HOUSING SNAPSHOT REPORT 2022

Executive Summary

The intent of this report is to create and visualize a brief set of metrics that the City of Madison and interested stakeholders can annually reference to track progress that City programs and initiatives are making toward overcoming barriers and impediments to housing choice. The figures in this report detail economic and demographic trends and growth rates of Madison's diverse population, as well as growth in the City's housing supply.

The City has grown at a rapid pace since the Great Recession (2008), but much of this growth has been among renter households and those earning very high incomes - especially in recent years. The effect of this household growth creates tension that increases "competition" within the housing market, which has not historically added units at a fast enough rate to keep up with population/household growth.

While recent permitting trends (since 2013) have seen issuance of about 2,000 permits for new dwellings annually, 2021 saw issuance of permits for a record 3,633 dwelling units. Though even with 2021's record permitting and robust construction since 2013, the City's vacancy rate is still below "healthy" levels that help to alleviate rapid rental cost appreciation. Because of demand exceeding supply, as well as drastic increases in construction cost, most new rental units are not affordable to the median renter household (indicating high cost of entry).

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 interest rate environments and lack of supply have further increased competition in the ownership market and increased barriers to access. These trends in availability and cost for both ownership and rental markets have created a supply-demand mismatch - which disproportionately impacts lower-income households.

Conversely, there are many households able to afford more expensive units than there are such units available in Madison, indicating 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 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 housing for low-income households to promote economic empowerment associated with safe and stable housing is more important than ever, yet historic peripheralization of assisted housing remains, with larger than expected concentration of units on Madison's North and South sides.

There remains little change in homeownership rates for Black and Hispanic/Latinx households in the City, while Asian homeownership has shown slight gain over the past decade. Homeownership is one of the most critical ways to create wealth and increase housing stability, but housing security in any form is important. Among households in Madison, the median Black household is the only demographic by race or ethnicity unable to 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.

City Growth

There has been tremendous growth in the City of Madison since 2010, with most growth occurring in the highest income brackets. Population growth from 2018-2020 remained consistent with the growth experienced 2010-2018 (1.2% CAGR), though household growth has increased slightly in the last 3-year period measured (representing smaller average household sizes). One possibility to explain the dramatic decrease in the number of lower-income households could be upward mobility of Madison's lowest-income residents. However this may not account for the full decrease in households in lower income groups. Alternative options to income growth include lower-income households being "priced out" of the City's rental market - moving to other municipalities or counties, or general wage inflation. Since 2018, renter household growth has slowed, with most recent figures showing larger growth in ownership markets, likely due to the relatively larger increase in high-income households within the City.

	2010-2018		*2018-2020*	
	Compound Annual Growth Rate	Total % Growth	Compound Annual Growth Rate	Total % Growth
Population	1.2%	10.0%	1.2%	2.5%
Households (total)	1.3%	10.5%	1.5%	3.0%
Renter Households	2.5%	22.3%	0.9%	1.8%
Owner Households	0.0%	-0.2%	2.1%	4.3%
Households By Annual Income				
< $25,000	-1.3%	-10.0%	-3.9%	-7.7%
$25,001 - $50,000	-0.2%	-1.8%	-2.0%	-4.0%
$50,001 - $75,000	0.3%	2.6%	1.5%	3.0%
$75,001 - $100,000	1.2%	10.3%	3.2%	6.4%
> $100,000	5.9%	58.1%	6.7%	13.9%

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 (likely rental) reached a new high of 3,273 total units - an increase over the previous 8-year high of 1,842.

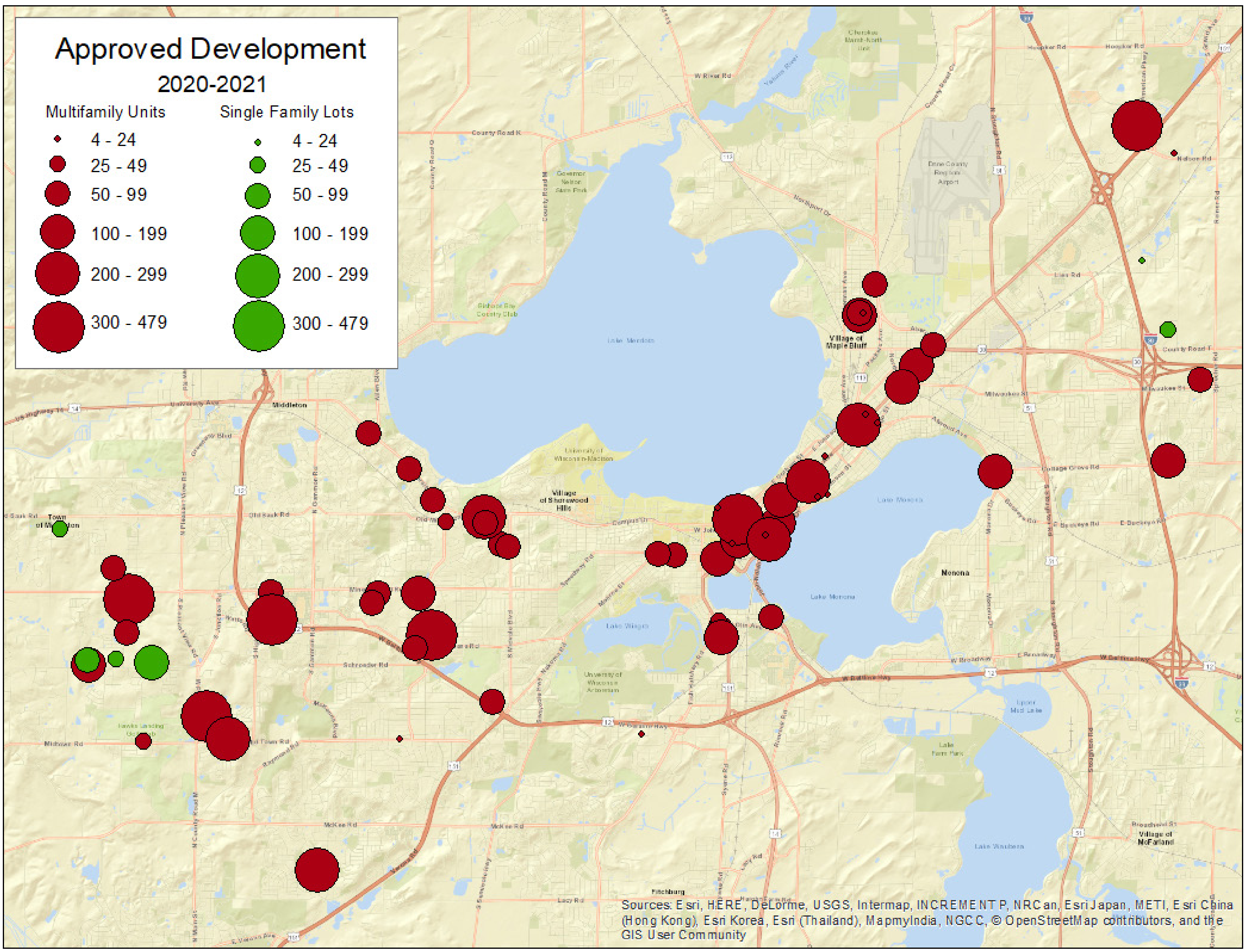
The number of single-family homes and small multi-unit buildings showed a decrease in production in 2021, likely due to increased cost and supply chain issues. New single-family permits issued in 2021 were the lowest number since 2014, when production was still rising out of recession-level lows.

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

Madison has seen strong multifamily growth on infill and redevelopment sites, particularly downtown and on the isthmus. Much of the other multifamily development in the City has occurred on major transportation corridors.

Developing peripheral areas have seen approvals for both multi-family development and plats of single-family lots. Much of the 2020 record 4,700 new multifamily units approvals carried forward to building permits pulled in 2021 (pg. 3).



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 2020, 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.

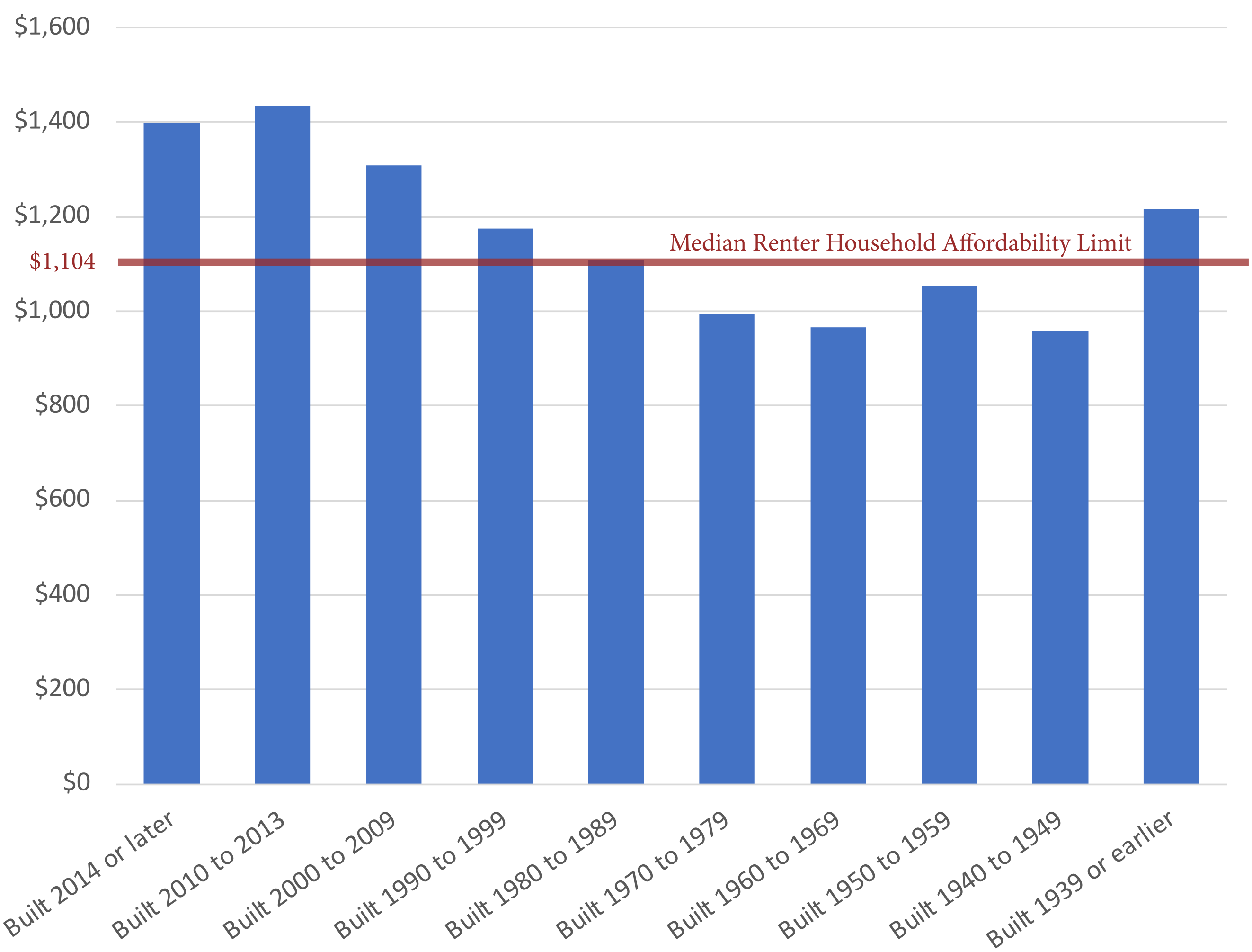
Median Gross Rent by Housing Age

The median renter household with a household income of approximately $44,151, can "afford" a gross rent of $1,104 per month. This means (with the exception of newly created rent-restricted housing), the median renter cannot "afford" the typical new-construction rental unit coming online in the City.

The median rent for units built after 2013 is approximately $1,400, while the median rents of units built in the 1980s, 1990s, 2000s, and 2010s, as well as prior to 1940, are all also greater than the median renter's "affordability limit" of $1,104.

The median, or "typical" renter could afford a unit built between 1940 and 1979, as the median rent of those units are less than their affordability limit of $1,104.

An important note is that the location of where units are being built plays a major role in the rental rates. The majority of new units built since 2000 have been on the Isthmus, as are many units built before World War II, which increases rental costs due to land costs (for new construction), as well as desirability/access to amenities (for all units).



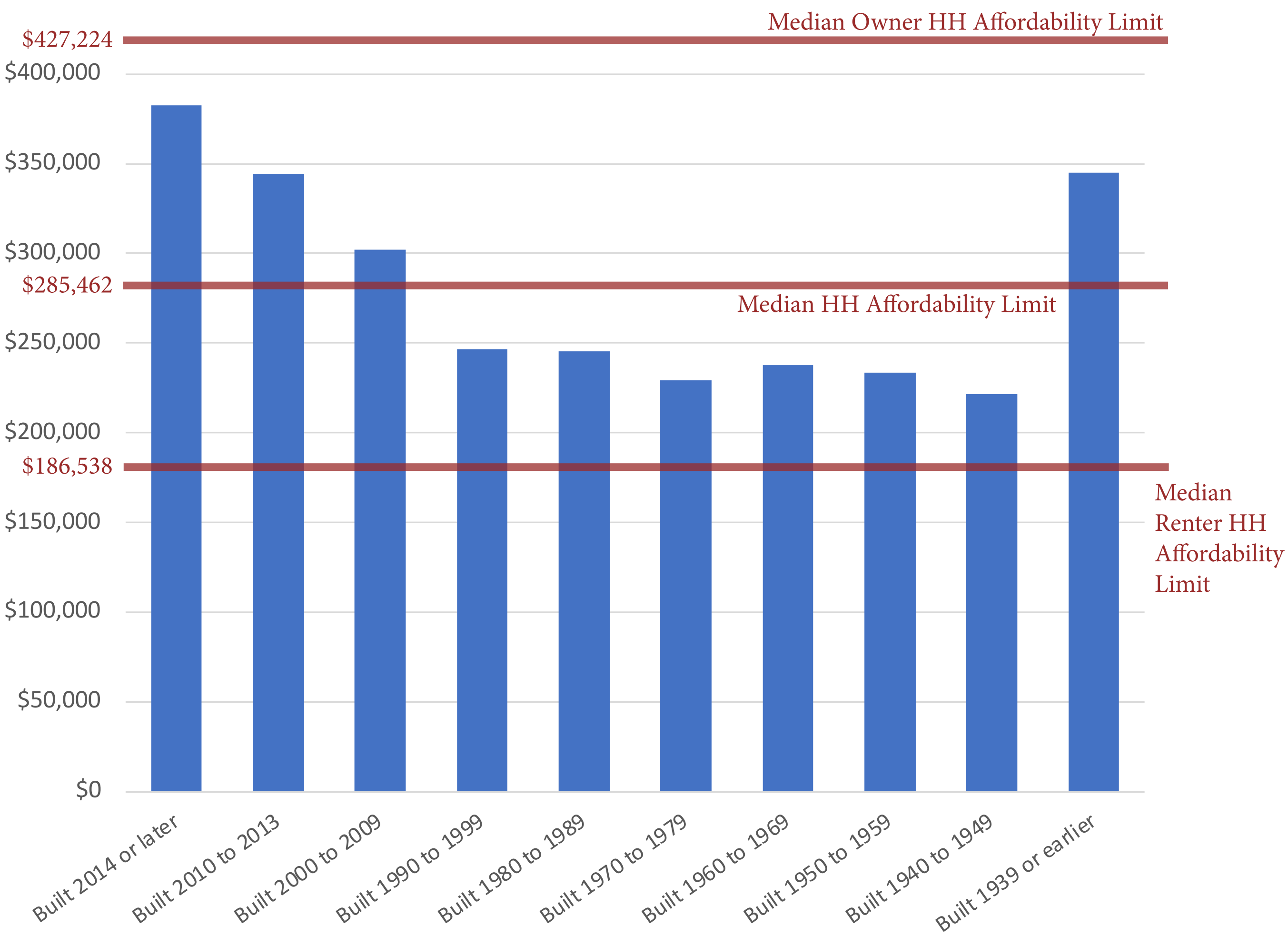
Methodology: This information was summarized using data from the American Community Survey tables B25111 and B25119, which report median gross rent by year structure built and median household income by tenure, respectively.

Median Owner Affordability by Housing Age

The median Madison household (owners and renters), can "afford" to purchase a home of up to $285,462 based on the median household income of $67,565. This purchase price however cannot place the median household into a typical newly-constructed ownership unit in the market. The median household - more than likely - will have purchase opportunity for homes constructed between 1940 and 1999, in which over 50% of ownership units would be "affordable" to them.

The median renter household (those potentially looking to enter the ownership market for the first time) can "afford" to purchase a home of up to $186,538. This purchase value would not allow access to the typical home 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 through both income and accumulated home equity.



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.

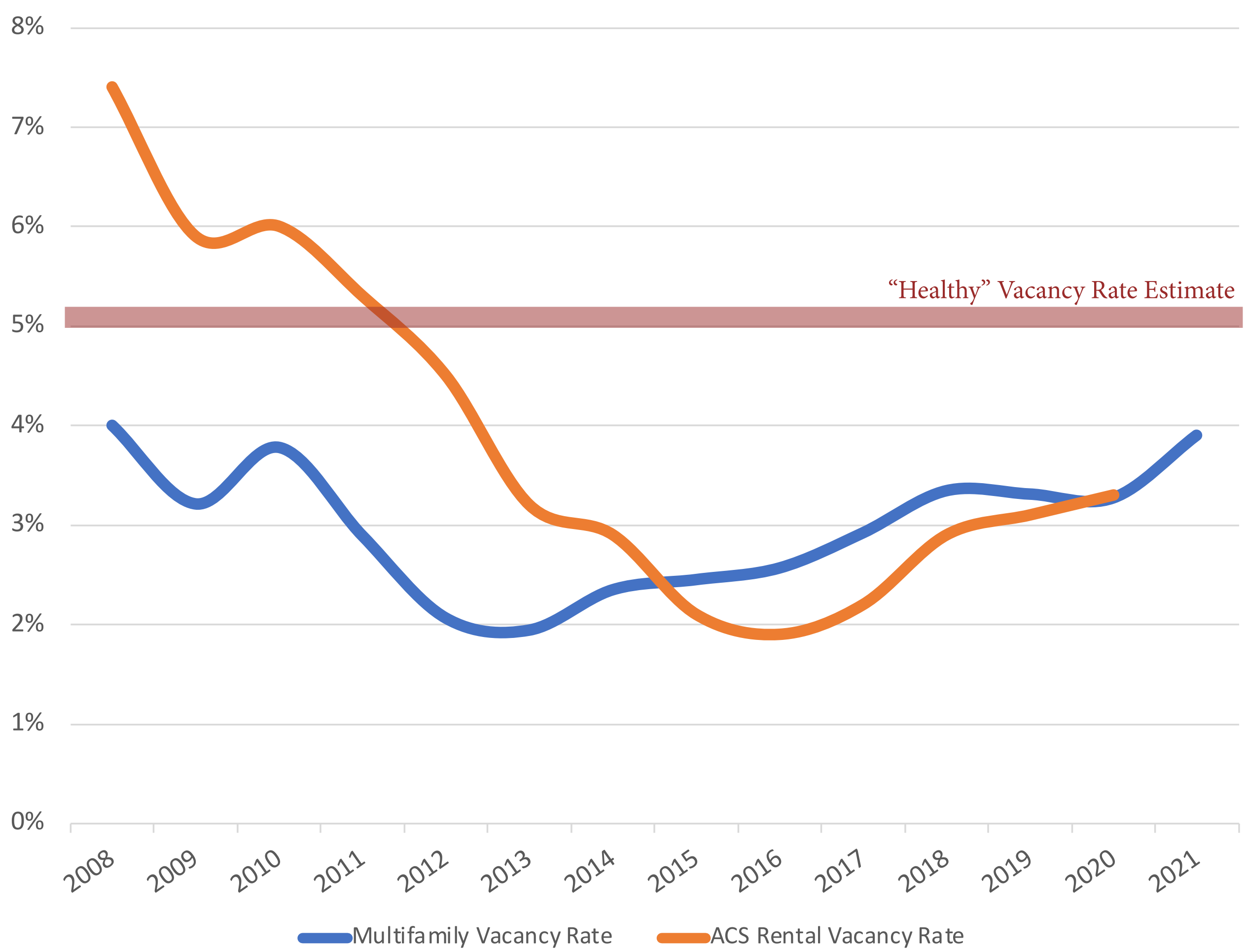
Rental Vacancy Rate

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

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.

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.

Vacancy rates in 2020 and 2021 are not a reliable indicator due to impacts of the pandemic, as higher rates could be attributable in part to higher "vacancy" of students at UW-Madison.



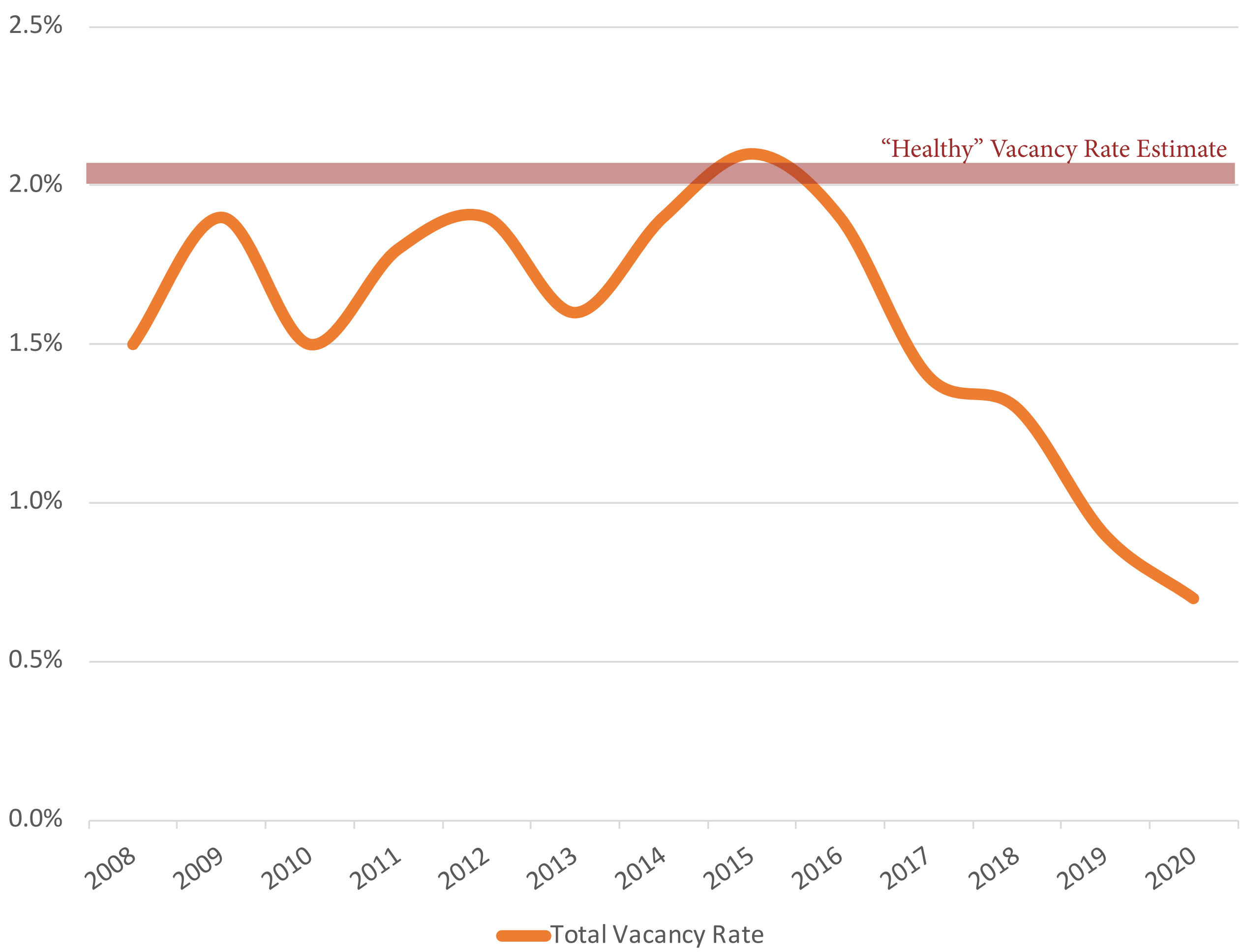
Methodology: These figures are based on data provided by the American Community Survey 5-Year Estimates and Madison Gas & Electric's multifamily vacancy rate data, which was published each quarter until the 3rd Quarter of 2021. The total rental vacancy rate was retrieved from table DP04. Total rental 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. For zip codes that overlap with other municipalities, a pro rata share of that figure was taken into account when calculating the overall multifamily vacancy rate for the City of Madison, in addition to the weighted average calculation.

Homeowner Vacancy Rate

As with the rental vacancy rate, 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 housing production and available inventory, tight markets artificially increase sales and listing prices.

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

Homeowner vacancy has drastically declined since 2018, which partially explains recent gains in the share of Madison households that are homeowners as opposed to renters.



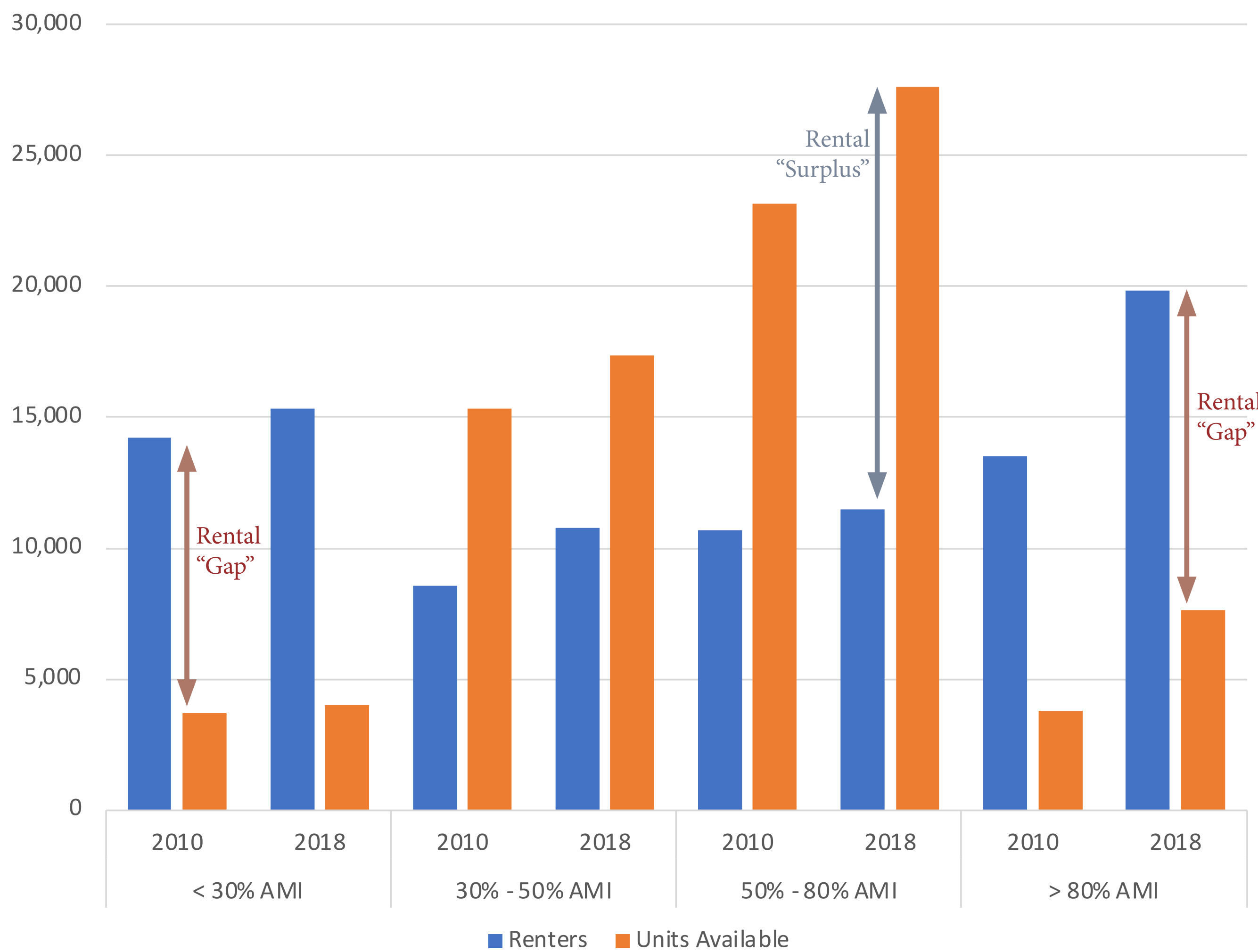
Methodology: This figure is based on data provided by the American Community Survey 5-Year Estimates, and is based on the proportion of residential properties that are for sale and vacant. The total homeowner vacancy rate was retrieved from table DP04. The baseline for a "healthy" homeowner vacancy rate of 2% is frequently cited by housing researchers, including the Lincoln Institute of Land Policy.

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 11,300 rental units - need growing by 755 units since 2010. About 5,000 of these 30% AMI renter households are student households.

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. This creates a market where for the highest-income households rent is generally affordable, while being drastically unaffordable for the lowest-income households.

Since 2010, the rental gap (*increase in need*) has grown for 30% units (+755), 30%-50% units (+230), and >80% AMI units (+2,505), while the surplus of 50%-80% AMI units has increased by 3,635. The 50%-80% surplus units are a value to households with higher incomes, while unaffordable to those with lower incomes.

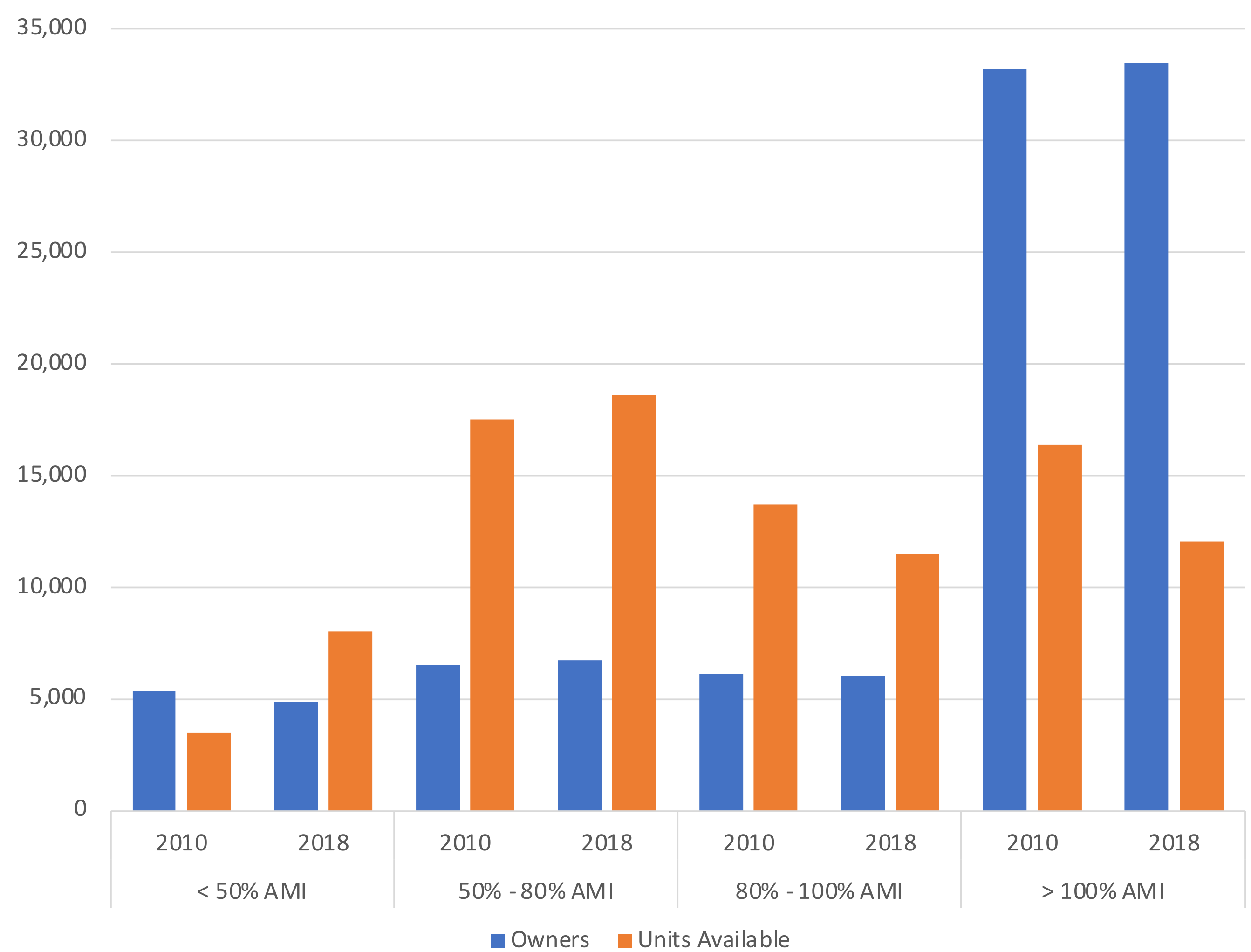


Methodology: This data is a custom HUD re-tabulation of raw 5-Year American Community Survey data, made available as a resource as part of HUD's Comprehensive Housing Affordability Strategy (CHAS) dataset. Renter data is contained in Table 1, while rental unit affordability is contained in Table 15C.

Owner Housing Supply/Demand Mismatch

The ownership market in the City of Madison is largely driven by the highest income earners in the City - 66% of all owners are households with incomes more than 100% AMI. HUD calculates these owners as being able to purchase a home of about $310,000 without being cost burdened, though this has grown to a home-purchase threshold of about $400,000 in the past 3 years since the latest HUD data release.

Because homeownership is necessary on finances being underwritten, there are few homeowners in the lowest income bracket (about 5,000 households). As with the rental market, due to a drastic amount of owners in the highest income brackets, there households “underconsume” (buy down) within the market - choosing to purchase homes that may be incredibly affordable to them, though taking opportunities from lower-income potential buyers who may also find that same home affordable.



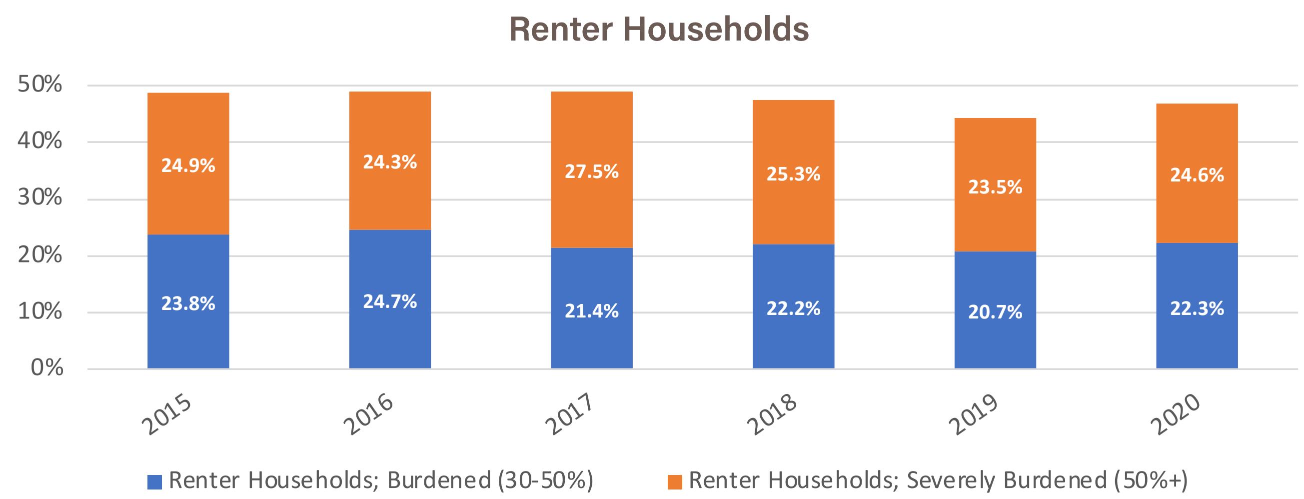
Methodology: his data is a custom HUD re-tabulation of raw 5-Year American Community Survey data, made available as a resource as part of HUD’s Comprehensive Housing Affordability Strategy (CHAS) dataset. Owner data is contained in Table 1, while ownership unit affordability is contained in Tables 15A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

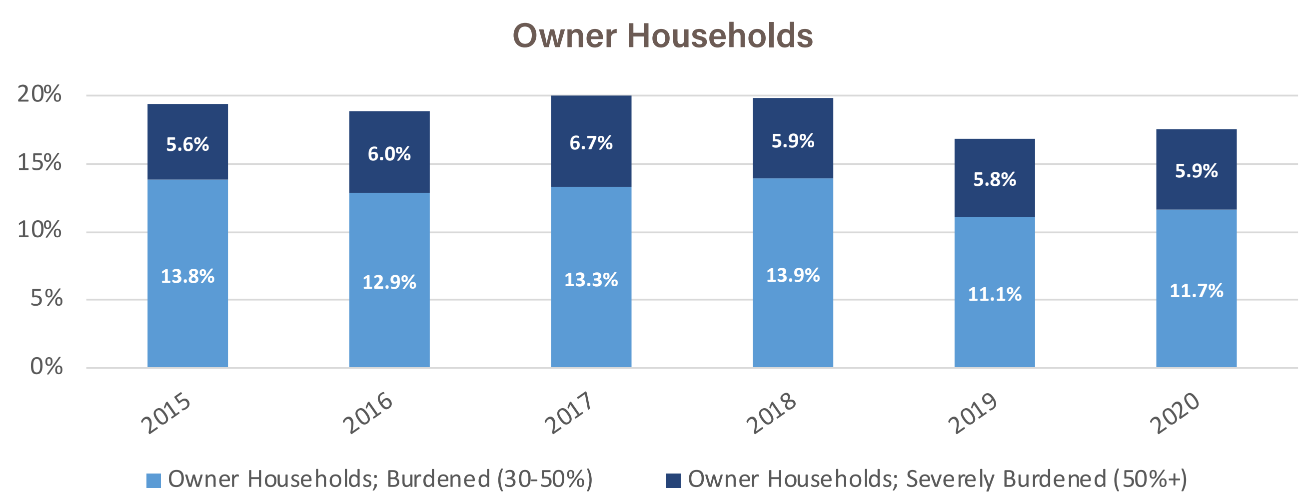
Housing Cost Burden by Tenure

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

Housing cost burden indicates a shifting of household finances, leaving less available for other necessities such as childcare, food, and healthcare.

In Madison, nearly half of renter households and almost one-fifth of owner households are cost burdened to some degree, with nearly a quarter of renters spending more than half of their income on rent.





Methodology: This data is provided by the American Community Survey 1-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.

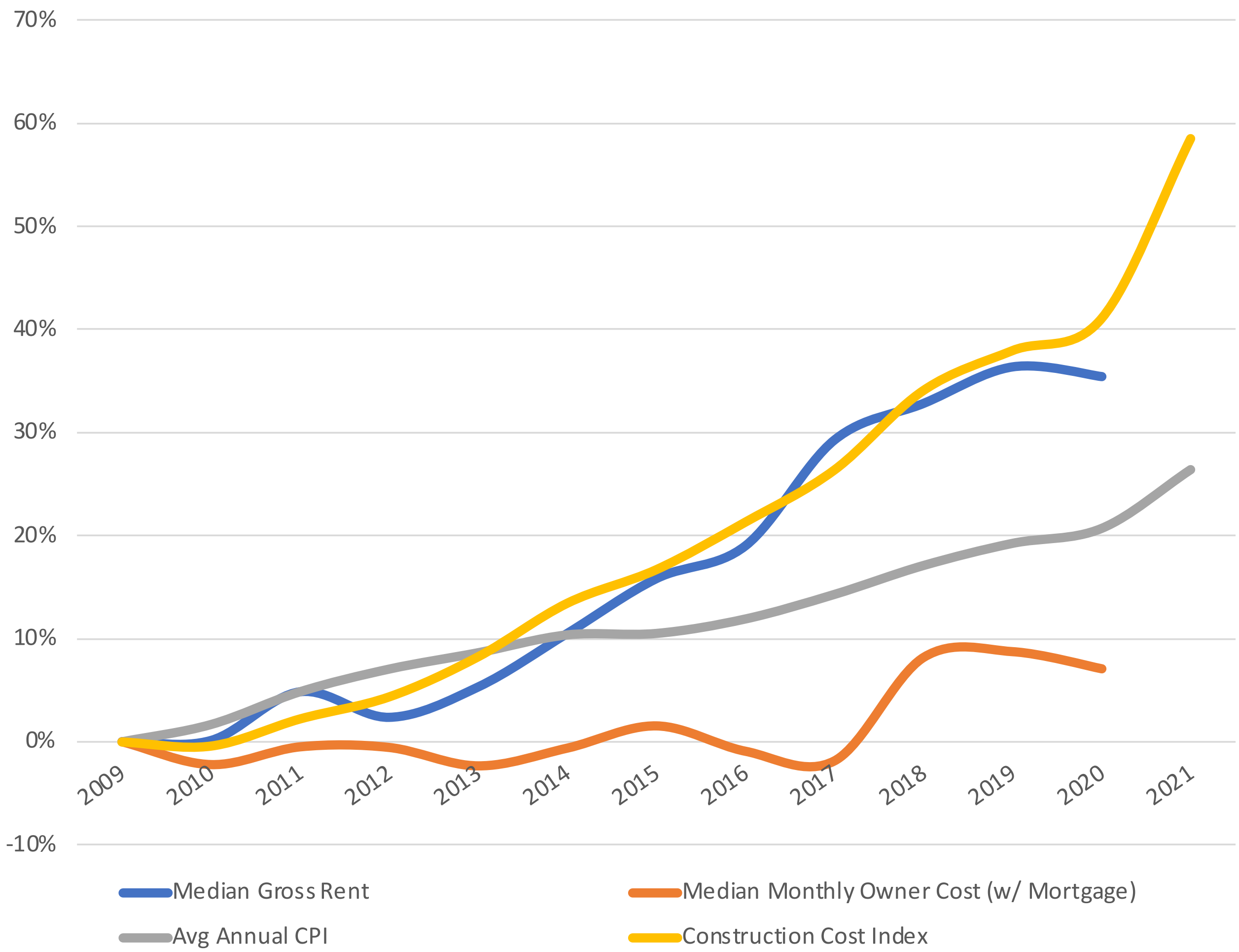
Housing, Construction, and Inflation Cost Growth

Housing cost is influenced by a number of factors, two of the most significant being inflation and construction cost. Over the past several years, inflation has averaged slightly more than 1% per year. Meanwhile in 2021, some construction cost indices displayed cost increases of more than 22% from 2021 levels.

Tracking the cumulative year-to-year percentage increase in costs (2009 baseline) shows a 35% increase in median rent, a 7% increase in monthly owner cost, a 21% increase in inflation, and a 41% increase in construction cost indices through 2020.

The significant increase in median monthly owner costs in 2018 likely represents a large shift in the market, as monthly owner costs are generally "capped" by monthly mortgage payment.

Housing and Cost Index Growth from 2009-2021



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

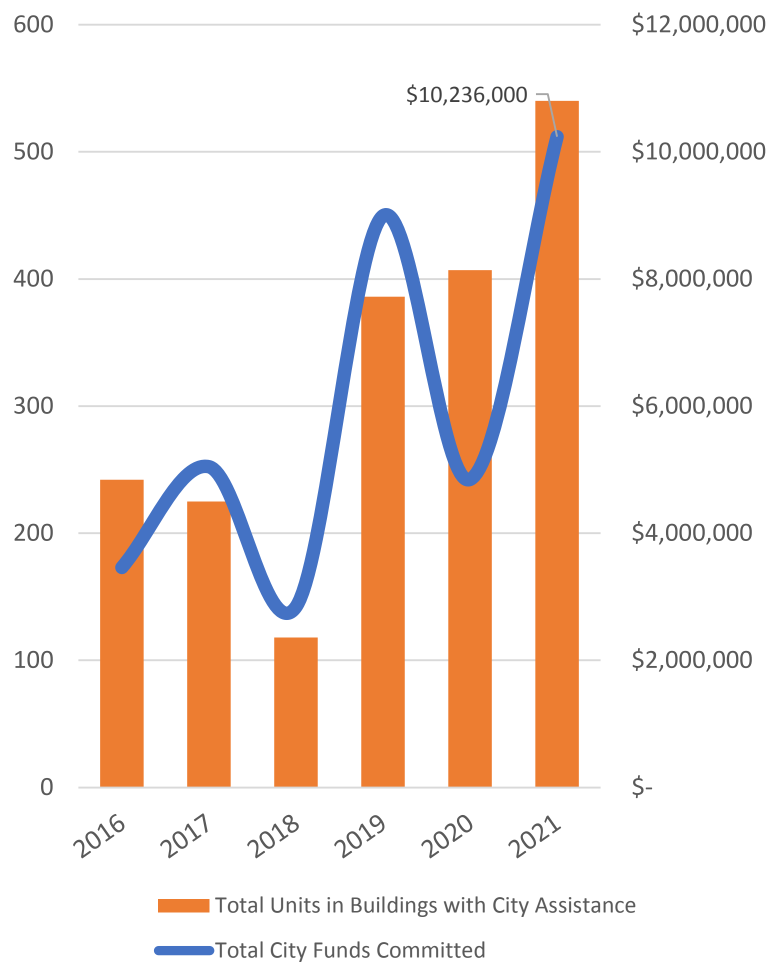
Since the introduction of the City's Affordable Housing Initiative in 2014, City funding sources such as Affordable Housing Funds and Tax Increment Financing (TIF) have had a tremendous impact on the amount of housing produced in the community.

Since 2016, buildings supported by City funds (both CDD and TIF) have added nearly 2,000 units to overall supply in the City (1,918 units in total).

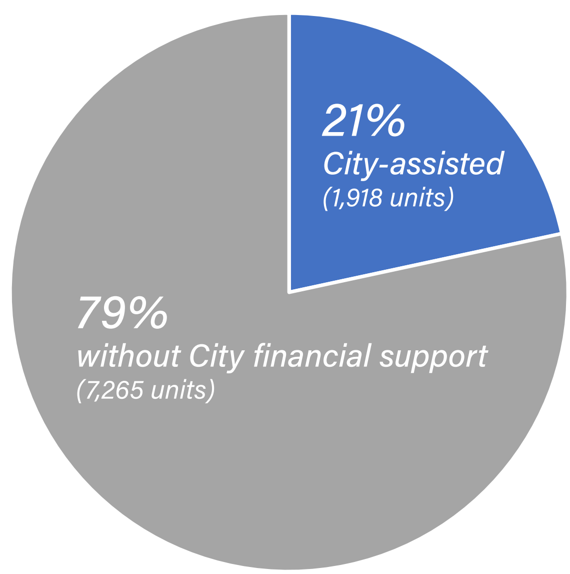
These 1,918 units added since 2016 in developments directly supported by City funds represent 20.9% of all new development over that timeframe.

While there are fluctuations in the total amount of City loans originated, 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.

Unit Production from City Funding



Direct City financial support has contributed to 21% of all new rental units developed since 2016

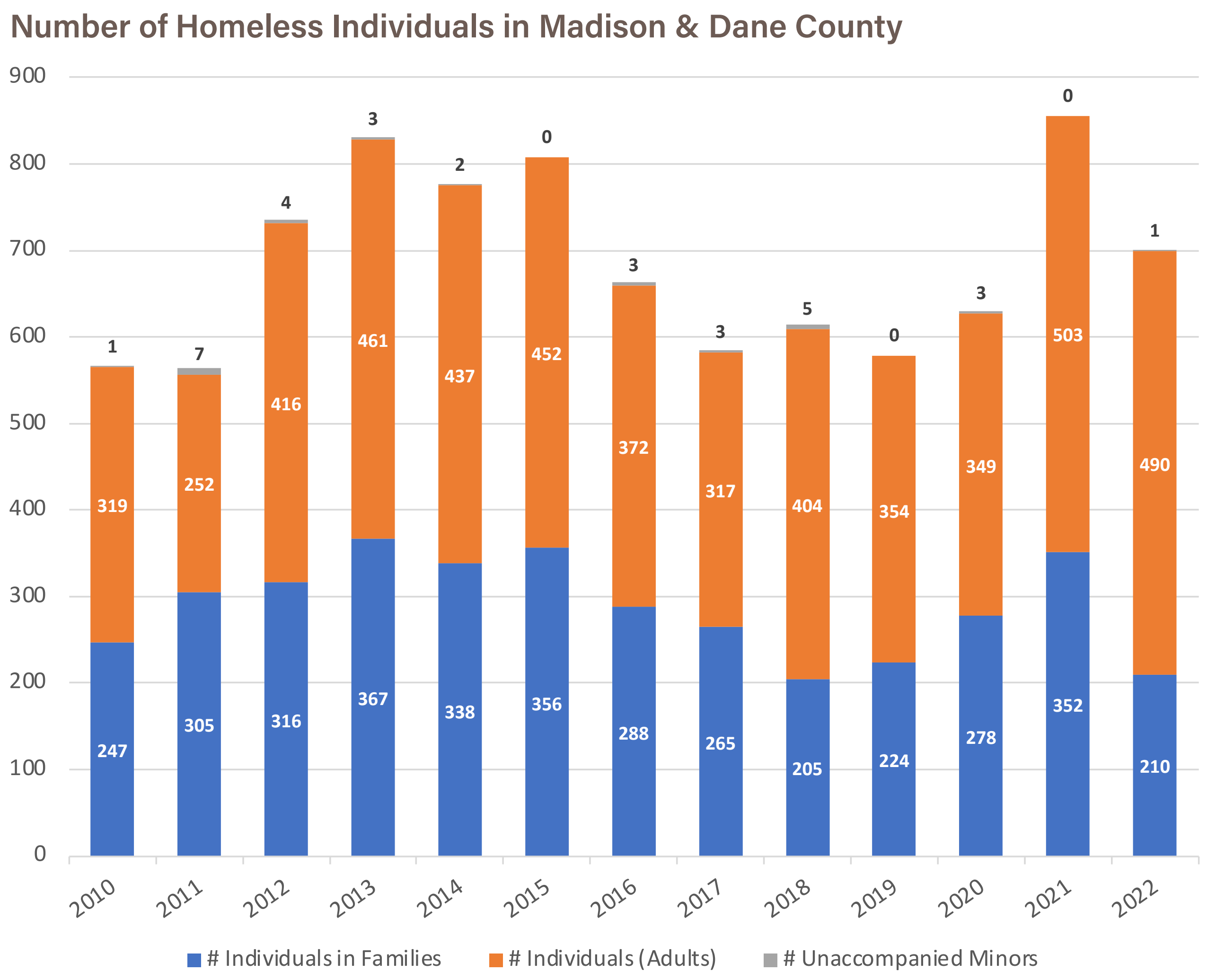


Methodology: City loans originated in a given year are tracked through databases maintained by the City's Economic Development and Community Development Divisions (for TIF and CDD loans, respectively). Total units for each rental housing development are included in the above figures, regardless on income- or rent-restrictions on the units. Construction starts are tracked through the City Assessor's Office, which tracks year of construction for all buildings. Displayed are total unit numbers in buildings with 5+ units.

Individuals Experiencing Homelessness

After consistent decrease in the number of homeless individuals since 2013, the number of persons identified in the 2021 Point in Time count increased 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. This included a new family shelter and Vulnerable Population hotels.

The 2022 Point in Time count saw a reduction 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 reduction include individuals "doubling up", or residing in places where they were not added to the PIT count.



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.

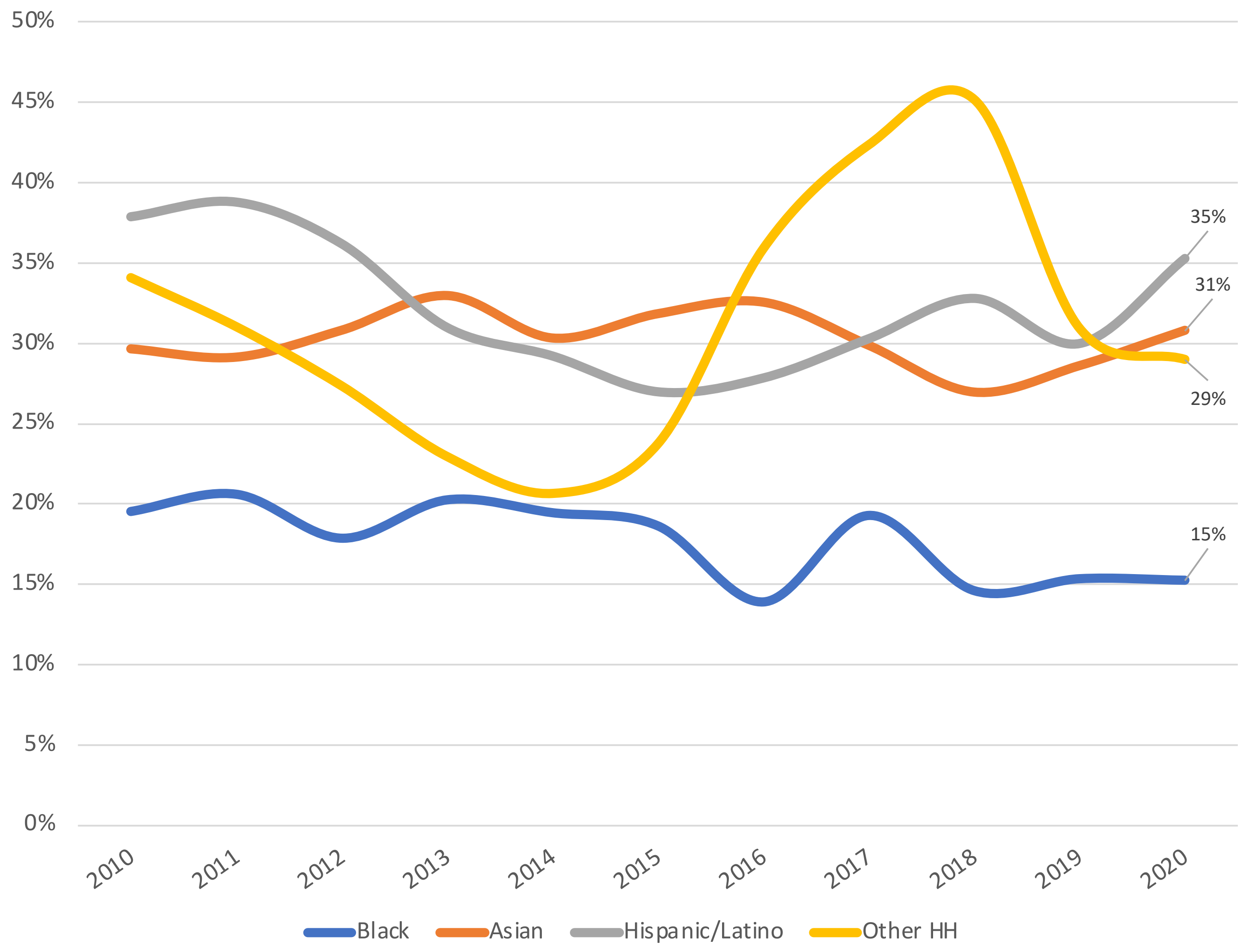
BIPOC Homeownership

Black households in Madison represent 6.6% of the City's total households, yet only 1.9% of all homeowners (specifically *householders*) in Madison identify as Black. As a percent of all Black households, about 15% own their own home - which is the lowest amongst all demographic groups in the City.

In 2018:
Black Homeowners: 1,016
Asian Homeowners: 2,754
Hispanic/Latinx Homeowners: 1,560
Other Homeowners: 796

In total, 14.8% of *householders* in Madison are neither Black nor White, though this population share only represents 10.1% of the City's homeowners.

Trends for most demographics have shown a slight decrease in homeownership rate since 2010 (including White households), with the exception of Asian and Hispanic/Latinx households, whose homeownership rate has remained relatively steady.

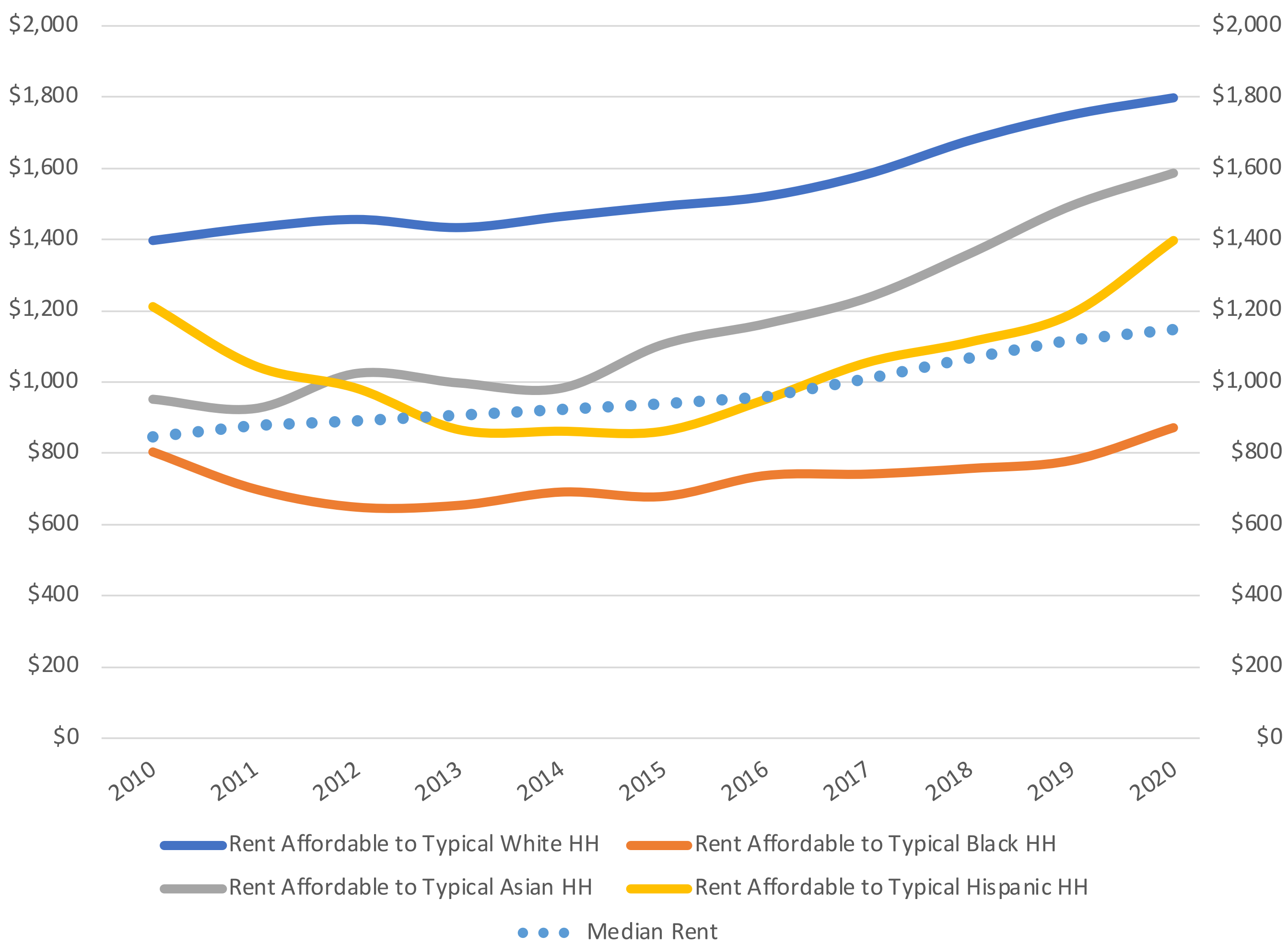


Methodology: This figure is based on data provided by the American Community Survey 5-Year Estimates reporting demographic characteristics for occupied housing units. The numbers for non-white owner-occupied households was retrieved from table S2502. The homeownership rates were calculated by dividing the number of owner-occupied households in that demographic by all households in the City of Madison in that demographic. The "Other Households" category includes American Indian, Alaska Native, and "Two or More" race households, among others.

Disparities in Affordability *(Race/Ethnicity)*

Because of income disparities and the rental cost to live in the City, different households have more or less opportunity within the local rental market. The median, or "typical" White household in Madison could afford to pay approximately $930 more per month in rent than can the median Black household without being cost-burdened by their housing payment.

Black households in the City are the only predominant racial or ethnic group where the "typical" 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 income leftover for other necessities (childcare, food, healthcare) compared to households of other races and ethnicities.

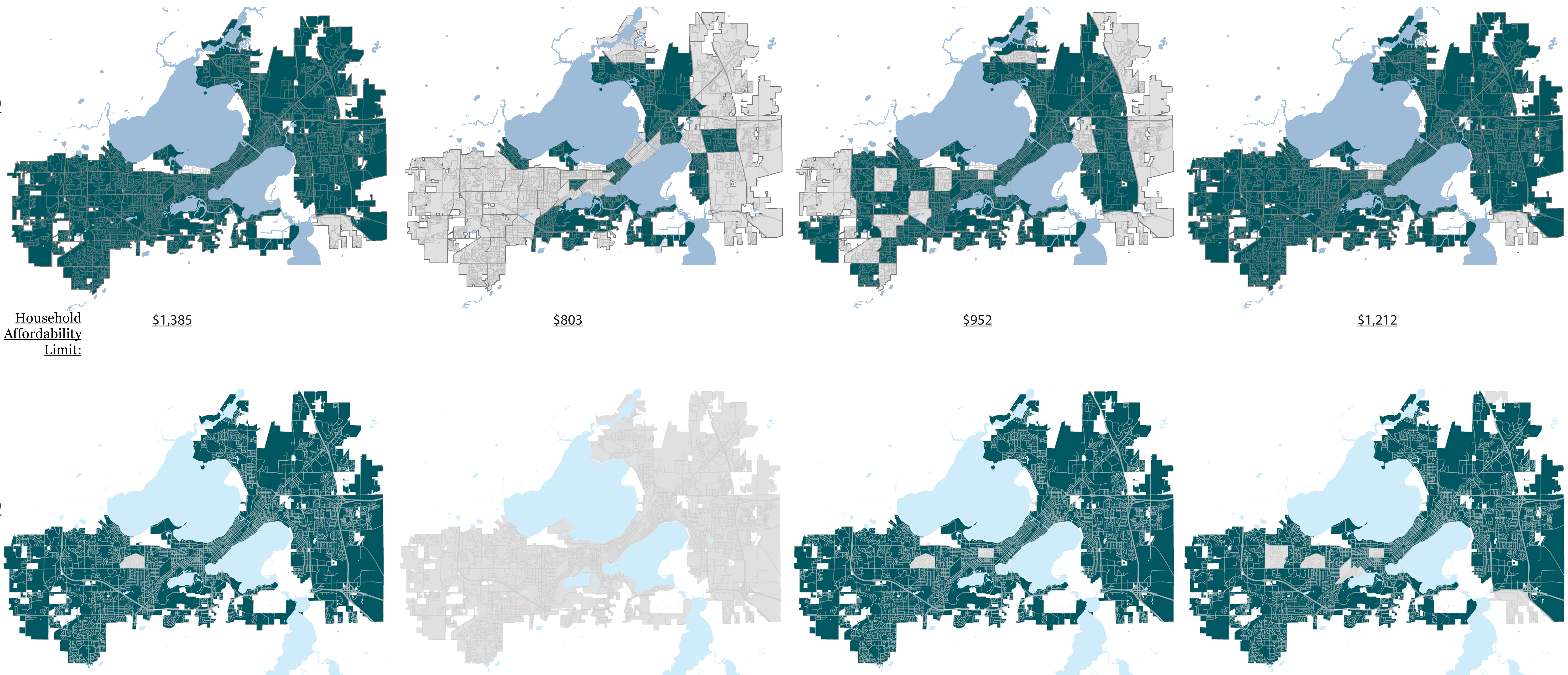


Methodology: "Affordable" rent is calculated for each predominant Census-defined racial and ethnic group displayed in the above figure by multiplying the median income for each demographic by 30%. Due to the limitations of American Community Survey data, the figure cannot be filtered by housing tenure, 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.

Segregation of Access/Opportunity

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

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



	White	Black/African American	Asian	Hispanic/Latino
2010 Household Affordability Limit:	$1,385	$803	$952	$1,212
2020 Household Affordability Limit:	$1,799	$871	$1,587	$1,397

The rental housing market in the City of Madison 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 diaparities 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.