 household affordability limit of $1,225 for a two-person household.

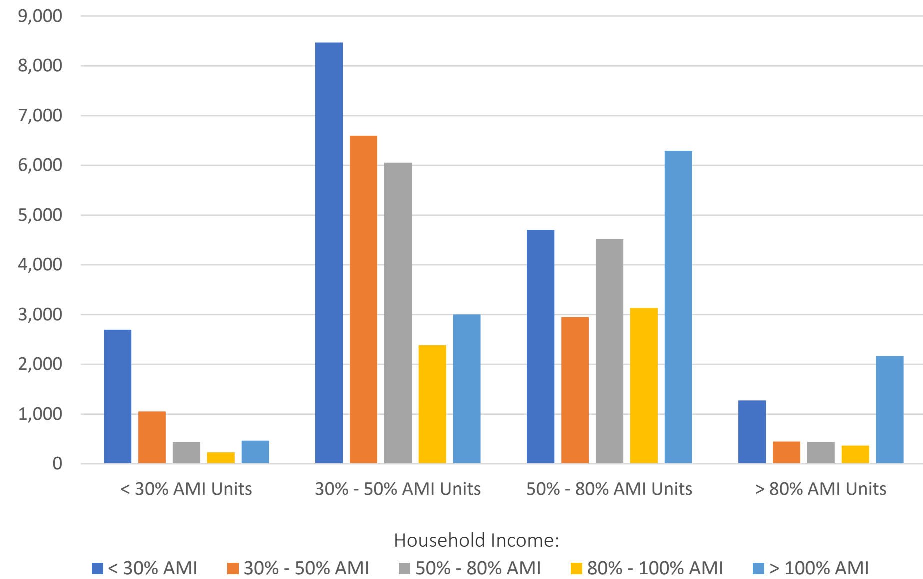
Creation of income- and rent-restricted housing is critical to preserving the access of lower-income households to units affordable to them, as these units are inaccessible to households with drastically higher incomes, and become reserved for households who are within the corresponding income limits. In effect, this removes the competition within the market between lower-income households looking for an affordable home, and higher-income households that are looking for a *drastically* affordable home.

Methodology: This data is a custom HUD re-tabulation of raw 5-Year American Community Survey data, made available as a resource as part of HUD's Comprehensive Housing Affordability Strategy (CHAS) dataset. Renter data is contained in Table 1, while rental unit affordability is contained in Table 15C.

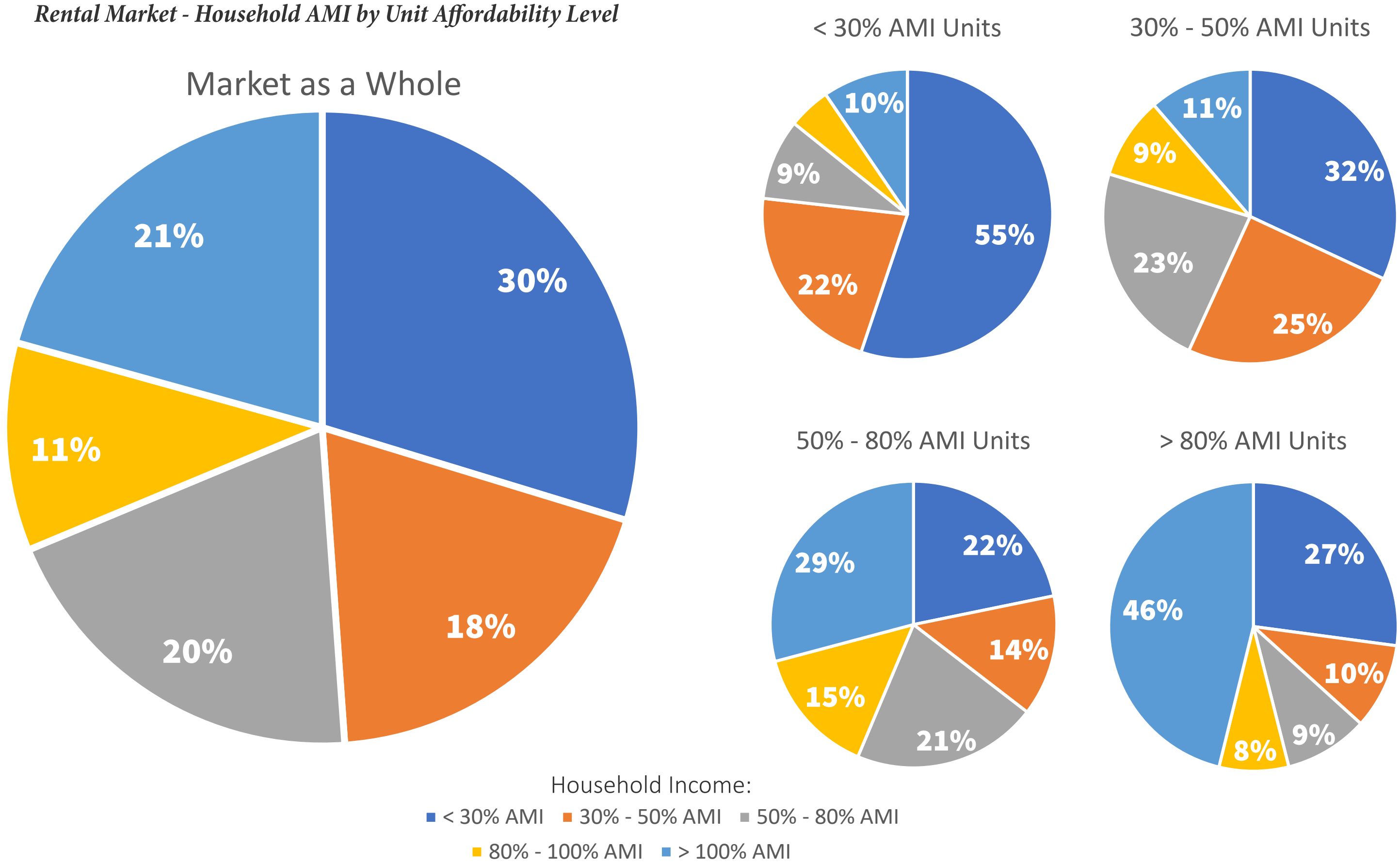
Households at all income levels live in rental housing across all price points, and due to the demand/supply gap, the most common renters in 30%-50% units are households under 30% AMI, while the most common renters in 50%-80% units are households >80% AMI.

Households under 30% AMI are still the 2nd largest consumers of 50%-80% units, as significant numbers of households between 50% and 80% AMI also "rent down" within the market to find housing that is affordable to them, competing with even lower-income households.

Rental Market - Units Rented by Household Income



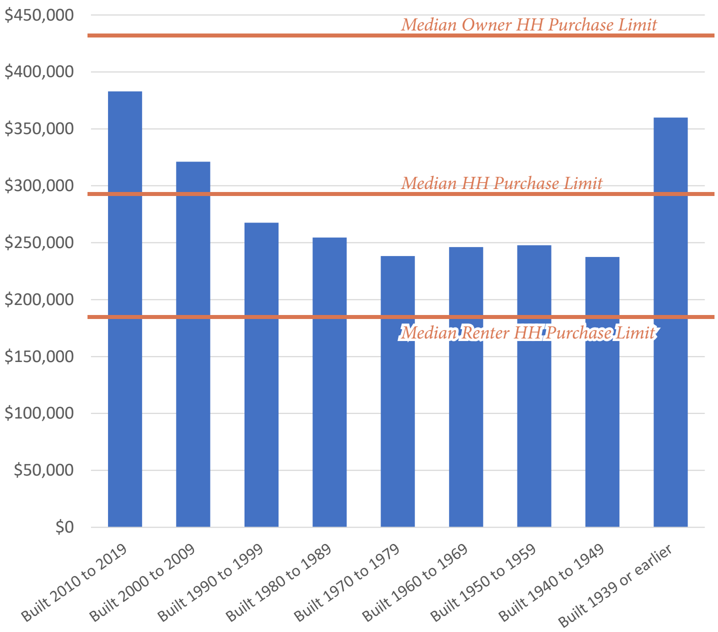
Rental Market - Household AMI by Unit Affordability Level



Owner Affordability and Housing Age

The median Madison household (owners and renters), could afford to purchase a home of up to $297,719 based on the 2021 median household income of $70,466.

Median Affordability by Age of Owner-Occupied Housing



This purchase price, however, can't place the median household into a typical newly-constructed ownership unit in the market without stretching their budget to cost-burden themselves. The median household has the greatest purchase opportunity for homes constructed between 1940 and 1999, in which over 50% of ownership units would be generally affordable to them at less than 30% of their monthly income.

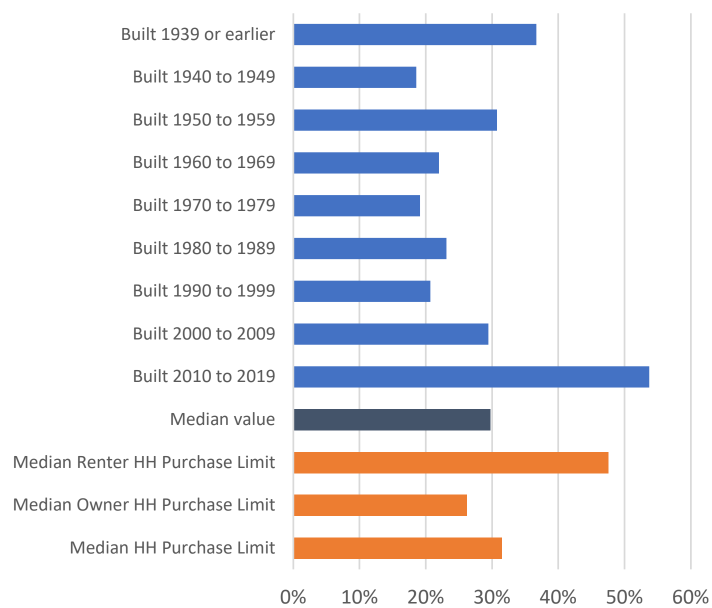
The median renter household (those potentially looking to enter the ownership market for the first time) can generally afford a purchase limit of up to $197,865. This purchasing power would not allow the typical renter access to the typical ownership unit built in any time range – indicating that most households with the opportunity to transition from rental to ownership markets have incomes well above that of the median renter.

Conversely, the median homeowner can afford the median home built during any period in the figure, indicating more choice in type and location of housing based on income alone, even without considering accumulated home equity available to them which extend the range of which homes would be affordable to them in the market.

In general, the highest-income earners in the City are the ones most likely not just to be homeowners, but to find ownership to be affordable. The median home value over the past decade (2012-2021) saw homeowner incomes increase approximately in line with increases in median home value, though the growth of high-income renters in the market has made the market more competitive overall, as new renters and existing homeowners looking to step up are increasingly active in the same market.

The cost of new construction for homeownership has continued to increase drastically, with newer homes in the market appreciating (or listing) at a rate significantly higher than older units.

Percent Change in Ownership Value & Income, 2012-2021



Methodology: These figures are based on data provided by the US Census Bureau through their American Community Survey 5-Year Estimates. This information was summarized using data from the American Community Survey tables B25107 and B25119, which report median home value by year structure built and median household income by tenure, respectively.

Ownership Vacancy and Supply

The homeowner vacancy rate has decreased well below a healthy range since recovery from the Great Recession. Indicating slow "bounce-back" (growth) in owner-occupied production and available inventory, as well as growth of income in the rental market, tight markets artificially increase listing and sales prices.

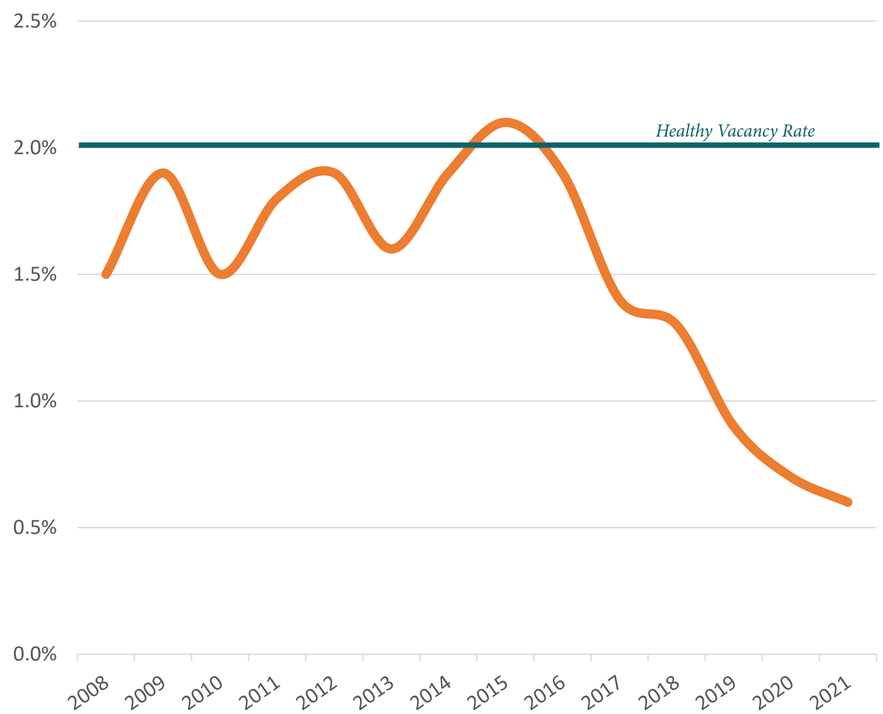
This is exacerbated by Madison's growth in high-income households (increasing competition for a limited number of units) - further excluding many previously market-competitive households from entering the ownership market.

The drastic decline in homeowner vacancy since 2018 partially explains recent gains in the share of Madison households that are homeowners as opposed to renters.

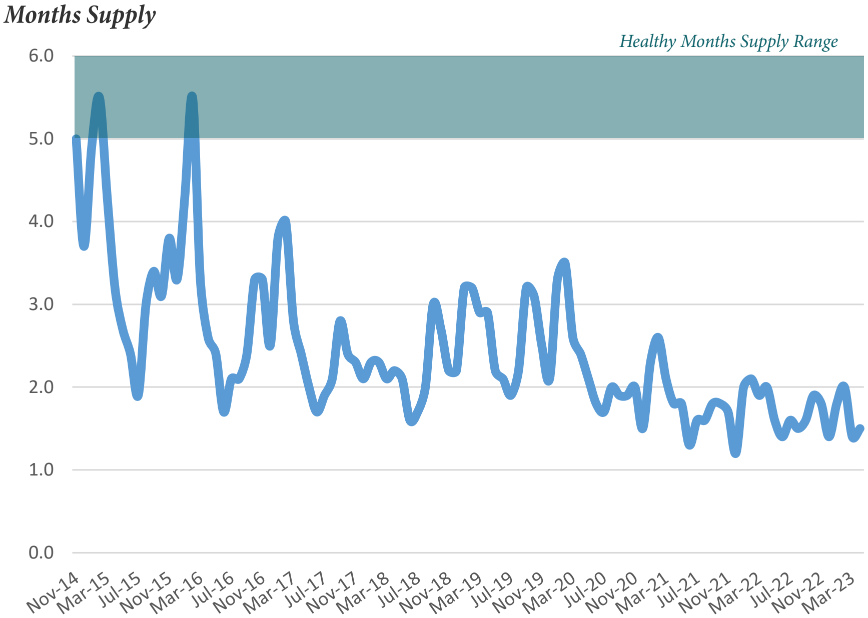
Months supply has also shown consistent decrease within the homeownership market, another indicator that the sales market has become increasingly competitive in the past decade, with the market well below the 5 to 7 month range generally considered to indicate a healthy and buyer-seller balanced market.

Months supply has been more steady since 2021, though is continuing to display a *slight* decrease year-over-year.

Homeowner Vacancy Rate, 2008-2021



Months Supply



Methodology: This figure is based on data provided by the American Community Survey 5-Year Estimates, and is based on the proportion of residential properties that are for sale and vacant. The total homeowner vacancy rate was retrieved from table DP04. The baseline for a "healthy" homeowner vacancy rate is considered to be 2%. Months' Supply is tracked at a City level by Redfin, a Multiple Listing Service aggregator.

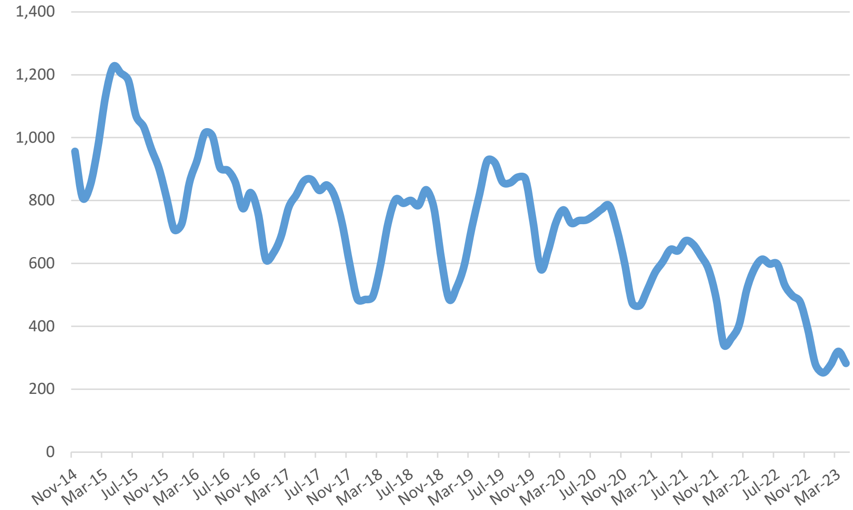
Other Ownership Indicators

Since 2015, the City has seen less ownership inventory (active listings) on the market, and generally decreasing inventory annually. The growth of high-income earners in the City has in tightened the market resulting in quicker sales and lower inventory. This is coupled with fewer new listings generally, especially recent instances of significantly fewer listings during peak season since the onset of the pandemic.

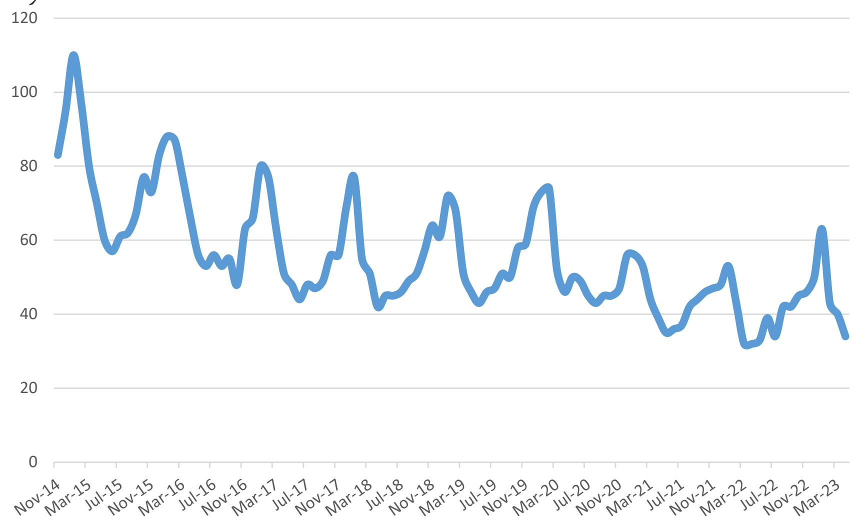
As interest rates have risen recently, more owners are choosing to remain in their homes (with lower, existing, locked rates) rather than move to a different home and pay more interest toward their housing cost in a new mortgage, again making the market even tighter.

Even with fewer home listings on the market, there is still strong demand from the buyer-side of the market, which has kept pace and correspondingly reduced the average number of days that homes remain on the market before entering into a contract to purchase. And even while sellers are listing homes at higher prices, buyers are continuing to enter into purchase contracts above asking. While the low interest-rate environment at the beginning of the pandemic enabled offers well above asking, recent rate stabilization (even after significant increases) paired with continued demand has seen Sales:List ratios rebound significantly.

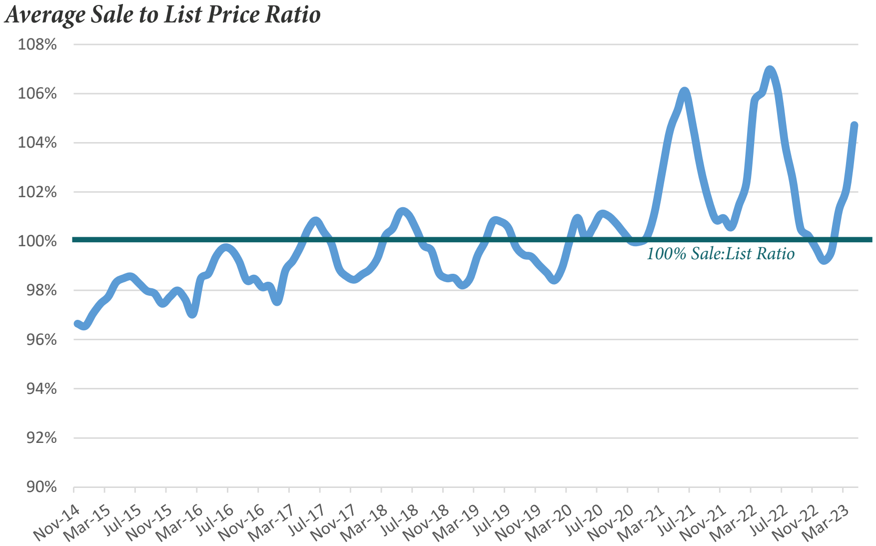
Inventory



Days on Market



Average Sale to List Price Ratio



Methodology: Monthly Inventory, Days on Market, and Sale:List Ratio are tracked at a City level by Redfin, a Multiple Listing Service aggregator.

Owner Cost Increases and Affordability

Within many City of Madison programs, eligibility is determined by level of Area Median Income (AMI). Any households with incomes at or below 80% AMI are by definition considered to be "low-income", while the lowest income households in the community are those with incomes at or below 30% AMI (extremely low-income).

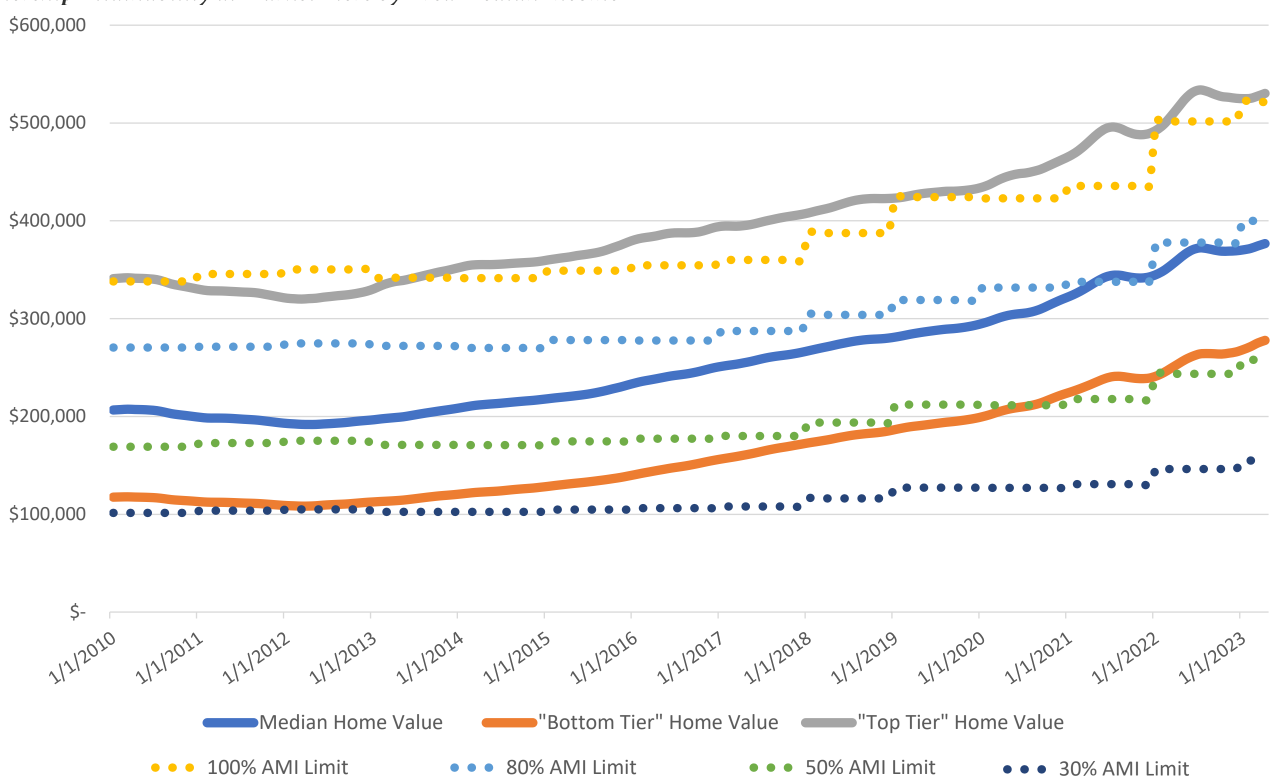
Coming out of the Great Recession, the median income held relatively steady - beginning to increase consistently in 2015, with larger increases beginning in 2017 and carrying through present. While median income increases began more slowly, and were somewhat delayed, the cost of ownership (by appreciation of home values) began increasing at a consistent rate in 2013 at a rate above wages.

When taking household incomes for a household of 4 at each AMI band and calculating a corresponding purchase price limit, there were periods coming out of the recession where ownership was *relatively* more affordable for lower-income households, especially those between 50% and 80% AMI.

The cumulative effect over time, however, has been that owner costs has increased almost one full tier of an AMI band, such that a 50% AMI household that could have almost afforded the median home in 2012 can now almost afford only the median "bottom tier" home, while a 80% household that could have easily afforded the median home in 2012 now see the costs of entry to the median home requiring a full 30% of their income, with the "top tier" well beyond their affordability level.

Even though many homes on the market are affordable to 50% and 80% AMI households by definition, competition within the market does disproportionately impact lower-income buyers and may present additional barriers through offers that are less desirable to sellers compared to other, higher-income buyers in the market.

Ownership Attainability at Market Tiers by Area Median Income

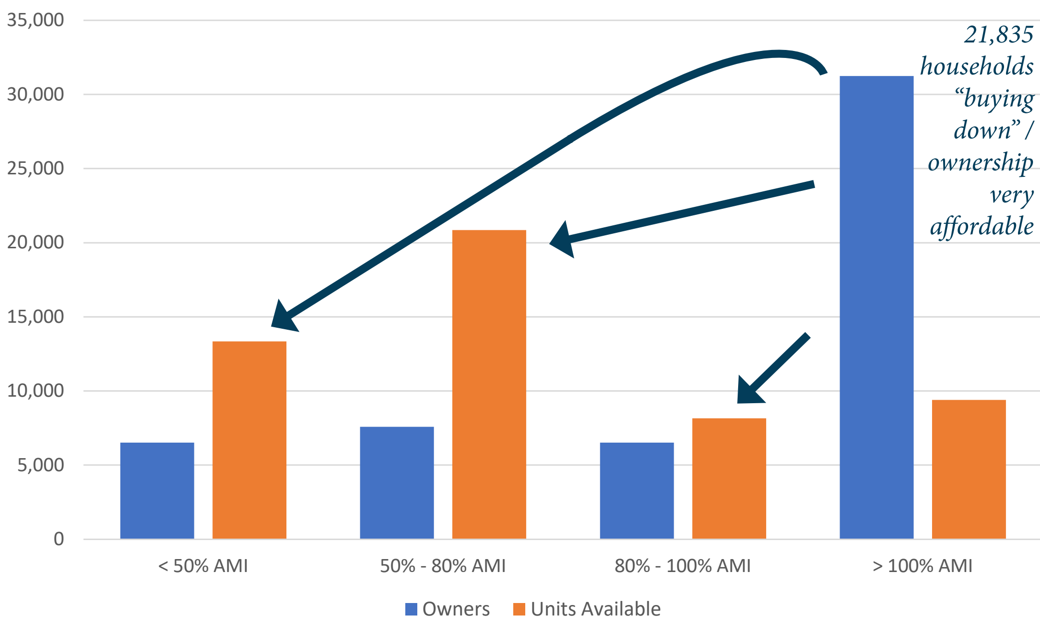


Methodology: Data on Home Value Tiers taken from the Zillow Home Value Index (ZHVI) for the City of Madison. "Bottom Tier" is defined as the median of the 5th to 35th percentile of home vales, 'Top Tier" the median of the 65th to 95th percentile, and median for the market as a whole. AMI Affordability Limits for households by AMI level are calculated by current year (2023) HUD FY Income limits for a family of 4 so that owner costs represent no more than 30% of total household income.

Ownership Housing Supply/Demand Mismatch

The ownership market in the City of Madison is largely driven by the highest income earners in the City - 60% of all owners are households with incomes more than 100% Area Median Income. HUD calculates the owners in this 2019 dataset as being able to purchase a home of about $310,000 without being cost burdened, though by the same methodology this has grown to a home-purchase threshold of about $415,000 at 2023 Income Limits, or about $520,000 with a 20% downpayment.

Ownership Market Supply and Demand by Income/Purchase Cost



Because homeownership is different than the rental market in that it requires household finances to be underwritten in order to qualify for a mortgage, there are few homeowners in the lowest income brackets (about 2,700 households at or under 30% AMI, and about 3,750 households between 30% and 50% AMI).

But as with the rental market, due to a large amount of owners in the highest income brackets choosing to want to own, as well as find housing affordable to them, there are households that "underconsume" or "buy down" within the market - choosing to purchase homes that are incredibly affordable to them (as a percentage of income), or at the very least well under their affordability limit of 30% of their monthly income toward housing cost.

Though these housing opportunities are affordable to households at or above 100% AMI, choosing or needing to underconsume within the market places them in direct competition with lower-income potential buyers who may also be looking to enter the ownership market and are looking at the same units of housing, even if the lower-income potential buyers may also find that same home affordable.

About 66% of homes that are owner-occupied in the City fall into a range where HUD would consider them to be *theoretically* affordable to households under 80% AMI (meaning a mortgage, taxes, and insurance would be at or under 30% monthly income for a households at 80% AMI), but households under 80% AMI only make up 27% of the entirety of the ownership market.

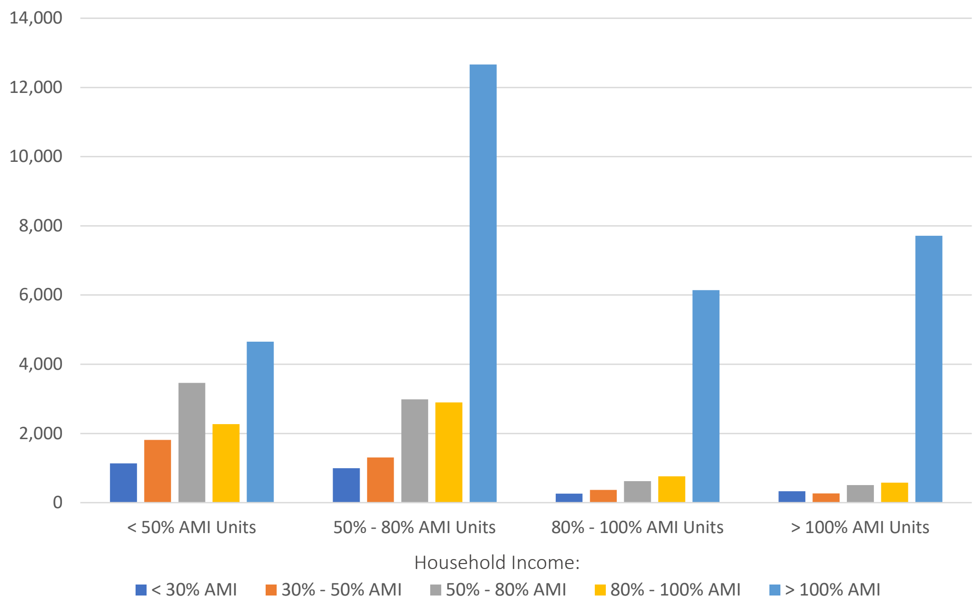
Lower-income buyers are generally at a disadvantage when competing with high-income buyers in the market. Higher-income buyers often are preferenced by sellers because they provide "safer" offers for purchase - having more favorable financing, larger downpayments, significant earnest money deposits, or fewer contingencies (depending on the type of financing many lower-income or subsidized mortgage programs have additional or more strict inspection requirements than conventional financing).

Methodology: This data is a custom HUD re-tabulation of raw 5-Year American Community Survey data, made available as a resource as part of HUD's Comprehensive Housing Affordability Strategy (CHAS) dataset. Owner data is contained in Table 1, while ownership unit affordability is contained in Tables 15A and 15B.

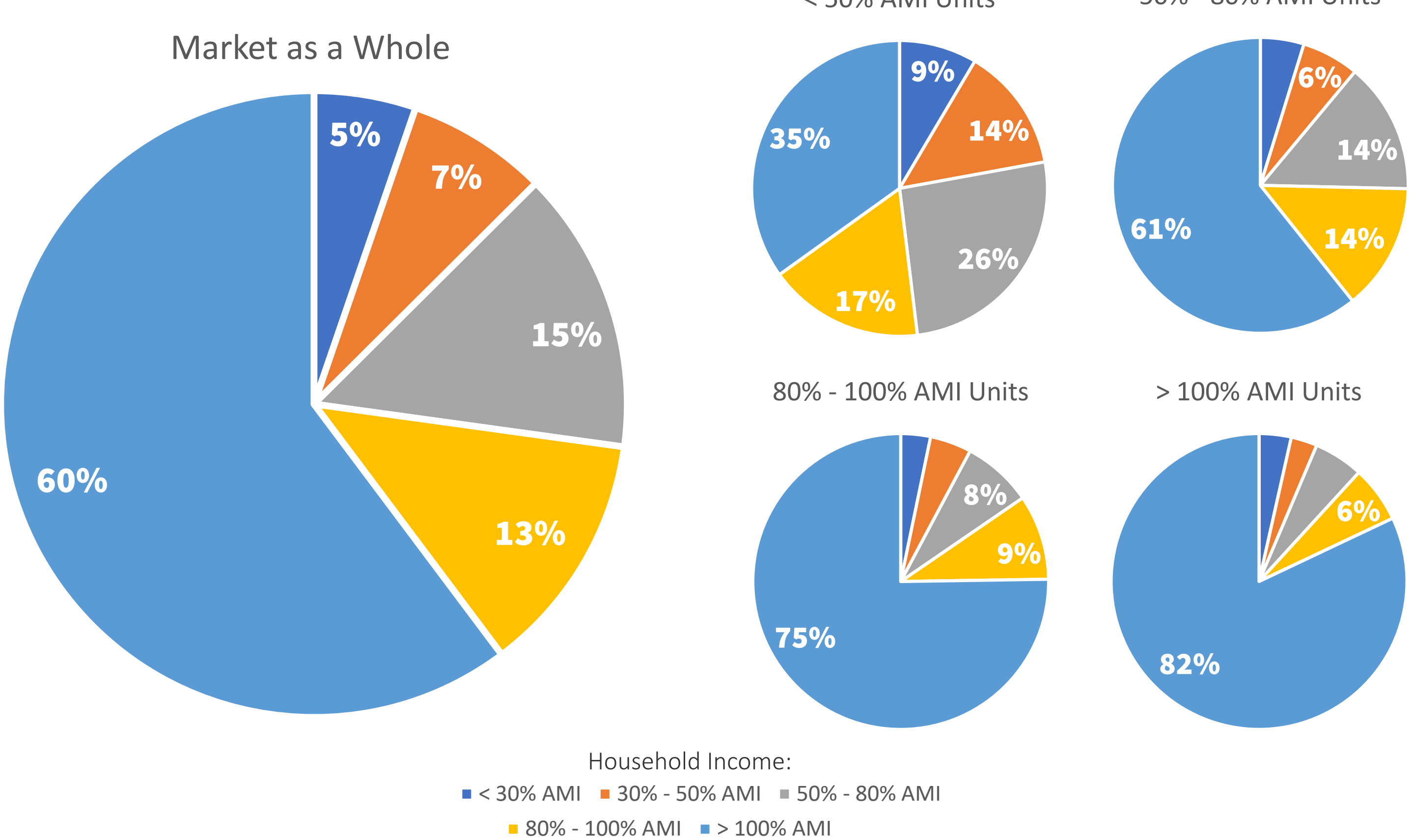
Households at all income levels do own homes at all price points (many lower-income, high-property value owners may be retirees whose income is not fully captured in the American Community Survey), though households with incomes greater than 100% AMI do own the plurality of homes across each tier of the ownership market.

Still, the vast majority (73%) of all homeowners are above 80% AMI, and the majority of homes "affordable" in every value tier are owned by households "underconsuming" in the market.

Owner Market - Unit Value bv Household Income



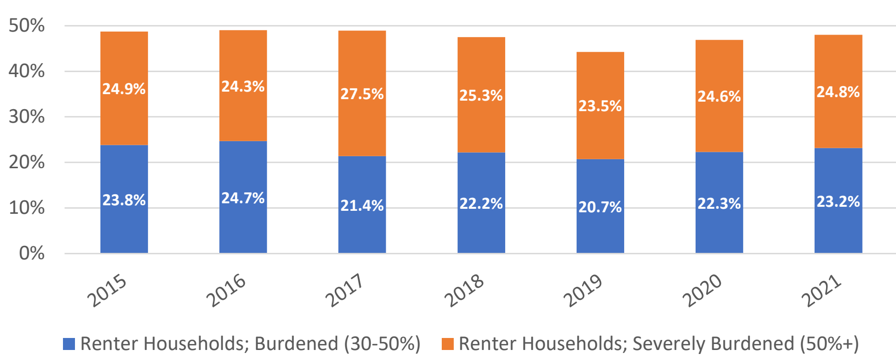
Owner Market - Household AMI by Unit Value



Cost Burden by Tenure

Housing costs are generally considered “affordable” if the gross cost is 30% or less of household’s net income. When households need (or sometimes choose) to pay more than 30% of their income toward their total housing cost, they are considered housing cost burdened. When paying more than 50% of their income toward housing they are considered severely housing cost burdened.

Renter Household Cost Burden



Cost burden of all levels significantly impacts the ability of households to afford other necessary expenses such as healthcare, food, groceries, and childcare.

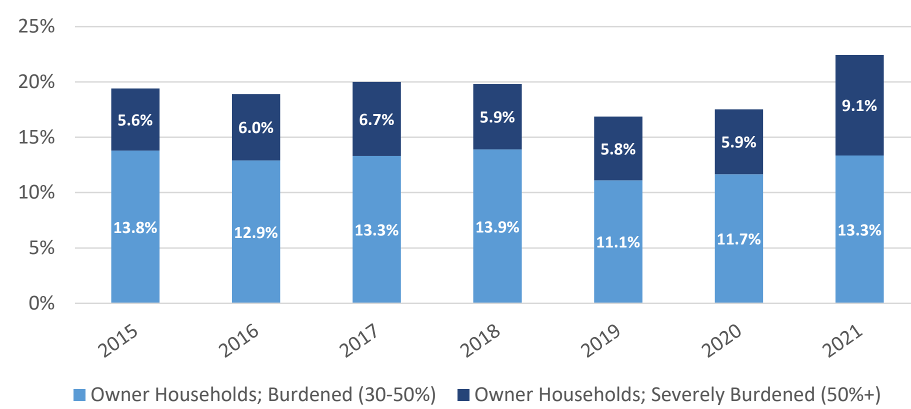
In Madison, nearly half (48%) of renter households and almost one-quarter (22.4%) of owner households are cost burdened to some degree, with nearly a quarter of renters spending more than half of their income on rental costs every month.

For renter households, rates of cost burden had been slowly, but consistently declining from 2016 to 2019, though rates increased coinciding with the onset of the pandemic - indicative of both income shocks to renters at various times (layoffs, less hours, etc.) as well as general rent increases that the City has seen in recent years.

Cost burden historically displays at lower rates for owner households than for renters. Generally this is due to both fixed-rate (permanently) and adjustable-rate mortgages (temporarily) locking most housing costs for a set period of time while incomes generally increase year-to-year, as well as the sheer volume of high-income earners who make up the majority of the homeownership market in the City.

However, after decreasing rates of homeowner cost burden in 2019 and 2020 (the beginning of decreasing interest rates and many borrowers refinancing), rates of cost burden climbed fairly significantly in 2021. While interest rates were still low in 2021, Sale to List ratios in Madison show that homes began selling for significantly above asking, while there was concurrent conversation about potential interest-rate increases to address inflationary pressures. It’s possible that some of the increase in owner cost burden during 2021 was due to increasing costs with decreasing inventory (potential buyers spending closer to their highest approval values), though other factors such as wage uncertainty or utility/other housing cost increases may have also impacted rates of burden.

Owner Household Cost Burden



Methodology: This data is provided by the American Community Survey 5-Year Estimates tables B25074 and B25095 reporting gross rent and selected homeowner costs as a percentage of household income, respectively. Figures are reported in numerous income brackets and cost burden ranges, which are combined to provide the reported total numbers.

Housing, Construction, and Inflation Cost Growth

Housing cost is dependent on a number of factors, two of which are inflation (as a partial contributer to/reflection of shelter cost measured by the Consumer Price Index) and construction cost (increased construction cost leading to increased rental costs in new market units).

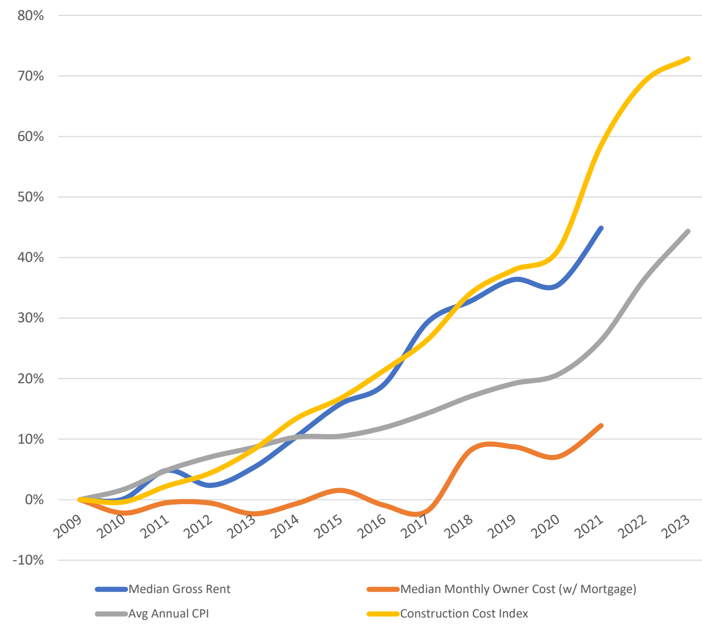
Over the 2010s, inflation averaged slightly more than 1% per year before increasing to an approximate average of 2% in 2018 through 2020. More recently 2021 saw a 4.7% rate of inflation, 2022 8.0%, and 2023 measuring 5.8% from the first quarter of 2022 to the first quarter of 2023.

Meanwhile in 2021, some construction cost indices displayed cost increases of more than 22% from 2020 levels. In total, the combined construction cost indices tracked by the City showed a 28 percentage point increase from 2020 to 2022, though slightly stabilizing in very early 2023 numbers, or at the very least not increasing as drastically as in prior years (~6% percentage point increase year-to-date).

Tracking the cumulative year-to-year percentage increase in costs for these figures (with a 2009 baseline) through 2021 (the most recent year for which *all* data is available) shows a 45% increase in median rent, a 12% increase in monthly owner cost, a 26% increase in inflation, and a 59% increase in construction cost indices. Though shelter cost (rent) is one of the drivers of change in inflation values, the City has seen rent growth that vastly exceeds increases in inflation over the same timeframe, more closely tracking increases in construction cost as a potential indicator.

Though American Community Survey median rent and monthly owner cost data isn't yet available for years 2022 and 2023, it is likely that updated ACS estimates for median rent may show increases that continue to fall between construction cost indices and inflation indices for 2022 and 2023, especially as other factors contributing to rental cost such as rental vacancy rate continue to stay below healthy levels and the City continues to experience growth in the rental housing market, largely from high-income earners.

Housing and Cost Index Growth, 2009-2021/3*



Monthly owner costs may continue to show increase over the coming years as well, as in general inventory remains low, competition remains high, and interest rates remain elevated from the market rates that were common through the pandemic. Though many households are remaining in their homes, the cost of entry (both in contract/acquisition cost and interest payment cost) have increased and remain high.

Methodology: Renter and homeowner housing cost rates of change are year-over-year increases derived from American Community Survey tables B25111 and B25119. Construction Costs index is a weighted average of the year-over-year change of the Turner Building Cost Index (50%) and the Mortenson Construction Cost Indices for Milwaukee (25%) and Minneapolis (25%). Inflation rate is the year-over-year change in the Consumer Price Index as reported by the Minneapolis Federal Bank.

Impact of City Funding on Rental Supply

Since the introduction of the City's Affordable Housing Initiative in 2014, City funding sources such as Affordable Housing Funds and Tax Increment Financing (TIF) have had a tremendous impact on the amount of housing produced in the community.

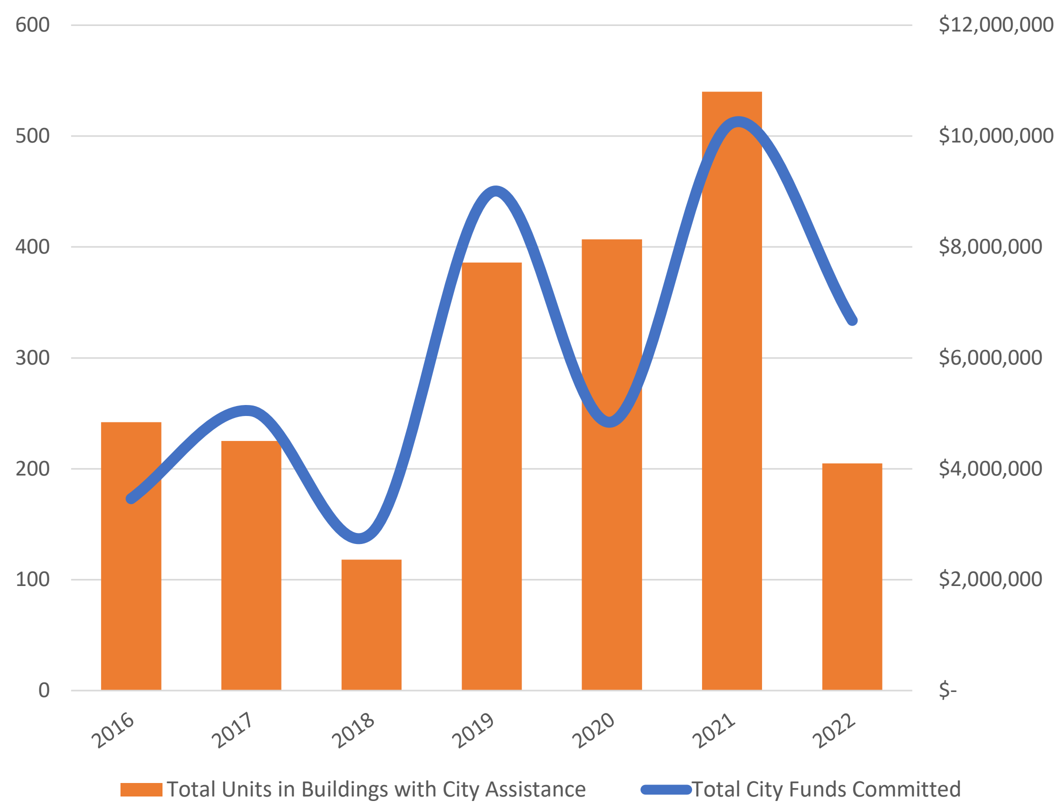
Since 2016, buildings supported by City funds (both CDD and TIF) have added 2,134 units to overall supply in the City. In total, this represents 17% of all new rental development over that timeframe, with the vast majority of City-supported units being income- and rent-restricted affordable housing. For Affordable Housing Fund - Tax Credit developments, which has produced the vast majority of these new units, 78% of all new units created through the life of the Program have been affordable to households with wages at or below 60% of the Area Median Income.

This is partially due to three main impacts - the route through which funding originated, the type of developments supported, and pandemic impacts which have led to increased construction costs as noted earlier. First, 2022 saw the City award funding under the Housing Forward Rental RFP, which runs every two years and supports non-tax credit developments. This RFP generally requires larger levels of City subsidy to ensure affordability due to lack of additional, substantial subsidy through the tax credit program. Additionally, two of the developments that began construction in 2022 were smaller in scale - including one 24-unit development and one 38-unit development with a large childcare facility, as well as one development awarded tax credits slated for a 2022 start which did not begin construction until 2023 due to pandemic delays.

In City-supported housing development, there is some fluctuation in the total amount and timing of City loans originated, including whether City loans are the primary source of subsidy for affordability (Housing Forward), or seek to leverage larger forms of subsidy (Tax Credit).

While 2021 represented a new high in both City funding and subsequent unit construction - with over $10 million in loans closed supporting 540 new units of rental housing, 2022 saw, in general, lower amounts of loans and decreased numbers of units.

City-Supported Rental Development, 2016-2022



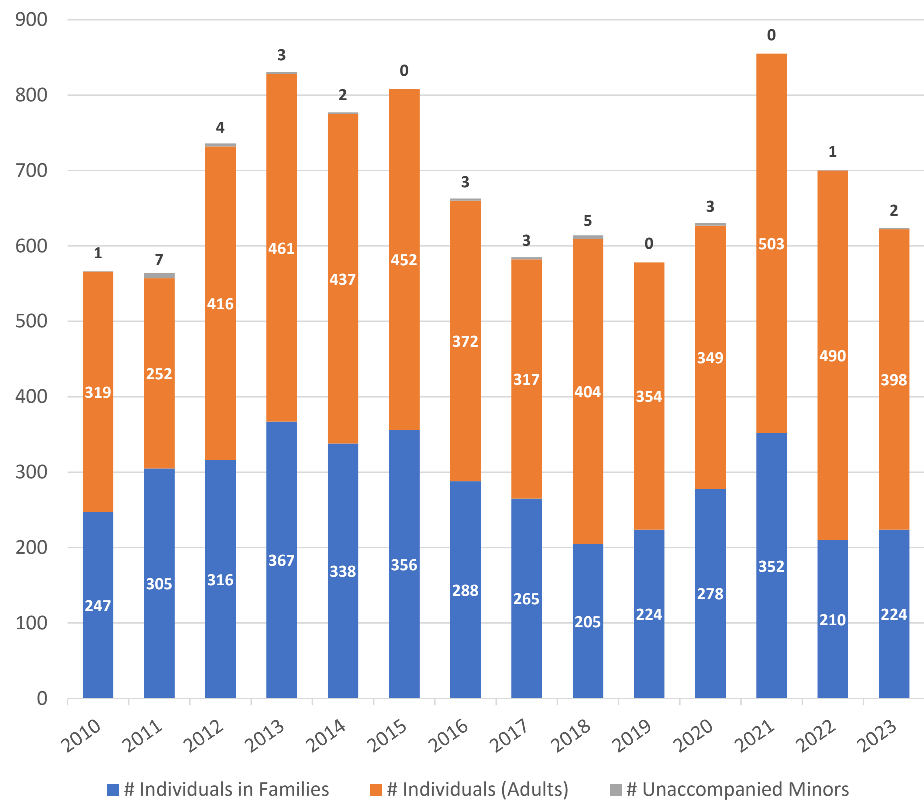
Methodology: City loans originated in a given year are tracked through databases maintained by the City's Economic Development and Community Development Divisions (for TIF and CDD loans, respectively). Total units for each rental housing development are included in the above figures, regardless on income- or rent-restrictions on the units. Construction figures represented are from the time the building is fully permitted and ready to begin construction. Displayed are total unit numbers in buildings with 5+ units, which are reliably considered to be rental units over the timeframe considered.

Individuals Experiencing Homelessness

After consistent decrease in the number of individuals experiencing homelessness since 2013, effects of the pandemic drastically increased the number of persons identified in the 2021 Point in Time count, increasing to the highest number of the decade. This increase in recording persons experiencing homelessness was partly due to additional shelter options and increased street outreach to address housing instability of the pandemic, and included counts from a then new family shelter and Vulnerable Population hotels.

The 2022 and 2023 Point in Time (PIT) count show reductions in persons experiencing homelessness, which partially indicates success in additional homeless funding and programs implemented during the pandemic that were able to assist households experiencing homelessness in securing and remaining in permanent housing options. Other options for continued reduction in the PIT include individuals "doubling up" (temporarily residing with other households), or residing in places where they were not added to the count, though other metrics indicate a potential reduced average length of homelessness which would be indicative of individuals finding support or permanent housing options more quickly (not experiencing homelessness on the night of the count).

Individuals Experiencing Homelessness, January Point-In-Time



Methodology: The Point-in-Time Count (PIT) is an annual count of all homeless individuals in Madison and Dane County that are unsheltered or residing in shelters. The PIT surveys individuals that are encountered and notes certain demographic information. The count is conducted throughout the County where homeless individuals have historically been found to sleep. The count methodology is required by HUD as a condition of the receipt of federal funds.

Homeownership Rates and Race/Ethnicity

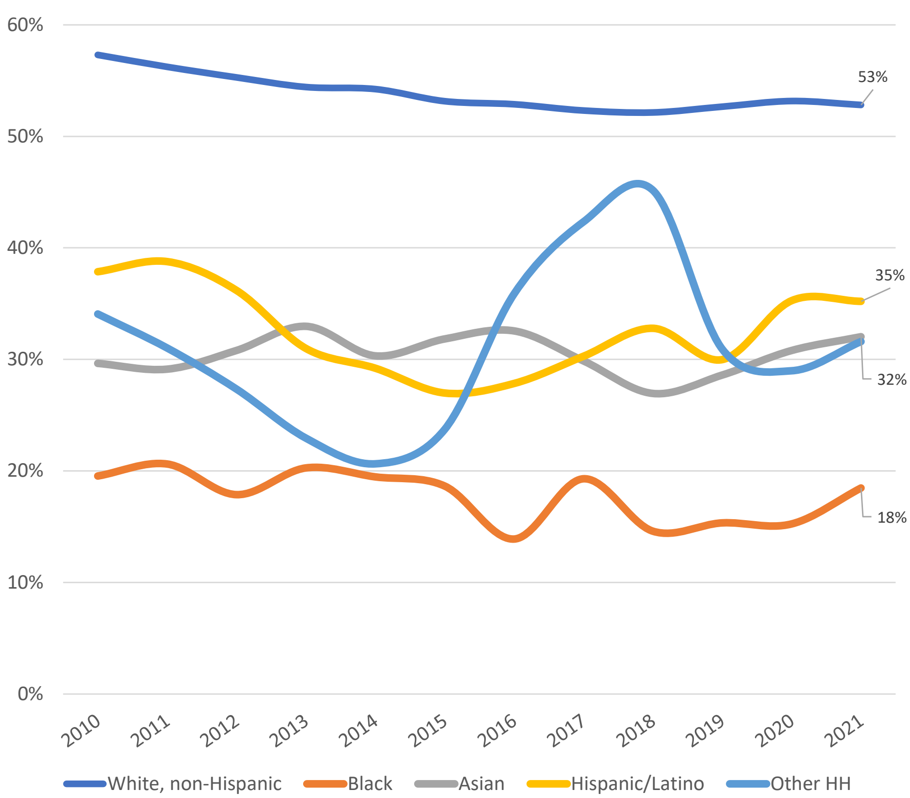
Black households in Madison represent 6.1% of the City's total households, but only 2.3% of all homeowners (specifically *householders*) in Madison identify as Black. This is an increase from 1.9% in 2020 data, and is consistent with the overall increase in Black homeownership even as the number of homeowners rose significantly in the City overall. About 18% of all Black households own their home (up from 15% in 2021) - which although increasing remains lowest figure among the City's largest demographic groups.

In total, 13.3% of all *householders* in Madison identify as BIPOC or/and Hispanic/Latino, an increase of 1.3 percentage points from the prior year's report. White, non-Hispanic households still make up the vast majority of homeowners in the City with a homeownership share of 86.7%, though as noted above is slightly decreasing year-over-year.

Trends for most demographics displayed a slight decrease in homeownership rate since 2010, including White households, though recently (since 2019), homeownership rates have been consistently increasing for most BIPOC or/and Hispanic/Latino households. White household homeownership rates increased slightly through 2020, though have decreased again into 2021.

Affordable Purchase Limit for the Median Household, 2021	
White, Non-Hispanic	$316,537
Black	$158,860
Asian	$281,554
Hispanic/ Latino	$250,120

Homeownership Rates by Race/Ethnicity



Because homeownership is largely dependent upon having enough income to secure a loan through a private lender, households with higher incomes have higher rates of homeownership. Put another way, the affordability of housing is not just dependent on the price of the housing, but is deeply related to income opportunities of individual households. Because of the racialization of poverty, this creates disparate opportunities in attainability of ownership opportunities by race. And because housing opportunities are not equally distributed across the City by price point, disparate home prices from neighborhood to neighborhood can also serve as indirect barriers to *where* people can live in the City.

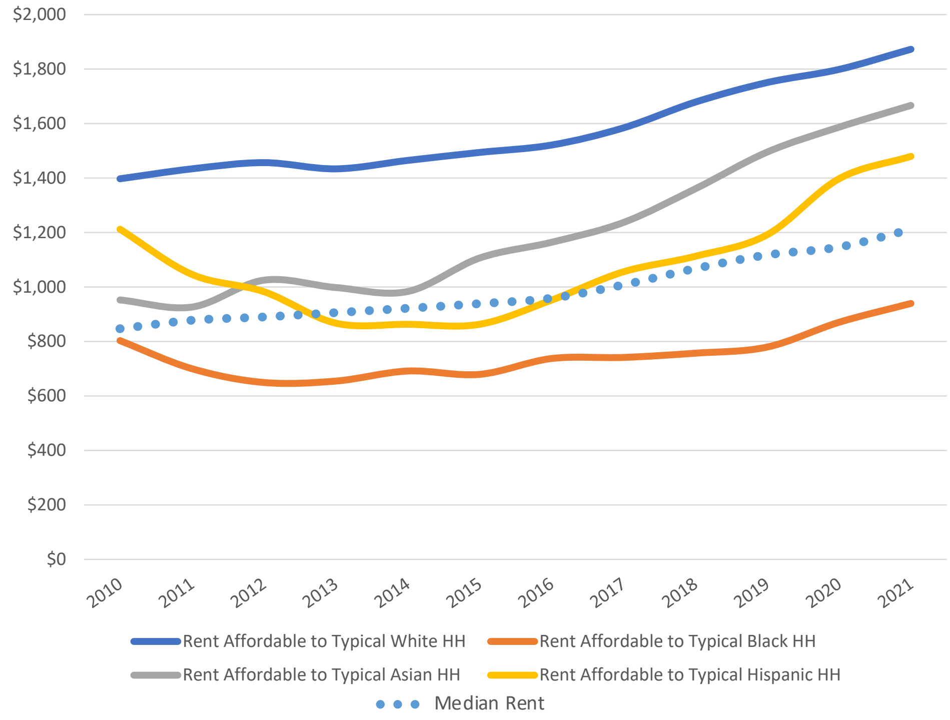
Methodology: This figure is based on data provided by the American Community Survey 5-Year Estimates reporting demographic characteristics for occupied housing units. The numbers for non-white owner-occupied households was retrieved from table S2502. The "Other Households" category includes American Indian, Alaska Native, and "Two or More" race households, among others. Affordable purchase limit estimate is calculated based on 30% of income for a household with a 20% downpayment toward property acquisition.

Rental Affordability and Race/Ethnicity

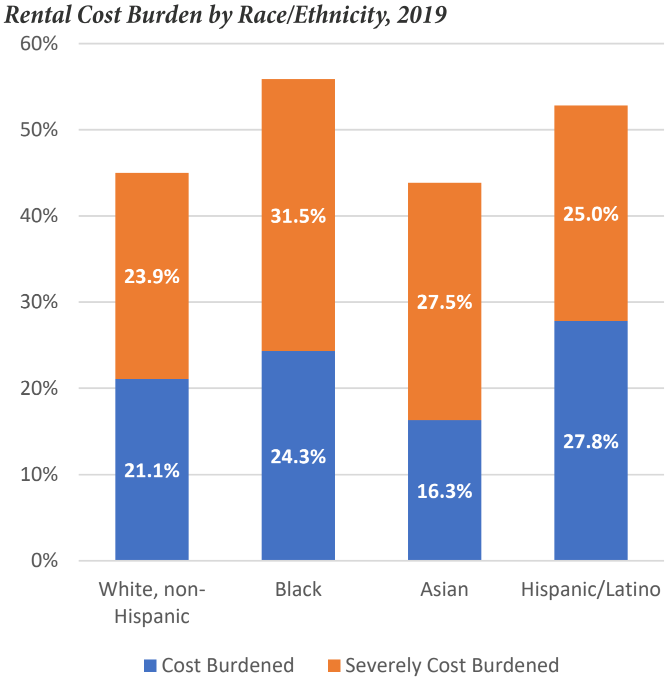
Because of income disparities and the high rental cost to live in the City, different households have more or less opportunity within the local rental market. This includes opportunity to find housing that is affordable to them, as well as opportunities of *where* households can live based on which neighborhoods are more or less affordable generally.

The median, or "typical" White, Non-Hispanic Madison household could afford to pay approximately $1,875 per month towards their total rental cost, which is about $930 more per month more in rent than the median Black household could afford without being cost-burdened by their housing payment.

Rental Affordability by Race/Ethnicity



Rental Cost Burden by Race/Ethnicity, 2019



Black households in the City are the only demographic where the median household could not afford the median rent. This income and rental cost disparity directly leads to increased rates of housing cost burden for Black households, meaning less average opportunity and less residual income for other necessities (childcare, food, healthcare) compared to households of other racial and ethnic identities. It also may make it more likely that households who are "priced out" of the market are disproportionately Black households.

In total, the gap between the affordability limit for the median White household and median Asian household represents a difference of over $200 per month, while the gap between the median Asian household and Hispanic/Latino household represents another gap of $190 per month. The gap between Hispanic/Latino median household affordability and median Black household affordability is nearly $550.

Methodology: "Affordable" rent is calculated for Census-defined racial and ethnic groups displayed in the above figure by multiplying the median income for each demographic by 30%. Due to the limitations of American Community Survey data, the figure cannot be filtered by housing tenure, so the affordable monthly rent payment represents incomes of both homeowners and renters, making the chart an indication of choice not only within the market (City), but between markets (Owner/Renter). Data provided by American Community Survey 5-Year Estimates and retrieved from table S1903. Median rent is found in table B25058. Renter Cost Burden taken from HUD CHAS Table 9.

Rental Affordability & Access

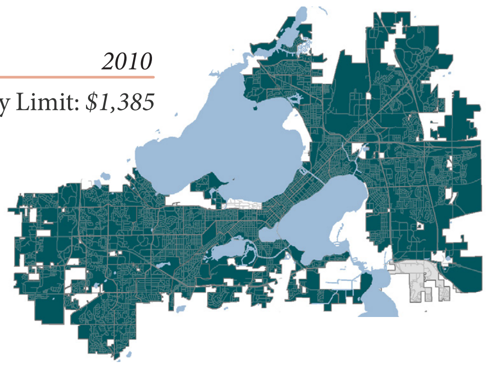
Less than 50% of Rental Units Affordable to a Typical Household

50% of Rental Units or More Affordable to a Typical Household

White Households:

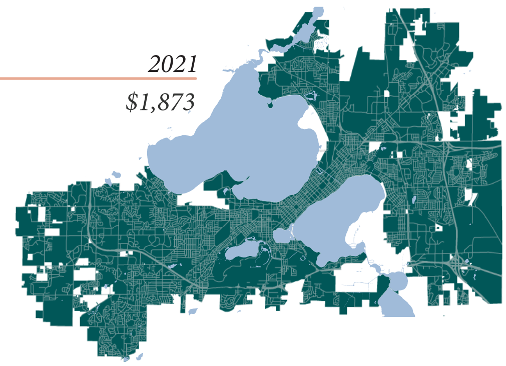
2010

2010 Affordability Limit: *$1,385*



2021

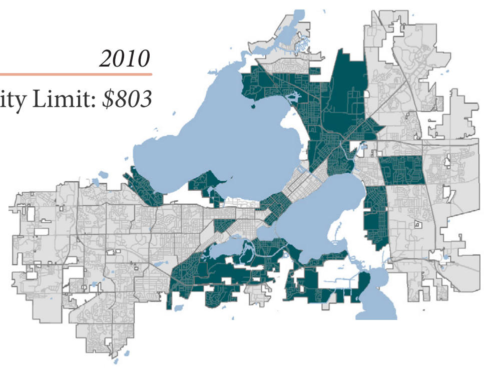
$1,873



Black Households:

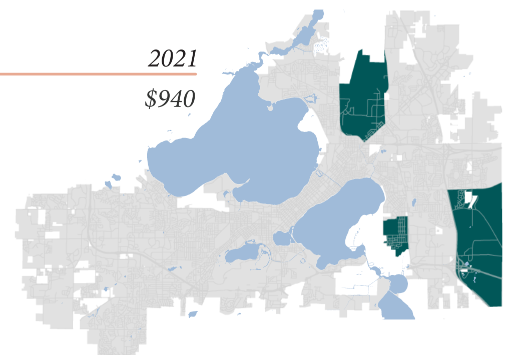
2010

2010 Affordability Limit: *$803*



2021

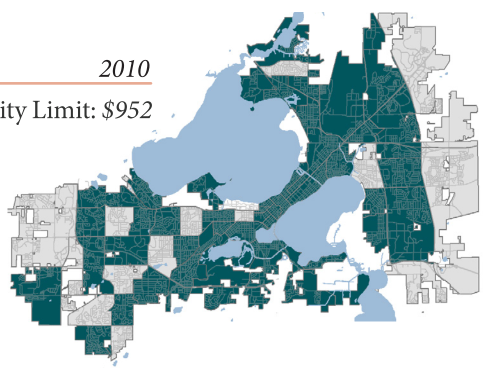
$940



Asian Households:

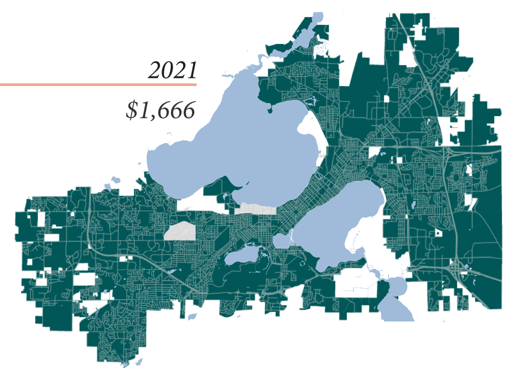
2010

2010 Affordability Limit: *$952*



2021

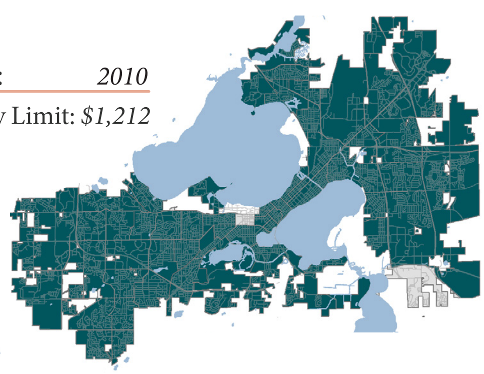
$1,666



Hispanic/Latino Households:

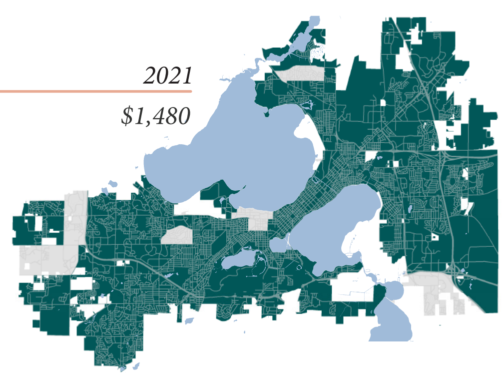
2010

2010 Affordability Limit: *$1,212*



2021

$1,480



Methodology: The rental housing market in the City impacts different racial and ethnic groups in distinct ways with regards to community choice. Because income generated per household is central to housing affordability, this reflects not only increasing rents, but increasing disparities in income. Data is displayed to represent in which Census Tracts the median household, by race/ethnicity for the City as a whole, could afford to rent the median priced unit of rental housing.

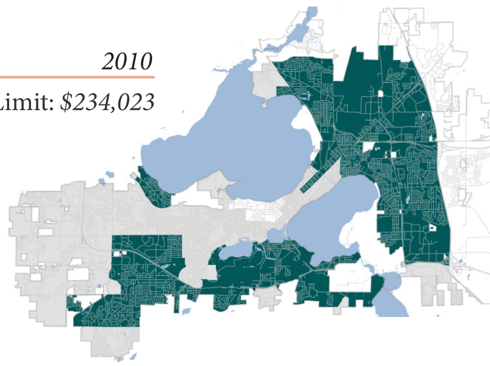
Owner Affordability and Access

Less than 50% of Owner Units Affordable to a Typical Household

50% of Owner Units or More Affordable to a Typical Household

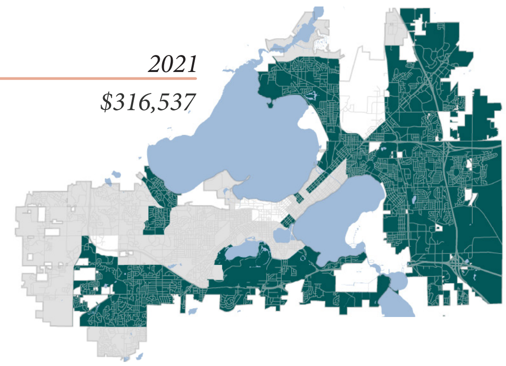
White Households: *2010*

2010 Affordable Purchase Limit: *$234,023*



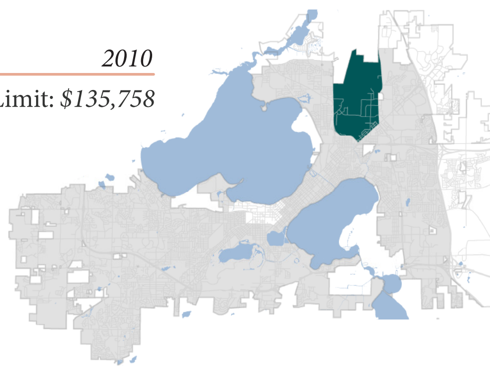
2021

$316,537



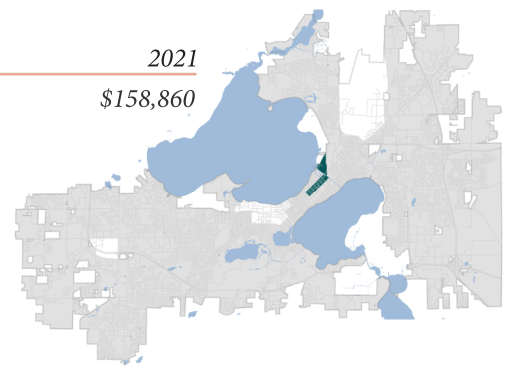
Black Households: *2010*

2010 Affordable Purchase Limit: *$135,758*



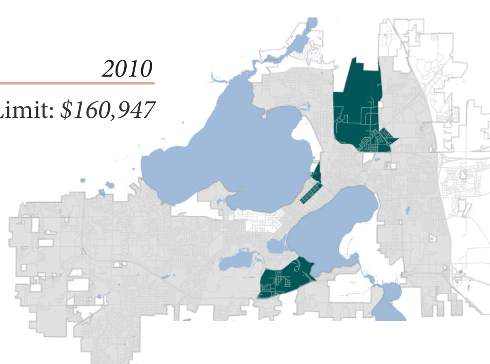
2021

$158,860



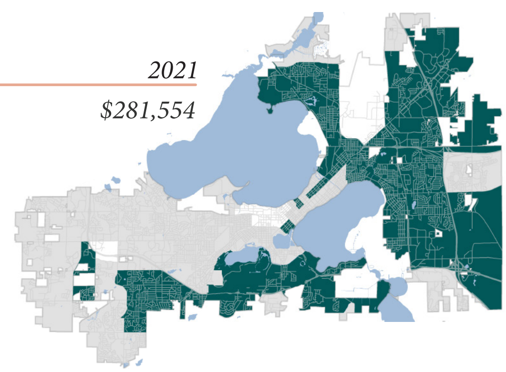
Asian Households: *2010*

2010 Affordable Purchase Limit: *$160,947*



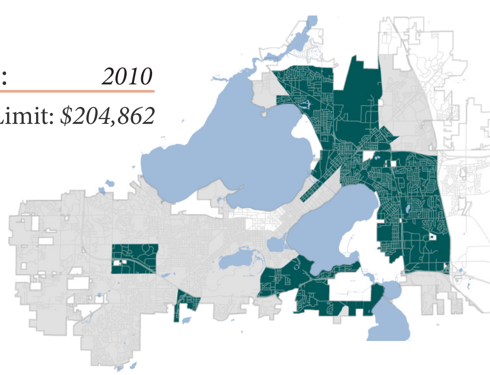
2021

$281,554



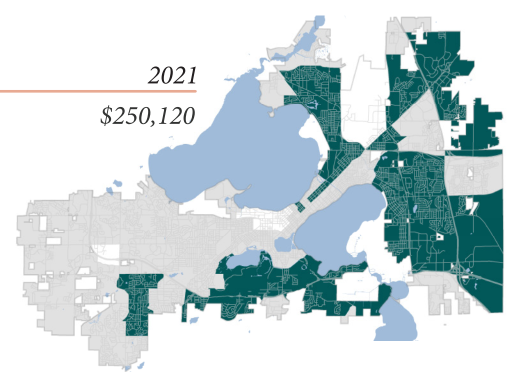
Hispanic/Latino Households: *2010*

2010 Affordable Purchase Limit: *$204,862*



2021

$250,120



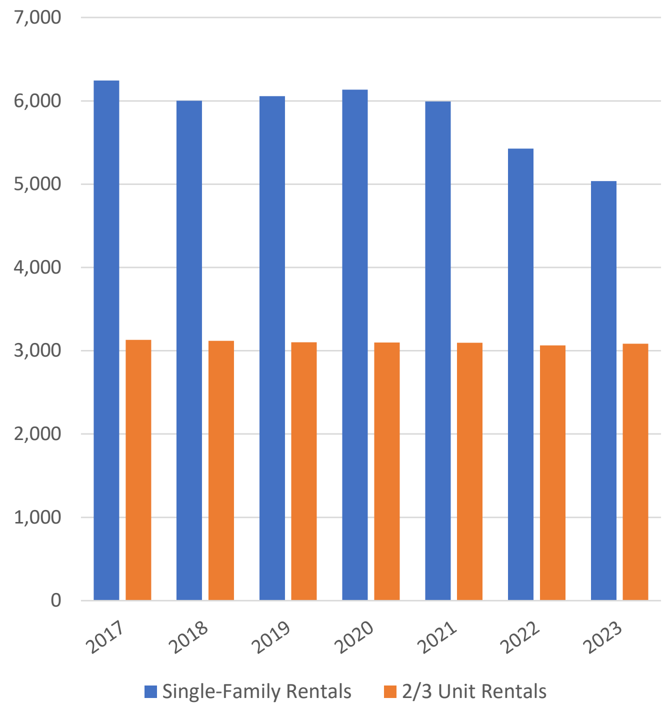
Methodology: The ownership housing market in the City impacts different racial and ethnic groups in distinct ways with regards to community choice. Because income generated per household is central to an affordable purchase price, this reflects not increasing ownership values as well as disparities in income. Data is displayed to represent in which Census Tracts the median household, by race/ethnicity for the City as a whole, could afford to purchase the median owner-occupied home.

Tenure Transition in Small-Structures

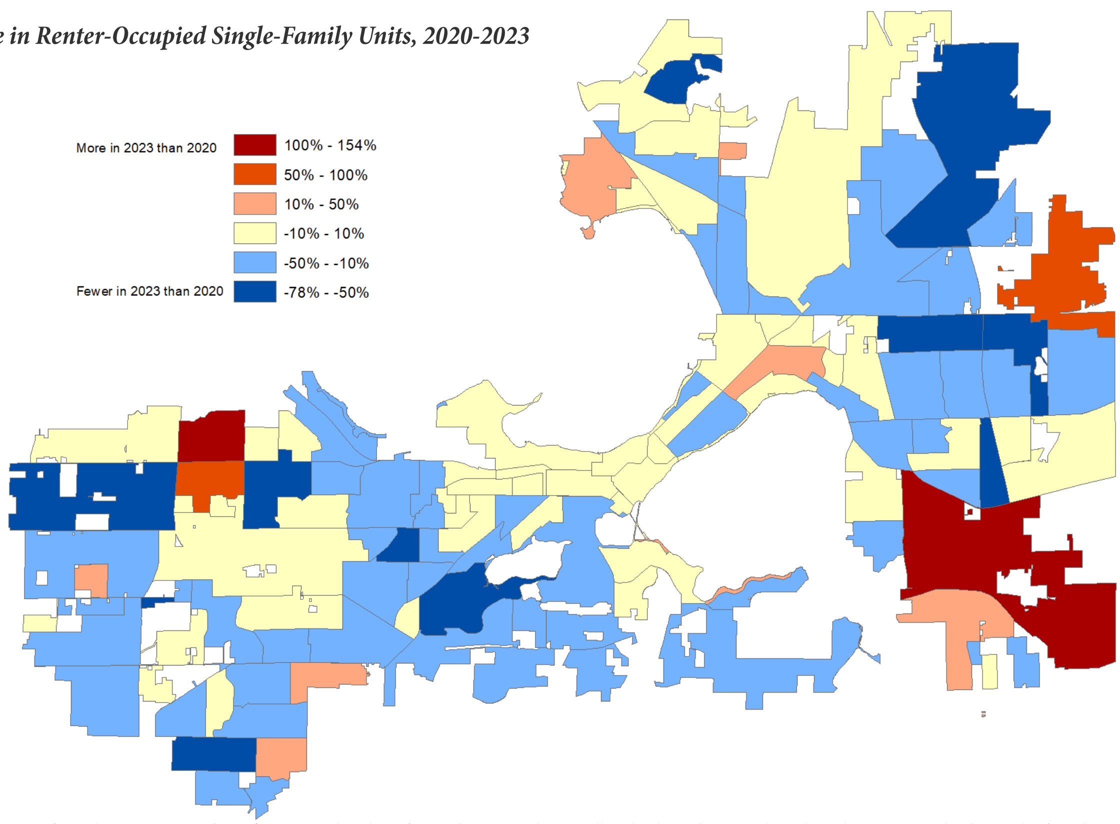
With significant growth of high-income renter households and increased pressure in the homeownership market overall, in recent years more buyers are acquiring homes that were previously single-family rentals and living in them as their primary residence. From 2020 to 2023, approximately 1,098 single-family homes transitioned out of renter-occupancy, a transition which represents 18% of the entire 2020 single-family rental market (6,134 units in 2020; 5,036 units in 2023).

Single-family homes are generally larger in size (more average bedrooms than multifamily units), and provide significant rental opportunities for households with children. Though a benefit to the homeownership market, loss of this housing stock in the rental market may have a direct disproportionate impact on low- to moderate-income families and parents in the City, who have increasingly less opportunity to find appropriately-sized single-unit housing in the rental market than existed in prior years.

Small-Structure Rentals



Percent Change in Renter-Occupied Single-Family Units, 2020-2023



Methodology: The City of Madison Assessor's Office provides data from the annual tax roll, which is then analyzed to determine which single-family and 2/3-family residences have mismatched address information between the ownership/mailing address and situs/property address. Properties that have an ownership address different than the property address are very likely to be rental properties, and are categorized as such in this data.