

Draft 2023 Housing Snapshot Report

Housing Strategy Committee

July 2023



Overview



Housing Snapshot Report:

- Annually updated
- Complements larger, less frequent housing reports
- Analysis of Impediments to Fair Housing Choice, etc.

Purpose:

- Track key metrics in the housing market
- Track progress of City initiatives



Changes 2023→2023



Additions:

- Expanded Owner Metrics
- Expanded Consumption Metrics
- Owner Access Maps
- Structure Tenure Transition Data



City Growth Trends

	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%
<i>Households By Annual Income</i>				
< \$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%

Key Takeaways:

- Faster growth overall since 2019
- Households are getting smaller
- Recent surge in owner HH
- Recent surge in high-income HH



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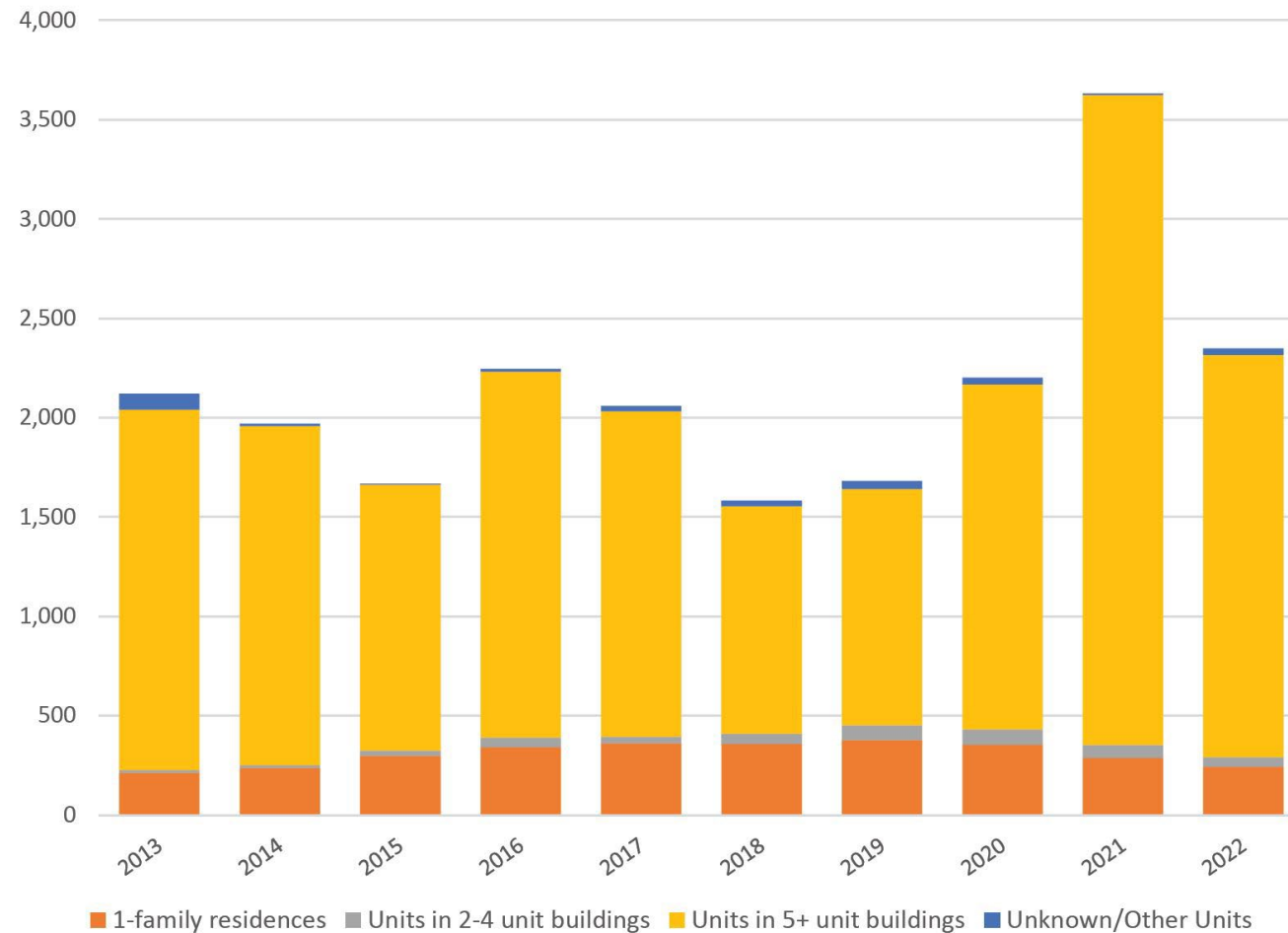
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Building Permits

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



Key Takeaways:

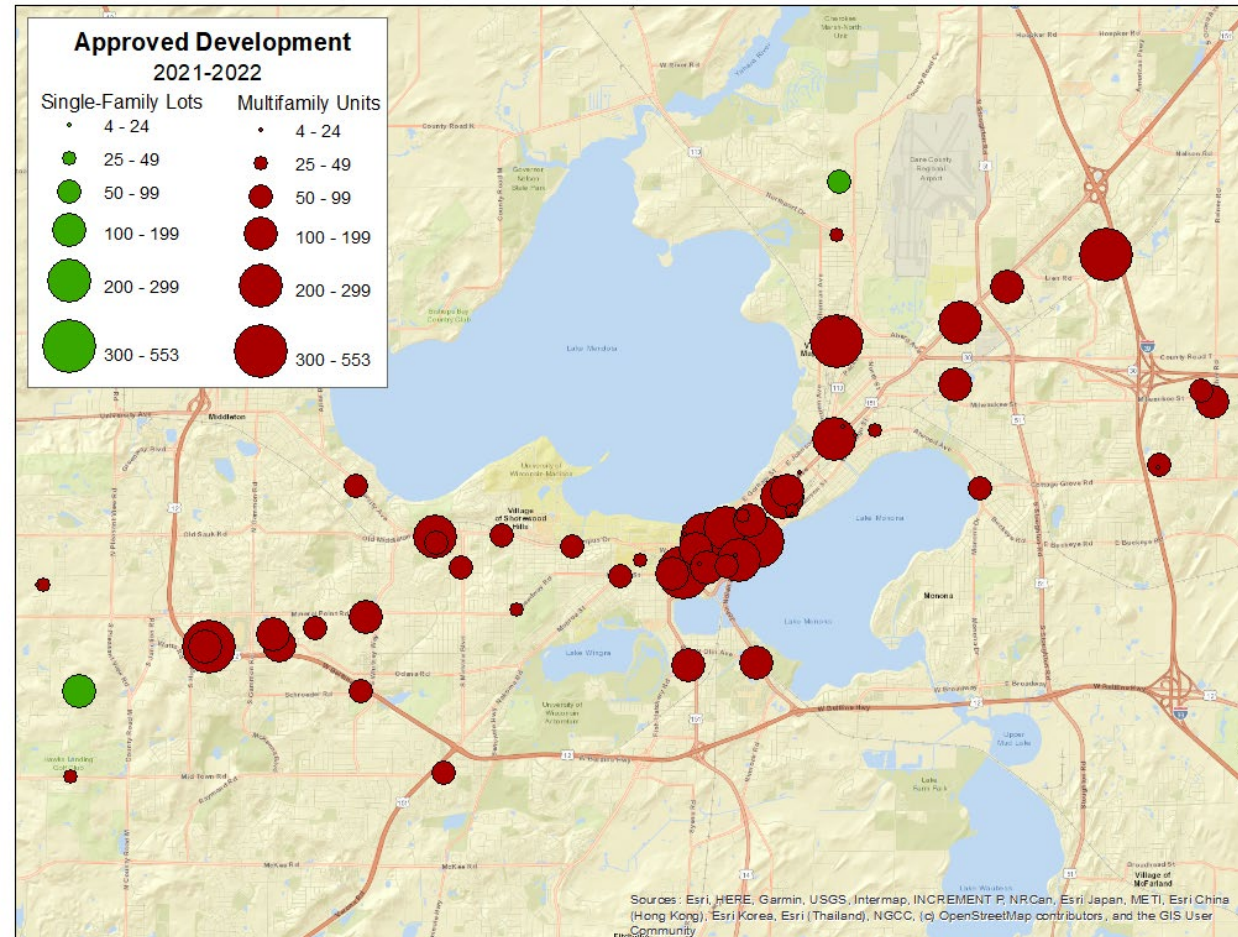
- Above average multifamily growth, but 2022 *well* below 2021
- Decreasing SF and small-scale production
- Total Units Permitted:
 - 2022: 2,350
 - 2021: 3,273



Dispersion of Approvals

Key Takeaways:

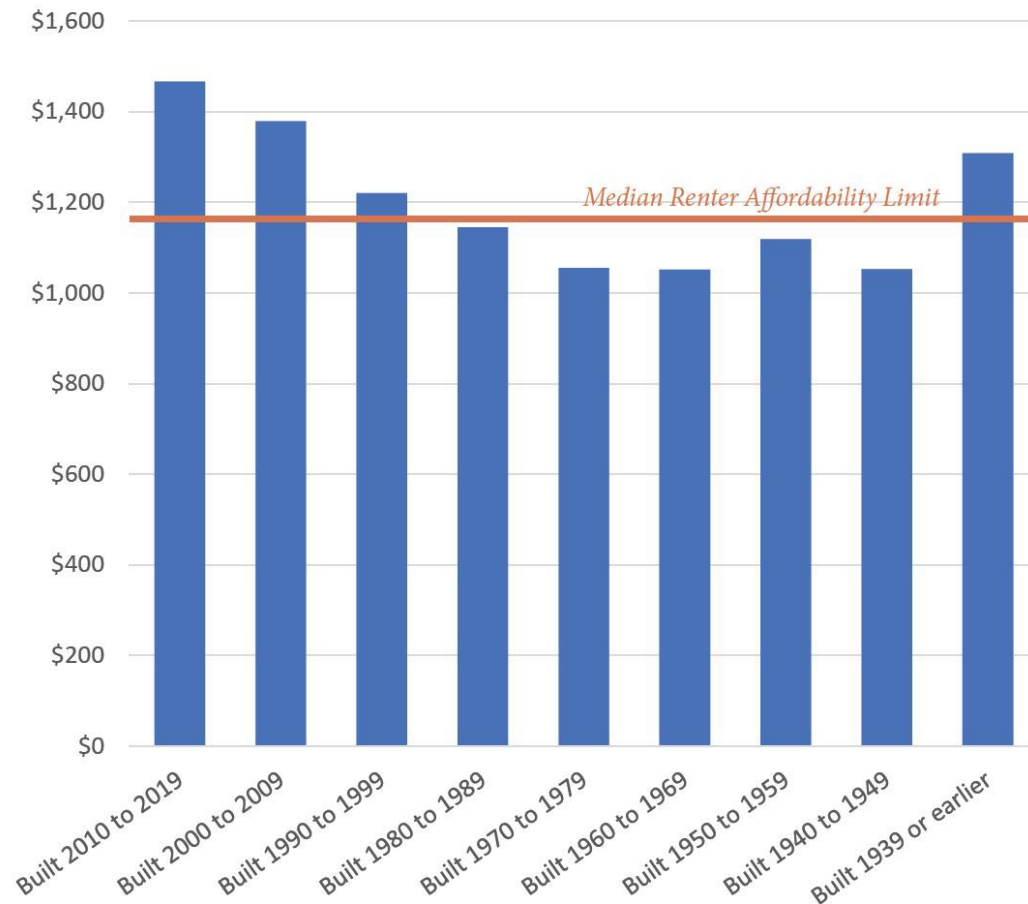
- Infill-focused (*in line with Comprehensive Plan*)
- Production in recent plan areas
 - OMSAP
 - Odana
 - East Towne
- Major transportation corridors





Gross Rent & Housing Age

Median Affordability by Age of Rental Housing, 2021



Key Takeaways:

- New construction unaffordable to the median renter HH
- New buildings reach median affordability ~30 years post-construction
- Median Renter “affordability limit” increasing faster than median rents
- Recent growth in number of high-income renter HHs

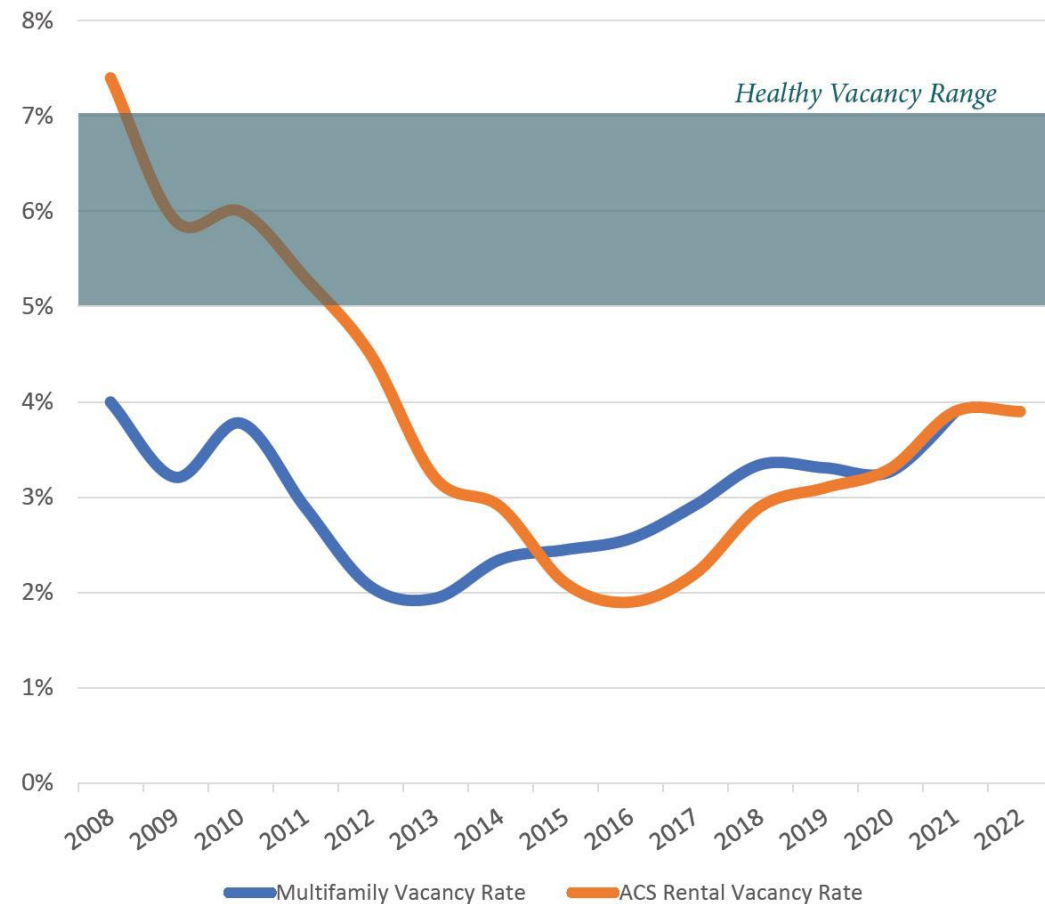


Rental Vacancy

Key Takeaways:

- Vacancy rates below healthy levels since the Great Recession
- Steady, small increases since ~2015
- Levelled off since 2020

Rental Vacancy Rate - ACS and MGE

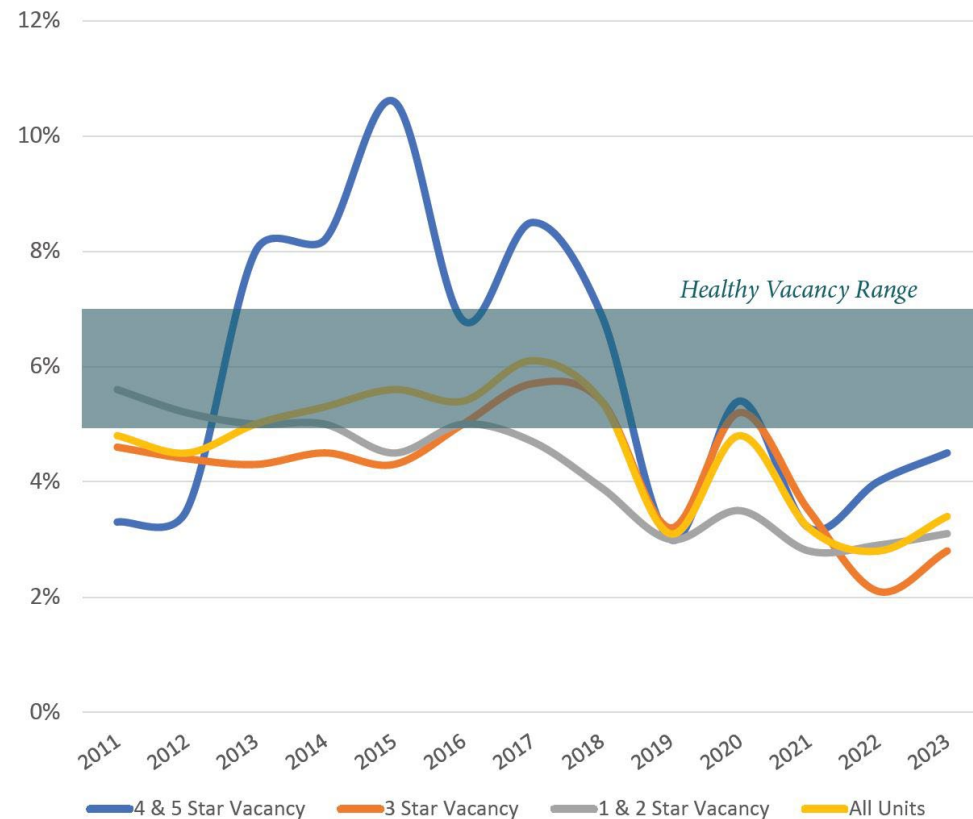


Note: MGE no longer provides Multifamily Vacancy Rate data as of Q2 2021



Rental Vacancy

Rental Vacancy Rates by Tier - CoStar Model



Note: Stars indicate quality of finishes, construction materials, amenities, design, contemporary standards (floorplan, natural light, etc.), signs of age, etc.; such that 5-star is luxury, 4-star is market, 3-star is aged, 2-star is substandard/"inadequate", and 1-star is functionally obsolete.

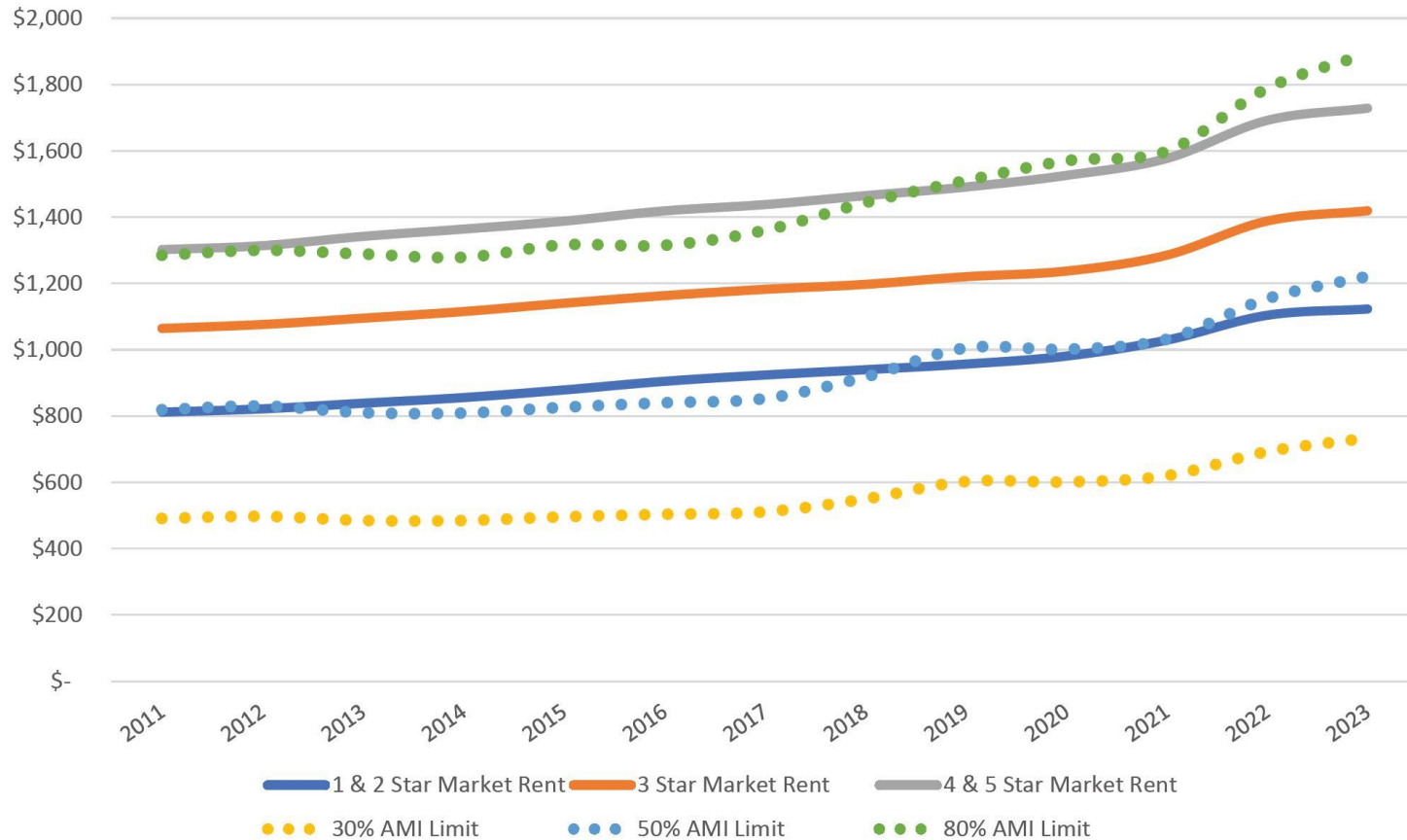
Key Takeaways:

- CoStar captures “professionally-managed” properties
- Rental market tightest in lowest-cost segments (Class B/C buildings)
- Significant variability at beginning of pandemic, has since stabilized



Rental Affordability by Income

Rental Affordability by Area Median Income



Key Takeaways:

- Tight low-cost market because 2 segments of households (<50% AMI) competing for those units
- Households at 80% AMI and above have general market affordability
- Significant increase in market rents since 2021

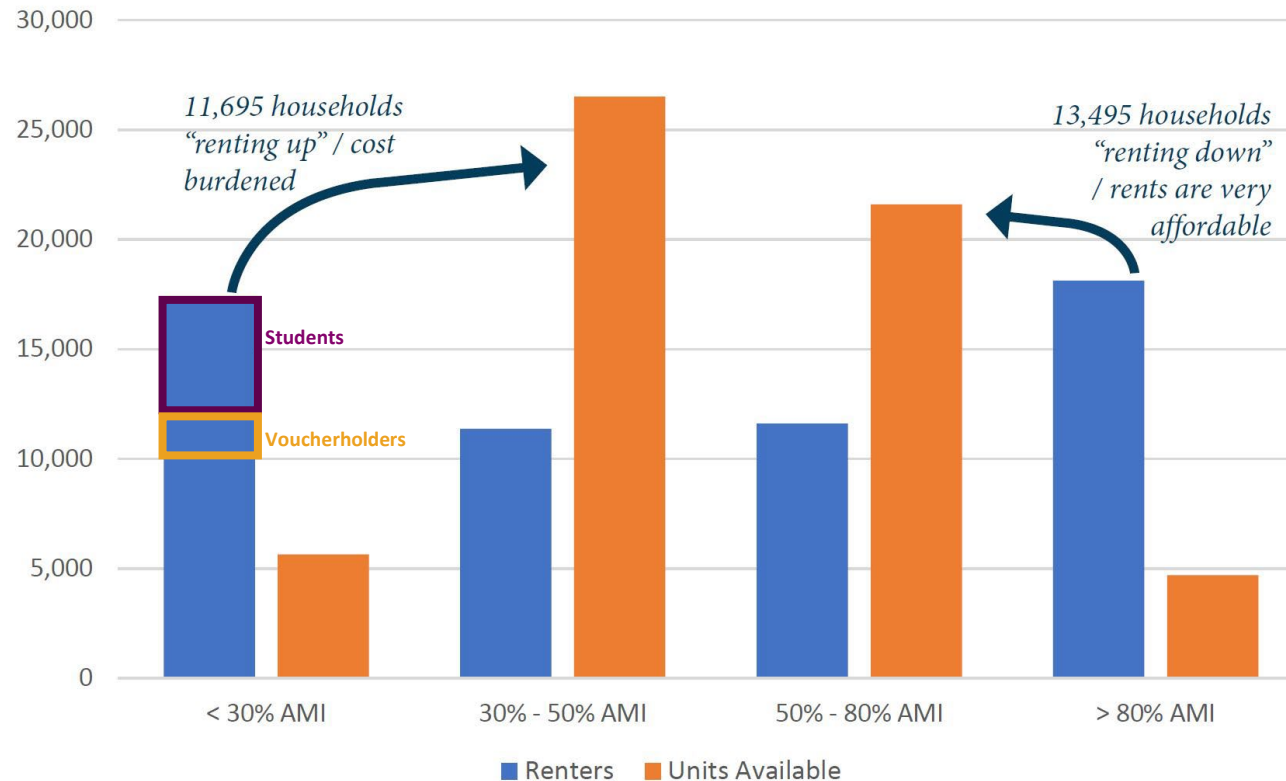


Rental Market Mismatch

Key Takeaways:

- Market gaps for:
 - < 30% AMI units
 - > 80% AMI units
- Market affordable for higher-income HHs, drastically unaffordable for lower-income HHs
- Need increasing for units at each end (gap/deficit is widening)

Rental Market Supply and Demand by Income/Rental Cost



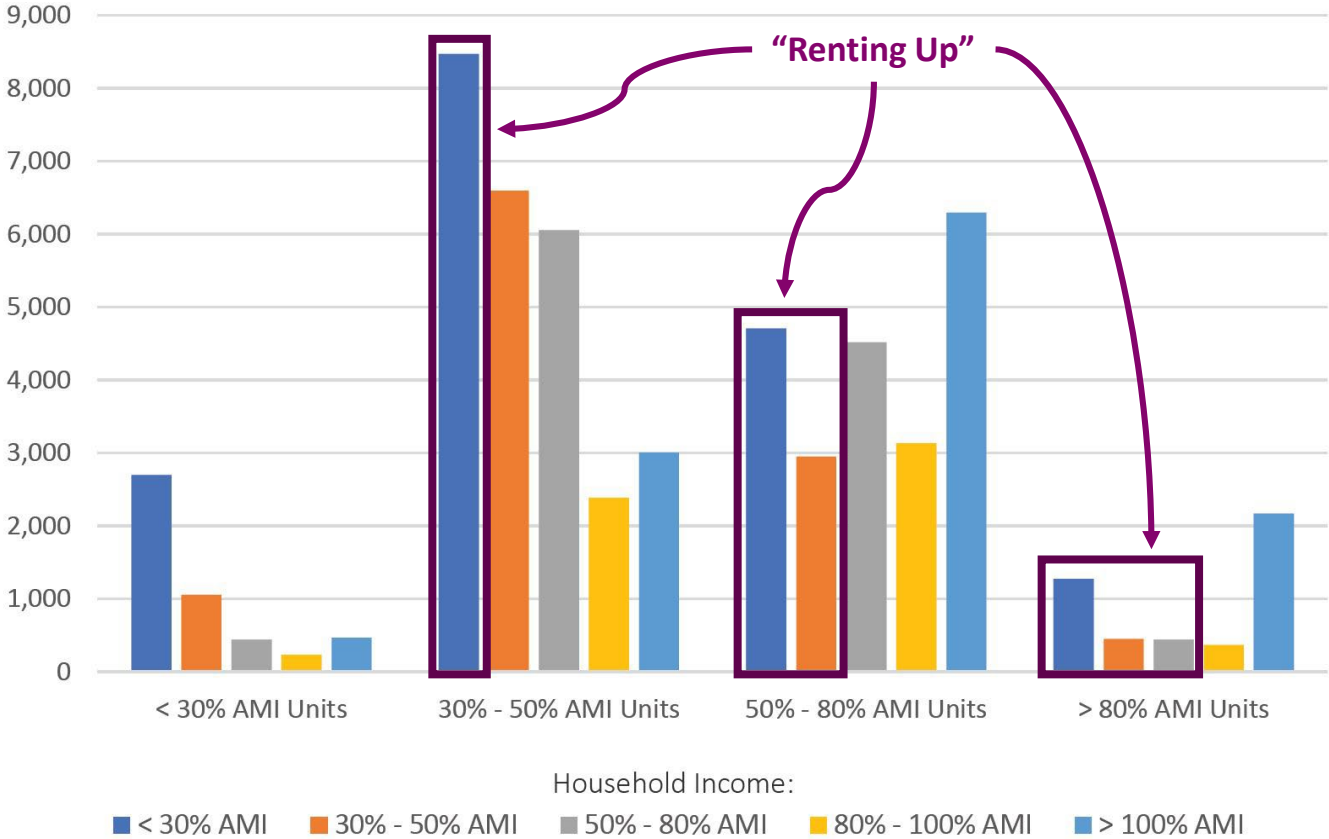


Rental Unit Consumption

Key Takeaways:

- Renting Up = households are generally cost-burdened
- Generally, though not always, done by necessity to find an open unit in the City due to mismatch

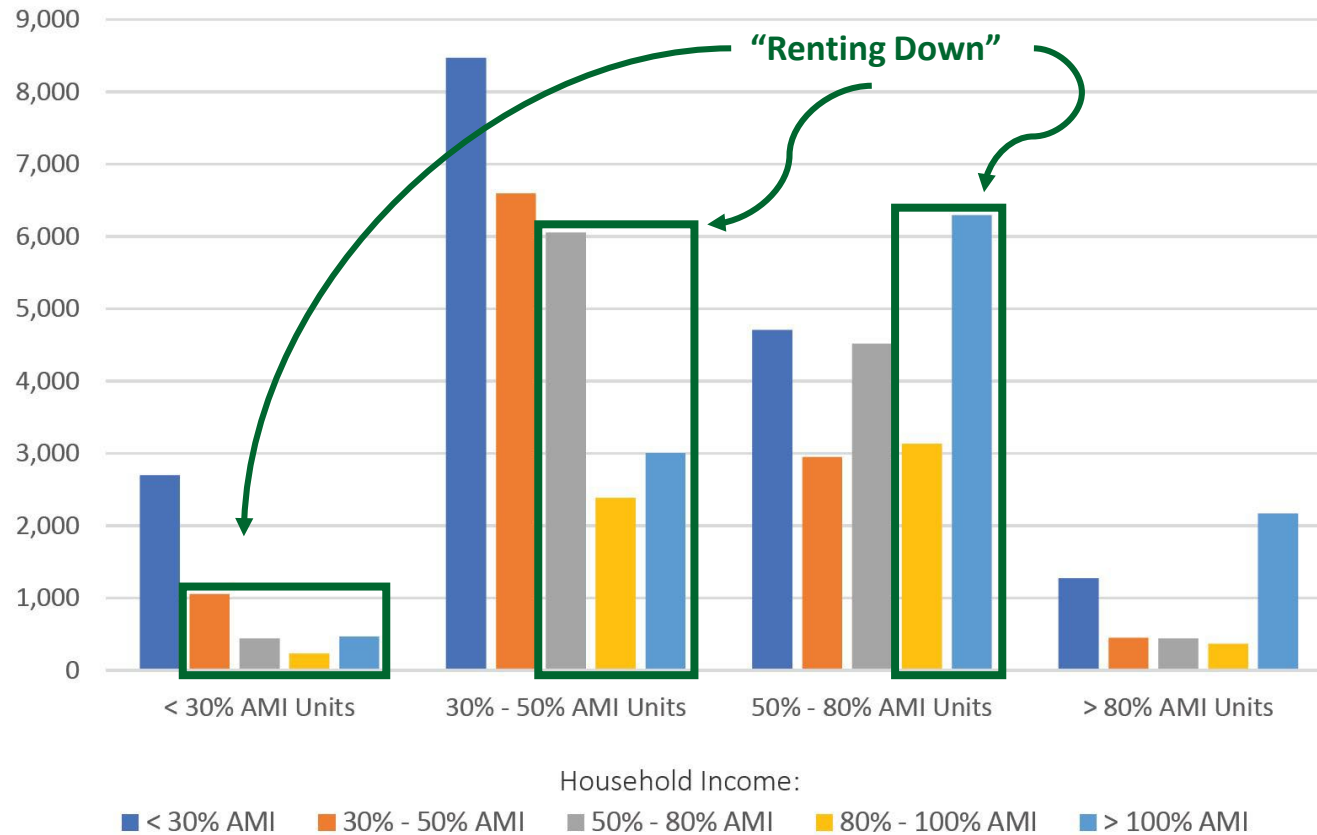
Rental Market - Units Rented by Household Income





Rental Unit Consumption

Rental Market - Units Rented by Household Income



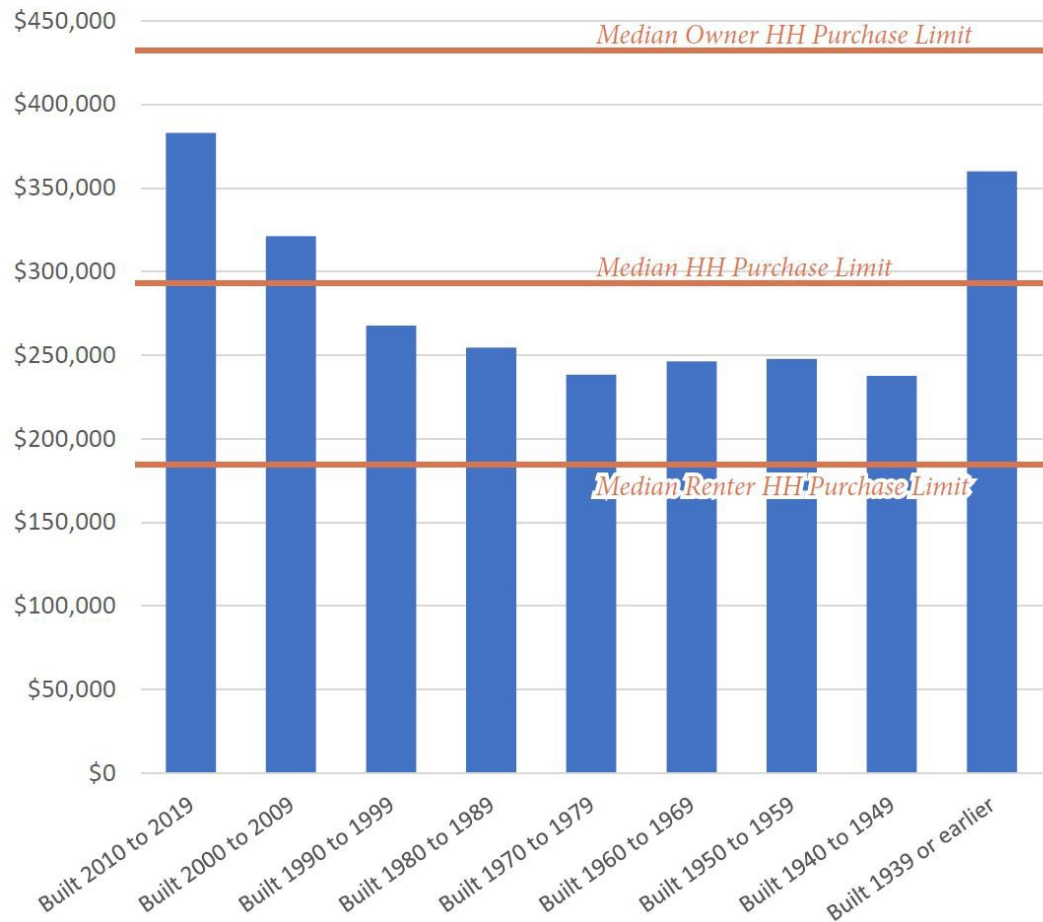
Key Takeaways:

- Renting Down = housing is generally affordable (less than 30% of income)
- Generally, though not always, done by choice to find an open unit that is more affordable to the household



Owner Affordability & Housing Age

Median Affordability by Age of Owner-Occupied Housing



Key Takeaways:

- New construction unaffordable to the median HH
- New buildings reach median affordability ~20-25 years post-construction
- Owner HHs have substantial choice in market
 - Can afford wider choices based on income alone, even without counting additional equity

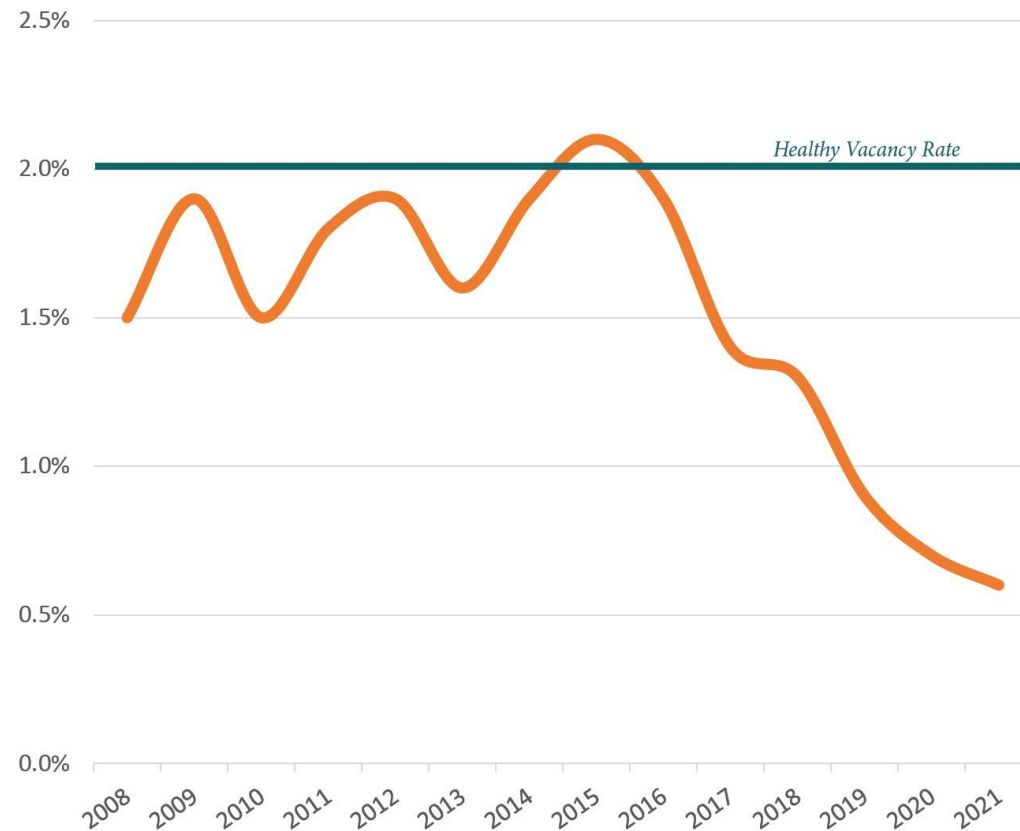
Ownership Vacancy



Key Takeaways:

- Vacancy rates below healthy levels since the Great Recession
- Continuing decrease due to tightening market
- limited construction, increasing demand

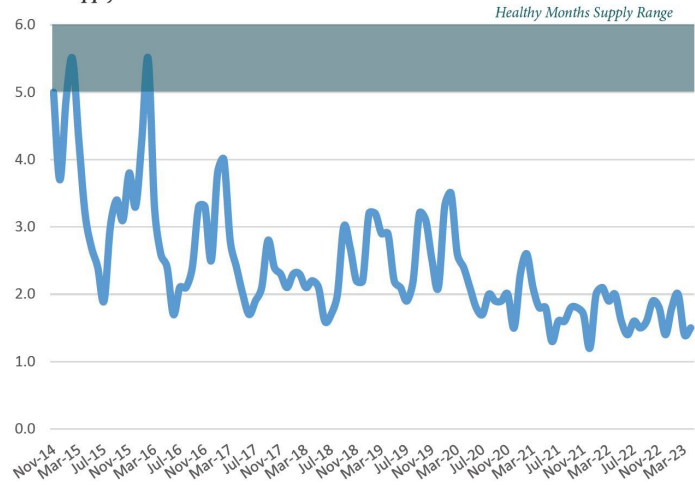
Homeowner Vacancy Rate, 2008-2021



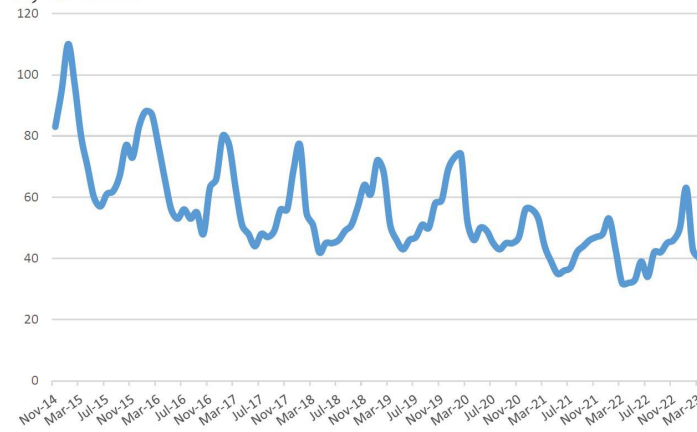


Ownership Indicators

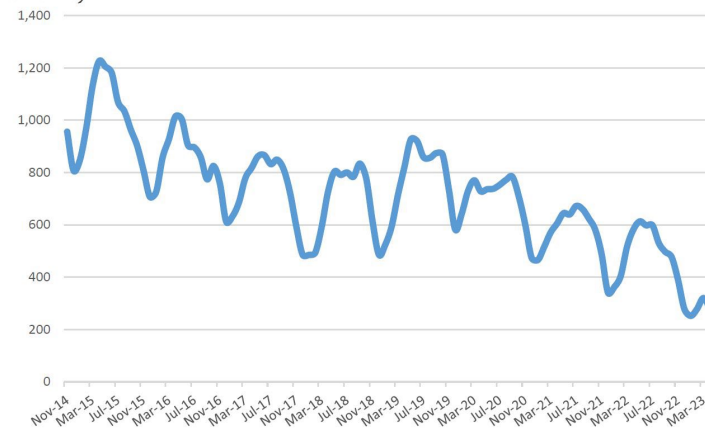
Months Supply



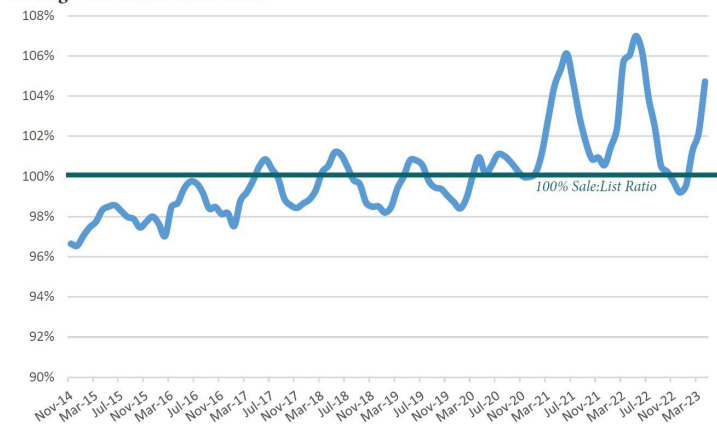
Days on Market



Inventory



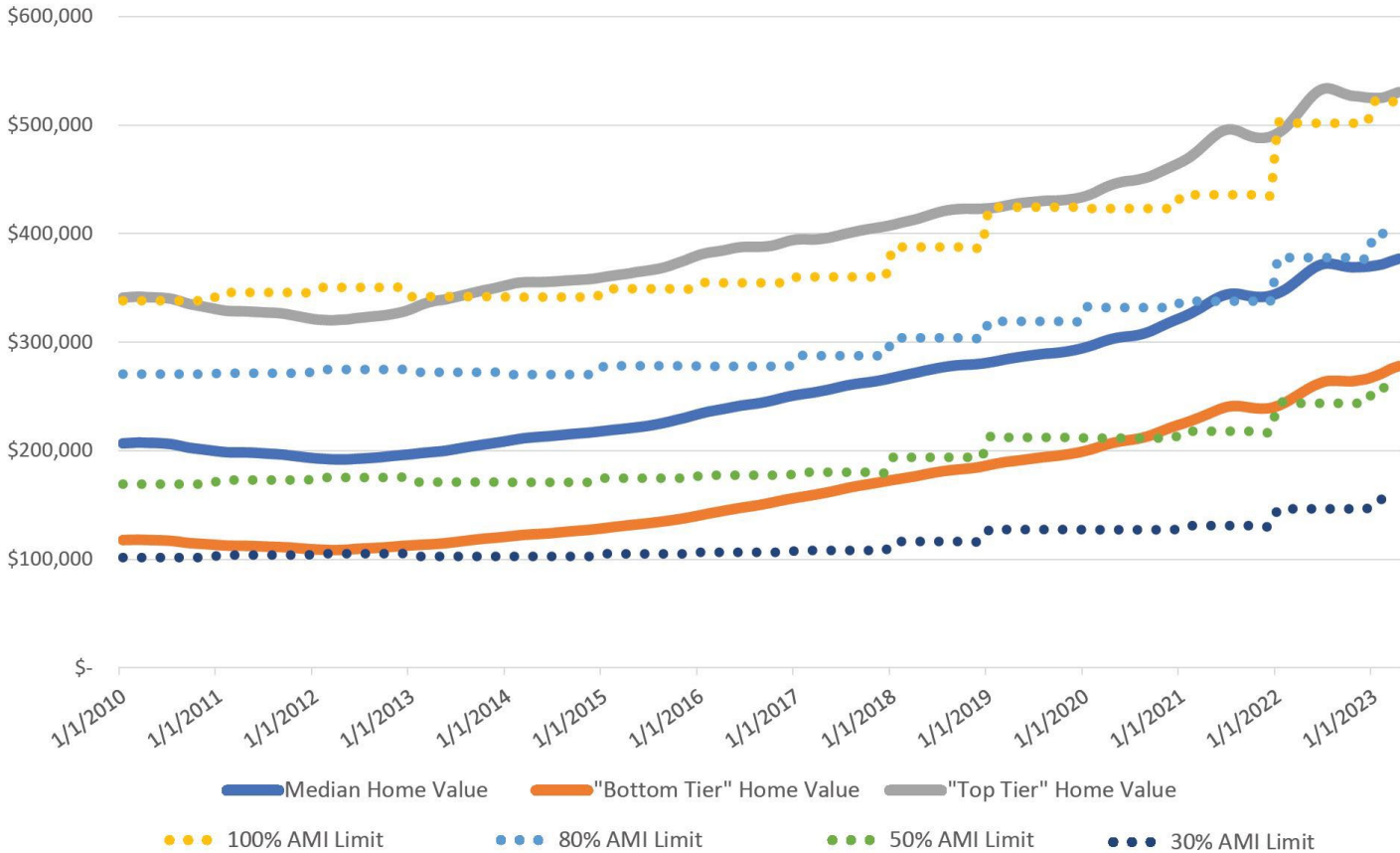
Average Sale to List Price Ratio





Ownership Affordability by Income

Ownership Attainability at Market Tiers by Area Median Income



Key Takeaways:

- Drastic appreciation in market
 - Starter homes ~\$100k in 2012 → ~\$290k in 2023
 - Median home ~\$190k in 2012 → ~\$390k in 2023
- Cost increases in ownership market is decreasing ability for lower-income households to enter market
- Even when lower-income HHs do enter market, in direct competition with higher income HH

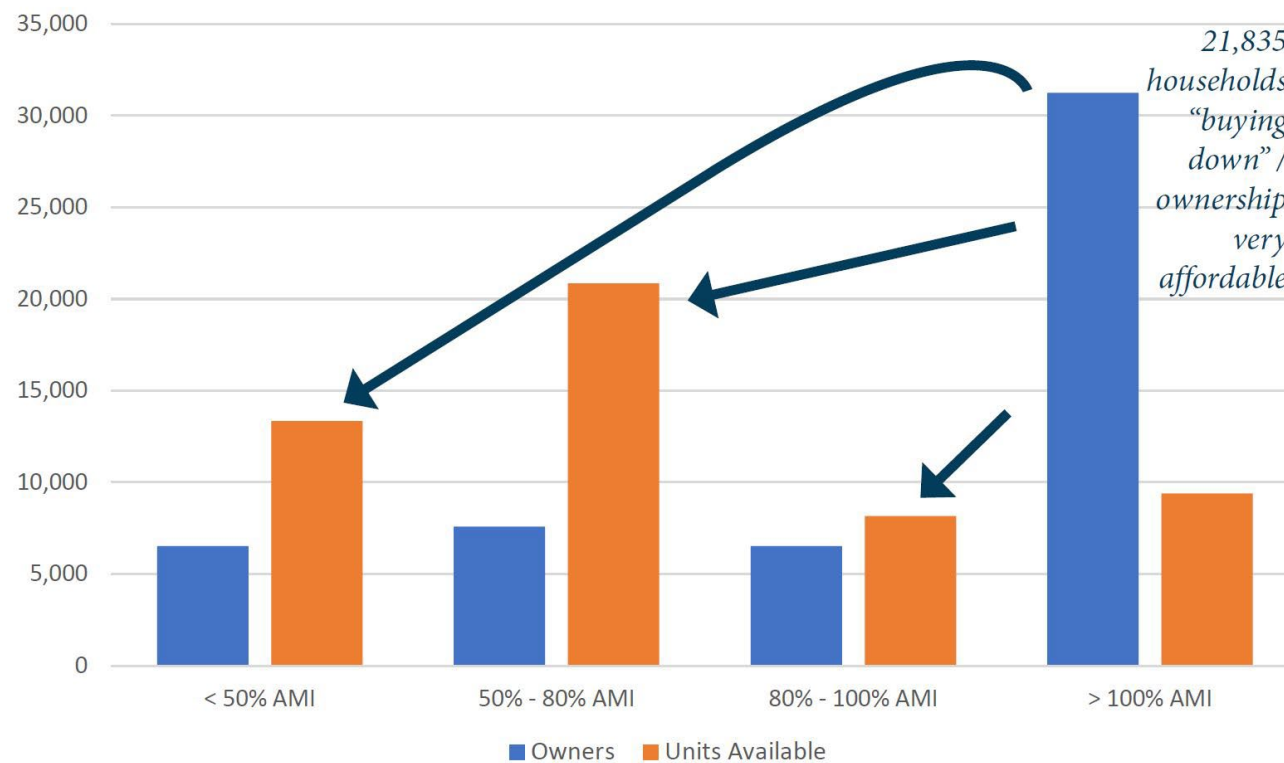


Ownership Market Mismatch

Key Takeaways:

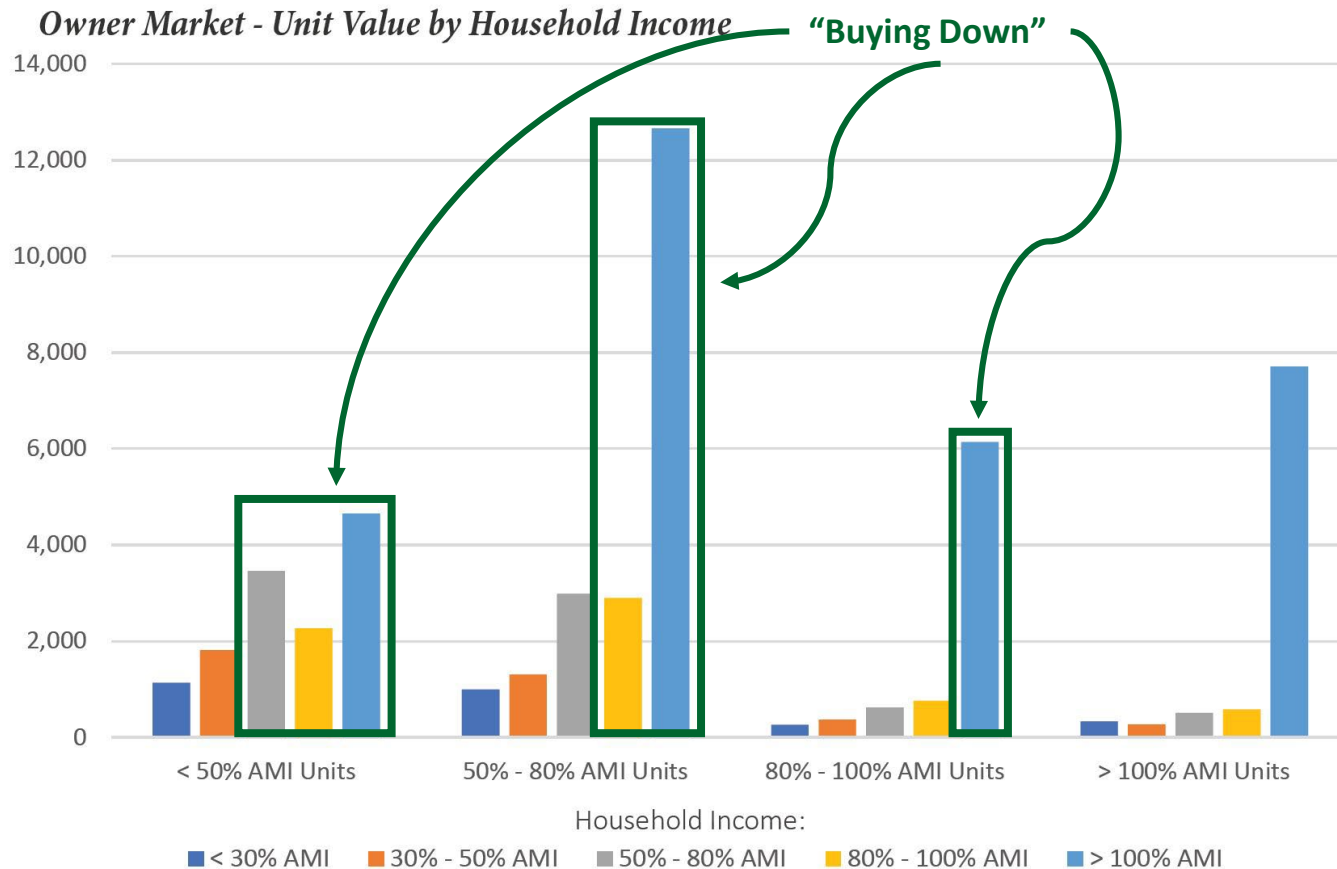
- Market dominated by high-income households
- Because of high median incomes, most ownership stock “technically affordable” to lower-income households
- But, lower-income households in direct competition with higher-income HHs, creating additional barriers to entry

Ownership Market Supply and Demand by Income/Purchase Cost





Owner Unit Consumption



Key Takeaways:

- Households >100% AMI own the plurality of units in each cost segment, including the lowest-cost homes in the market
- Drastic downward pressure in the market causing increased competition in the segment lower-income borrowers would qualify for

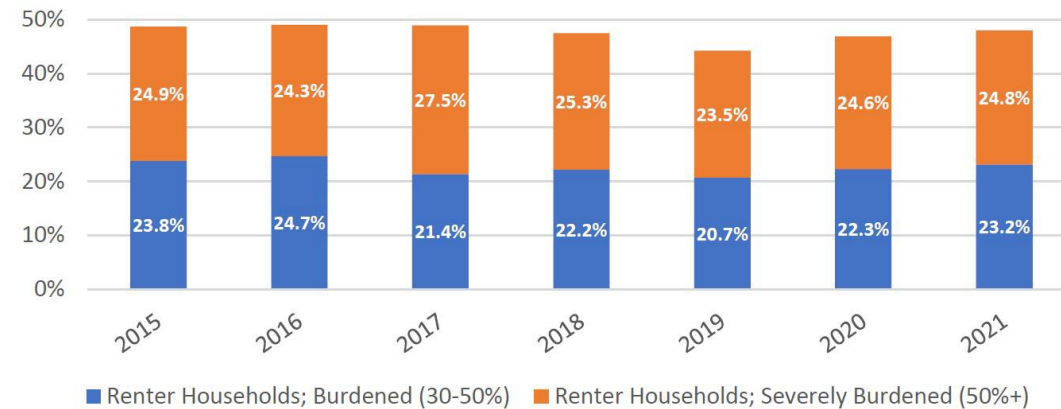


Cost Burden

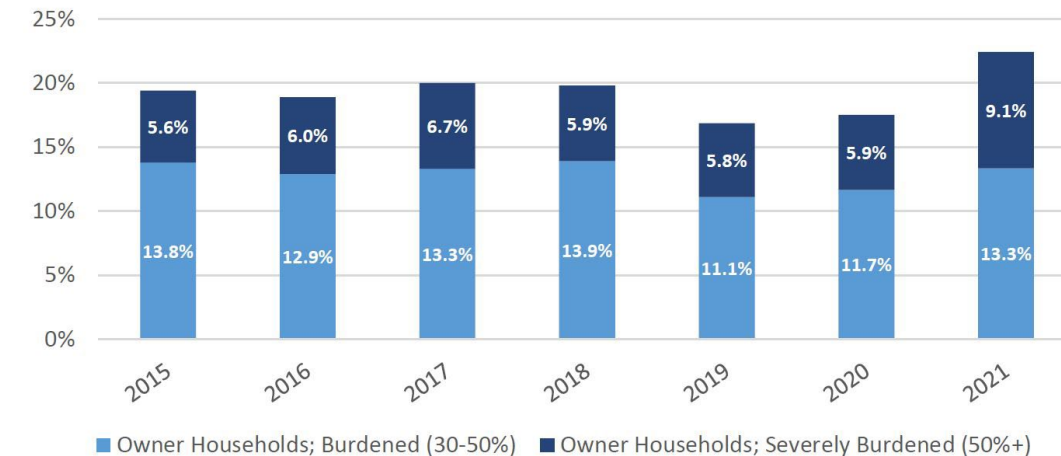
Key Takeaways:

- Increasing cost burden for renter HHs → nearly 50% spend more than 30% of income on housing
 - 25% spend more than 50% of income
- Increasing cost burden for owner HHs
 - Increased interest rates, more competition, drastic price appreciation causing potential buyers to stretch their budgets more to purchase a home

Renter Household Cost Burden



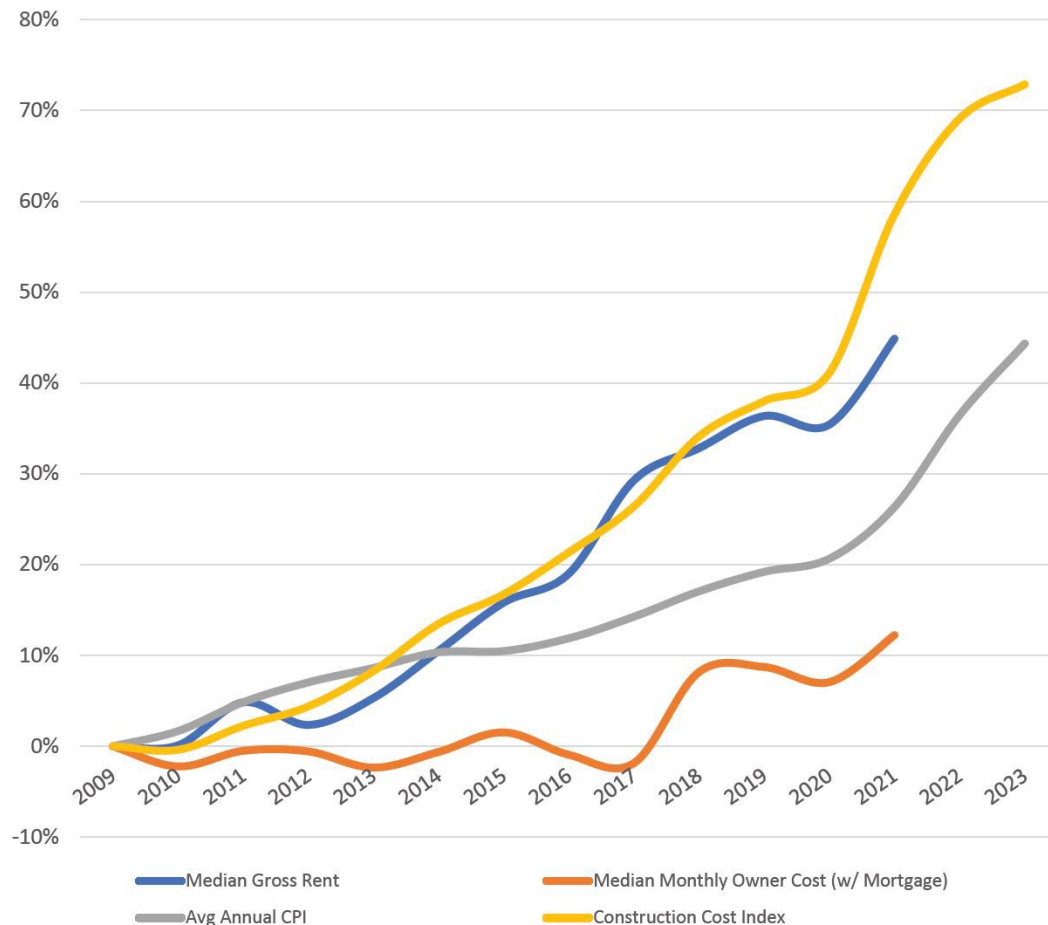
Owner Household Cost Burden





Cost Growth

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



Key Takeaways:

- Construction costs up 35pp since onset of the pandemic
- Median Gross rent increasing near rate of construction cost increases; above rate of inflation
- Monthly cost to enter ownership market increasing

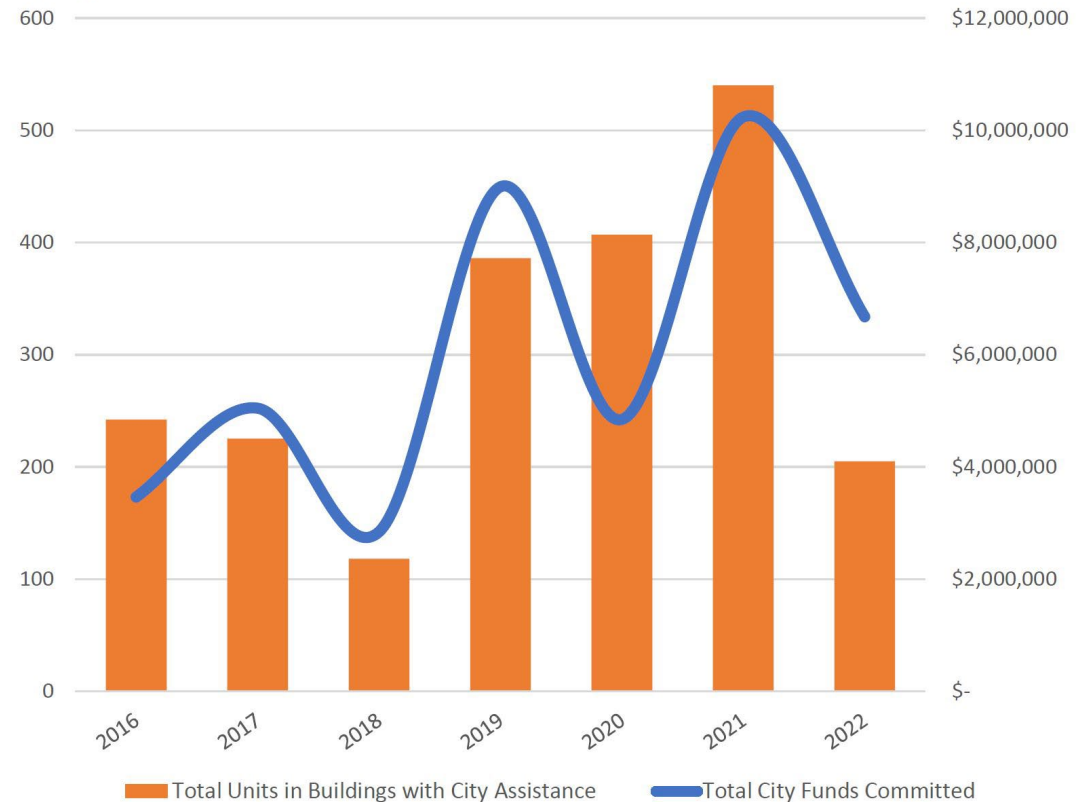


Impact of City Funding

Key Takeaways:

- City financial support has assisted in the creation of 17% of all new rental units since 2016
- Reduced impact in 2022
- Pandemic delays, cost increases, smaller scale developments, subsidy type

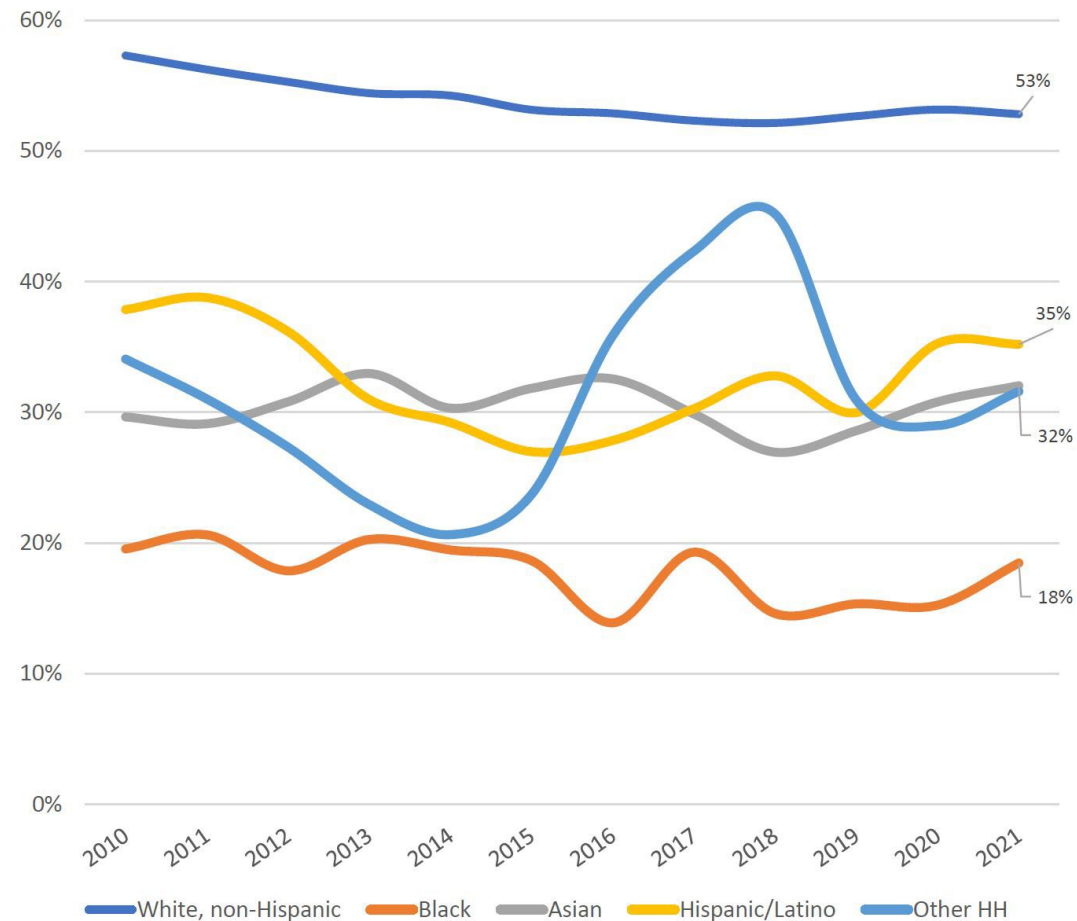
City-Supported Rental Development, 2016-2022





Ownership Demographics

Homeownership Rates by Race/Ethnicity



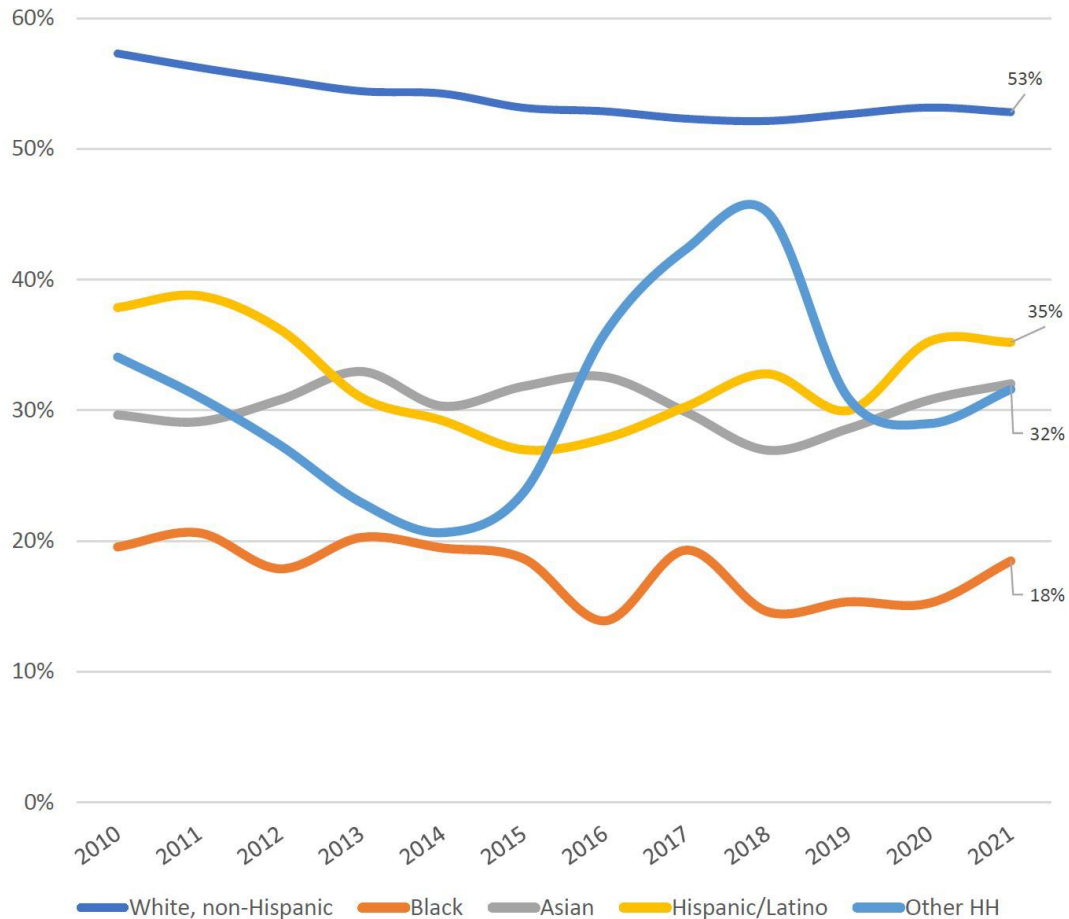
Key Takeaways:

- Steadily decreasing ownership for White HHs, though the majority of White HHs own their home
- Increasing homeownership for Asian and Hispanic/Latino households
 - About 1 out of 3 Asian or Hispanic/Latino HHs own their home
- Low, but increasing rate of Black homeownership
 - About 1 out of 5 Black households own their home



Ownership Demographics

Homeownership Rates by Race/Ethnicity



Key Takeaways:

Affordable Purchase Limit for the Median Household, 2021

White, Non-Hispanic	\$316,537
Black	\$158,860
Asian	\$281,554
Hispanic/Latino	\$250,120

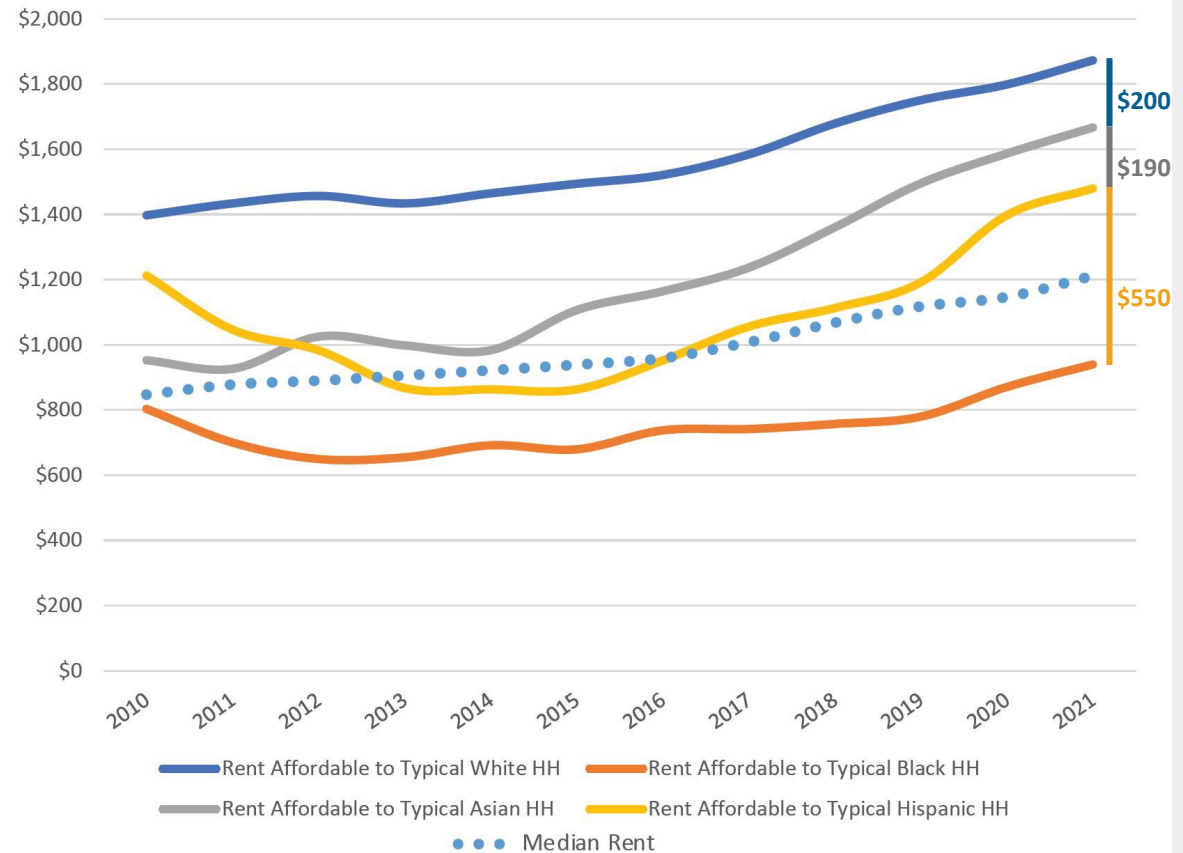


Rental Affordability by Race & Ethnicity

Key Takeaways:

- Median income has increased across all demographics
- Black households in the City are the only demographic where the median household could not afford the median rent

Rental Affordability by Race/Ethnicity



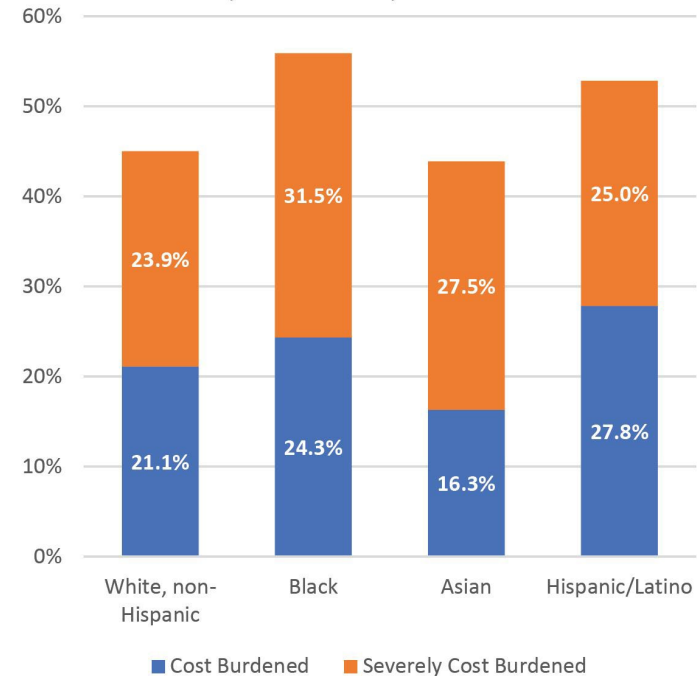


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Rental Cost Burden by Race/Ethnicity, 2019

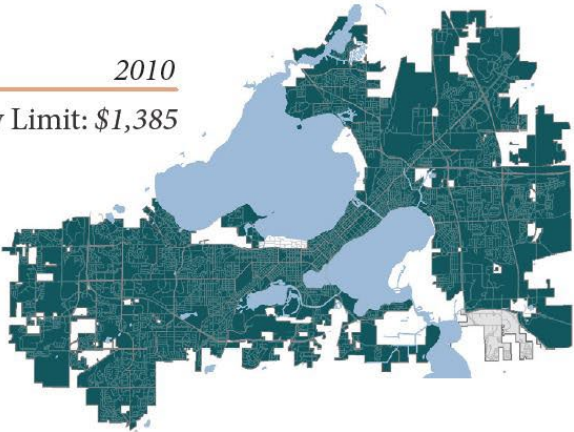




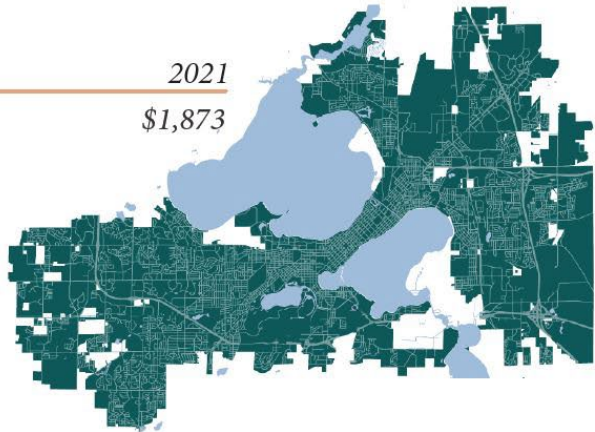
Rental Affordability & Access

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

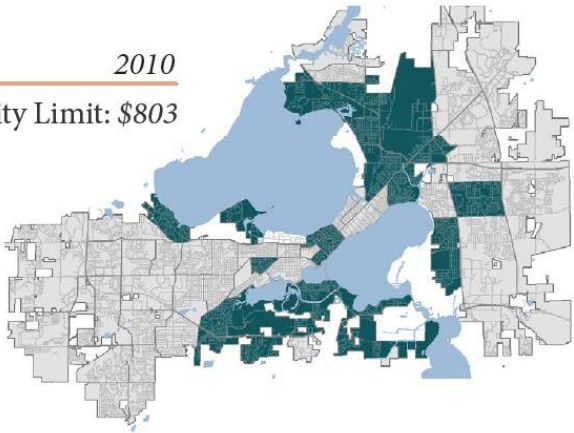
White Households: 2010
2010 Affordability Limit: \$1,385



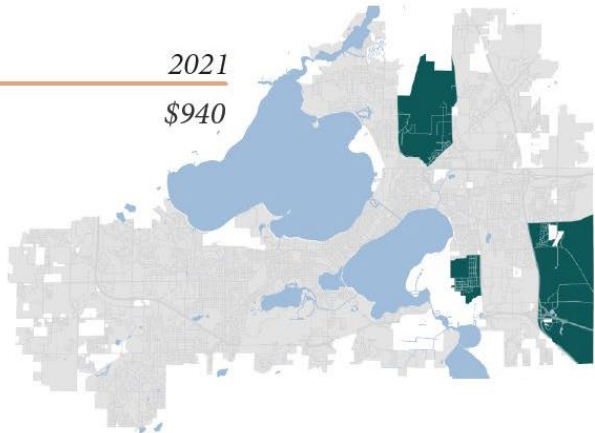
2021
\$1,873



Black Households: 2010
2010 Affordability Limit: \$803



2021
\$940

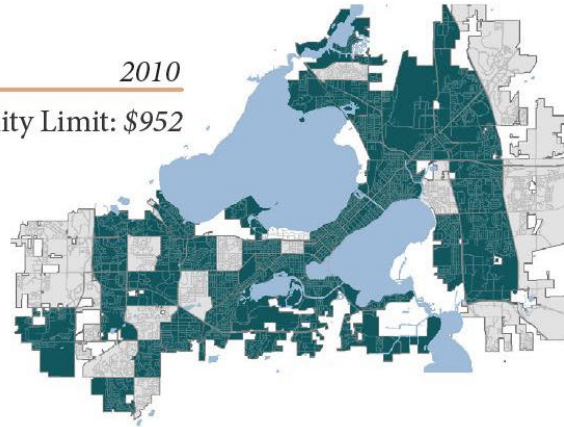




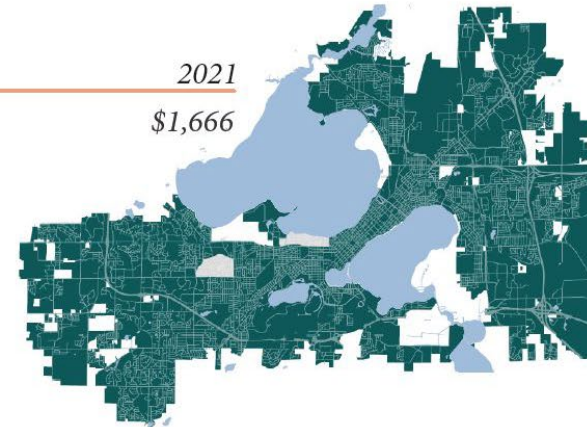
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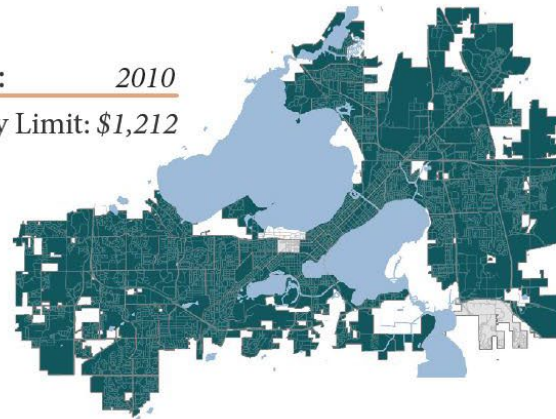
Asian Households: 2010
2010 Affordability Limit: \$952



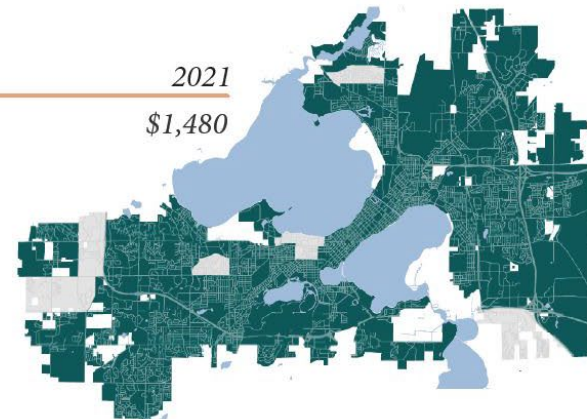
2021
\$1,666



Hispanic/Latino Households: 2010
2010 Affordability Limit: \$1,212



2021
\$1,480

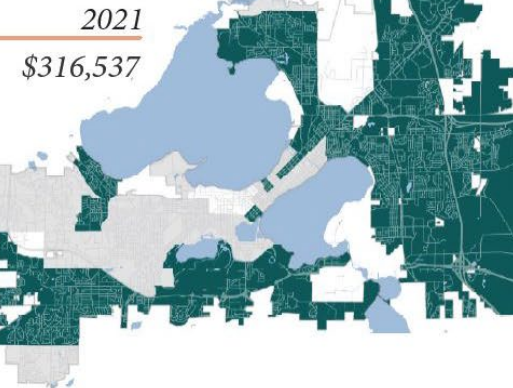
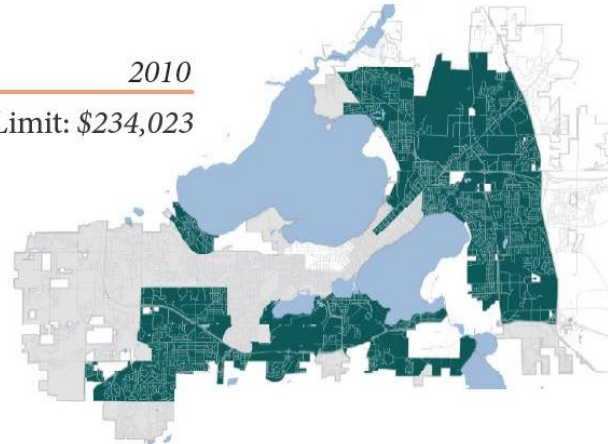




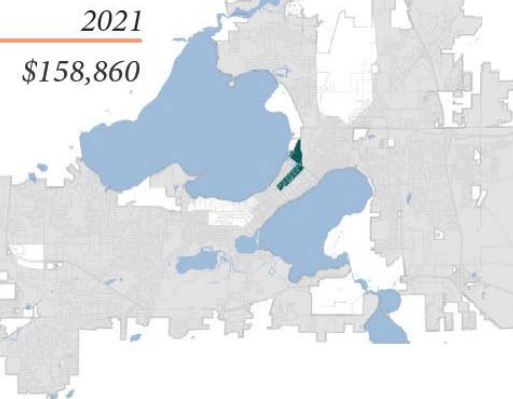
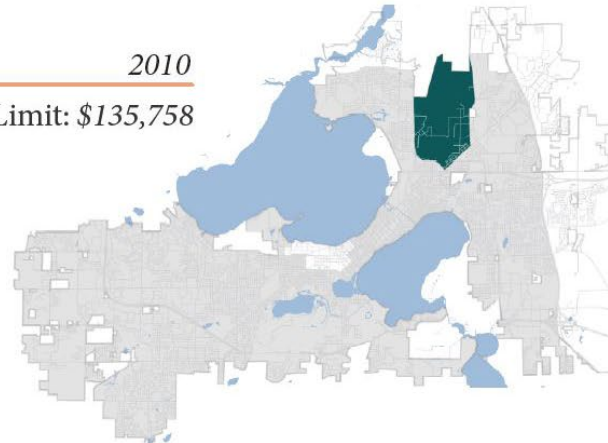
Ownership Affordability & Access

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



Black Households: 2010
2010 Affordable Purchase Limit: \$135,758





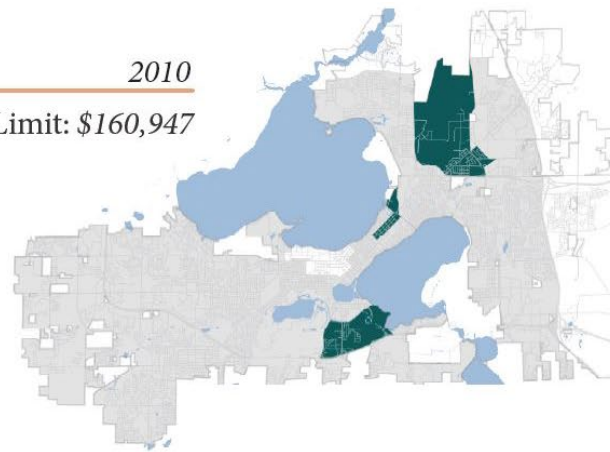
Ownership Affordability & Access

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

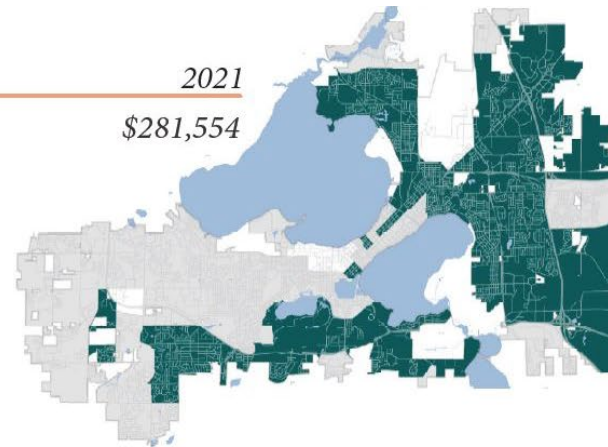
2010

2010 Affordable Purchase Limit: \$160,947



2021

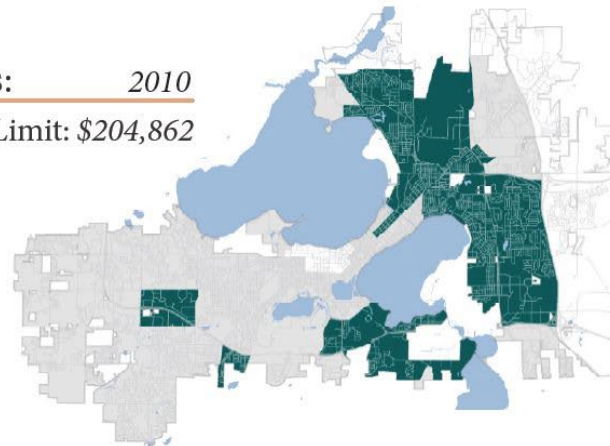
\$281,554



Hispanic/Latino Households:

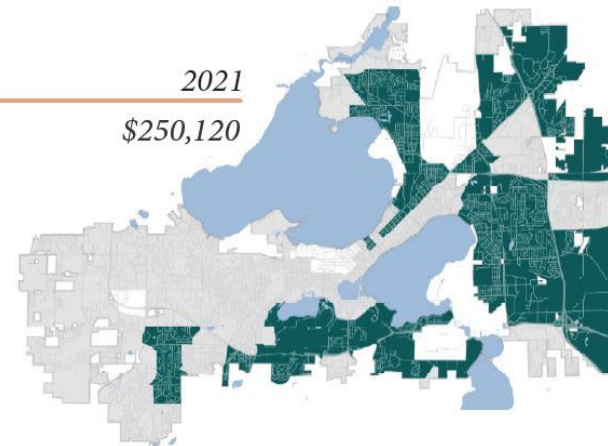
2010

2010 Affordable Purchase Limit: \$204,862



2021

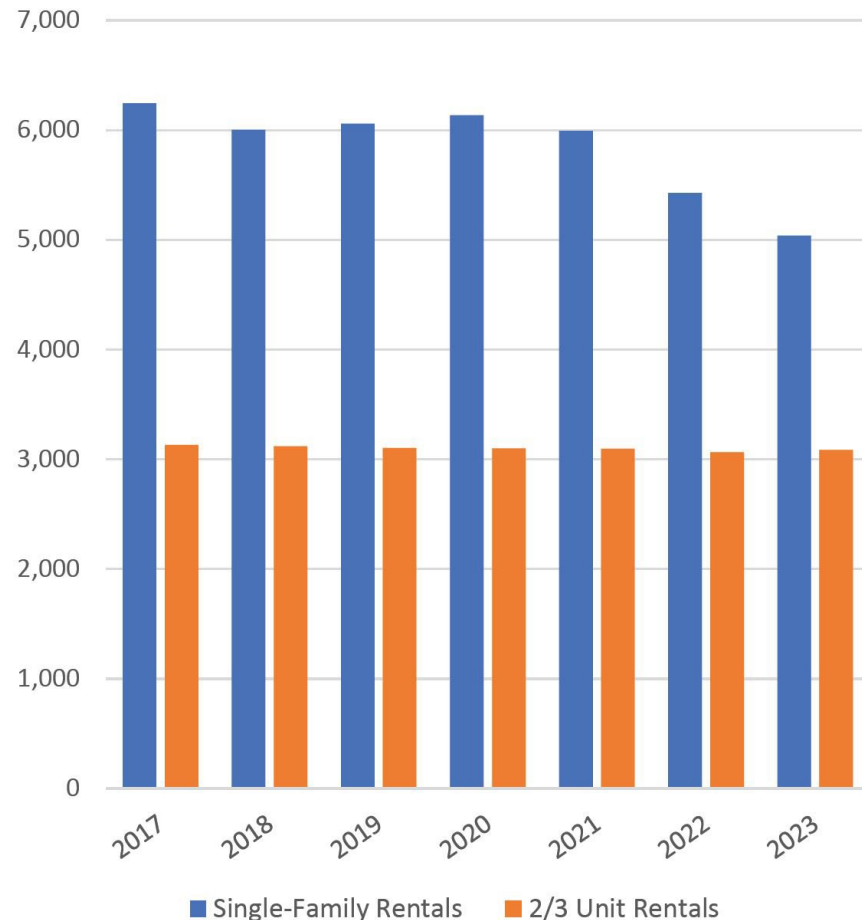
\$250,120





Tenure Transitions – Small Structure

Small-Structure Rentals



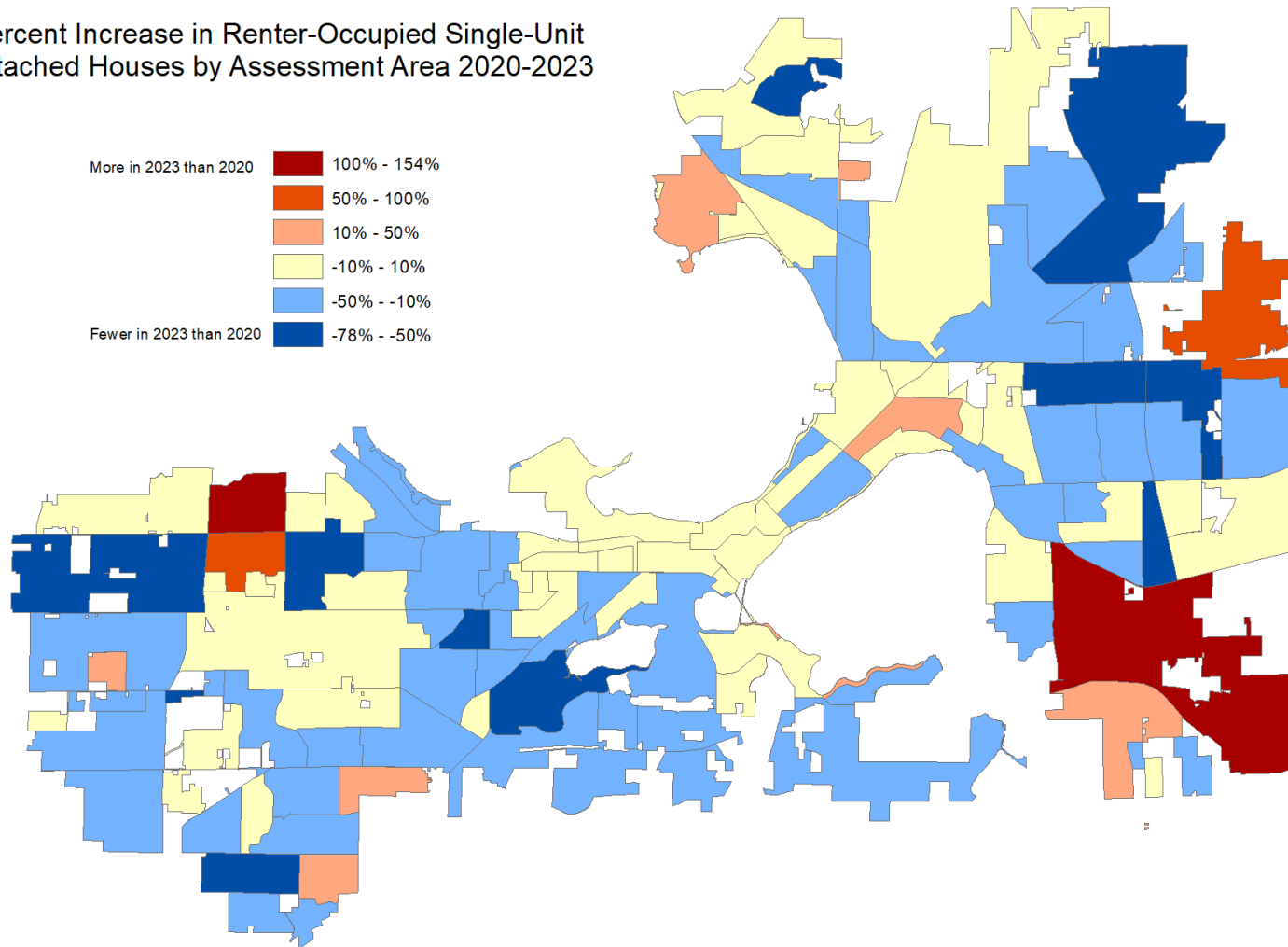
Key Takeaways:

- Ownership market has tightened, single-family production remains low, and high-income households continue to move to the City
- Conditions have caused loss of single-family rentals
 - Structures are converting to ownership on open market
 - High demand and competition among potential buyers
 - Potentially some small-scale (“mom and pop”) landlords cashing out equity in appreciating market
 - Some indication nationally that equity firms selling off single-family portfolios
- Loss of 1,098 single-family rentals to ownership since 2020
 - Represents a loss of 18% of the entire 2020 single-family rental market



Tenure Transitions – Small Structure

Percent Increase in Renter-Occupied Single-Unit Detached Houses by Assessment Area 2020-2023





Homelessness

Key Takeaways:

- Increase during pandemic
 - Housing Instability
 - Increased outreach, shelter options, and hotels
- Since 2021 high, decrease to pre-pandemic levels
- Recent reduced average length of homelessness in 2022 and 2023
 - Individuals and families finding permanent housing more quickly

Individuals Experiencing Homelessness, January Point-In-Time

