Updates on Dane County Housing: Trends and Challenges

Presentation to Dane County Housing Summit

Kurt Paulsen, October 2018
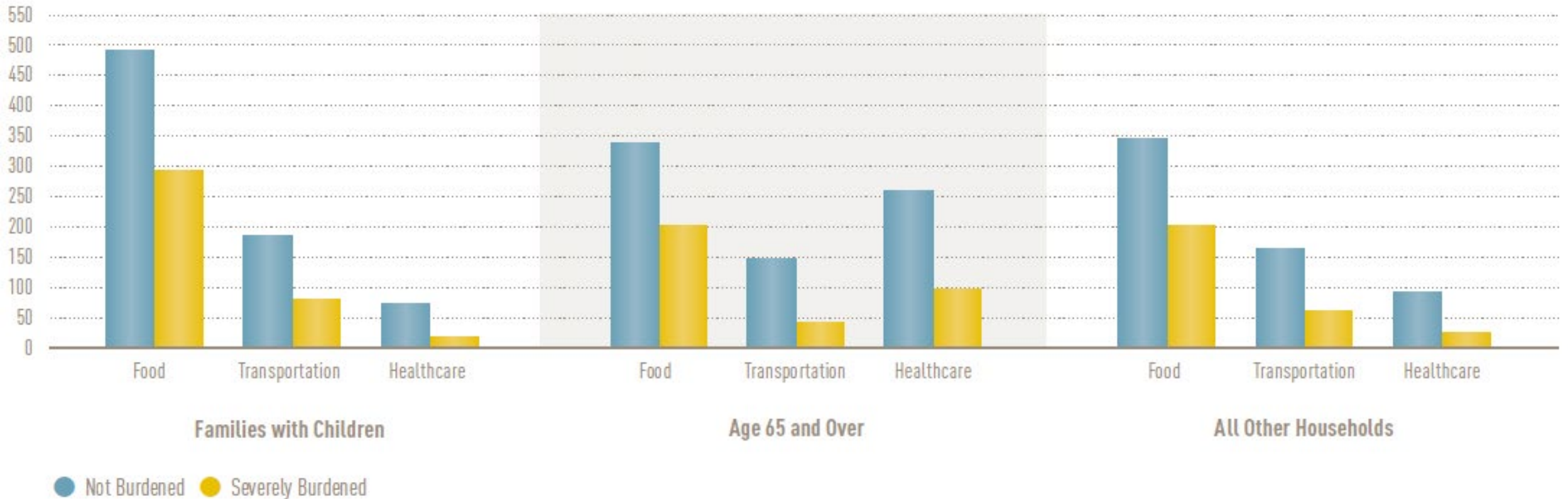
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- Dane County Housing Needs Assessment - Update 2018!
- Current trends and issues in housing in Dane County
  - Demographics and income = housing demand
  - Housing supply
  - Housing prices/costs
  - Housing cost burdens – owners and renters
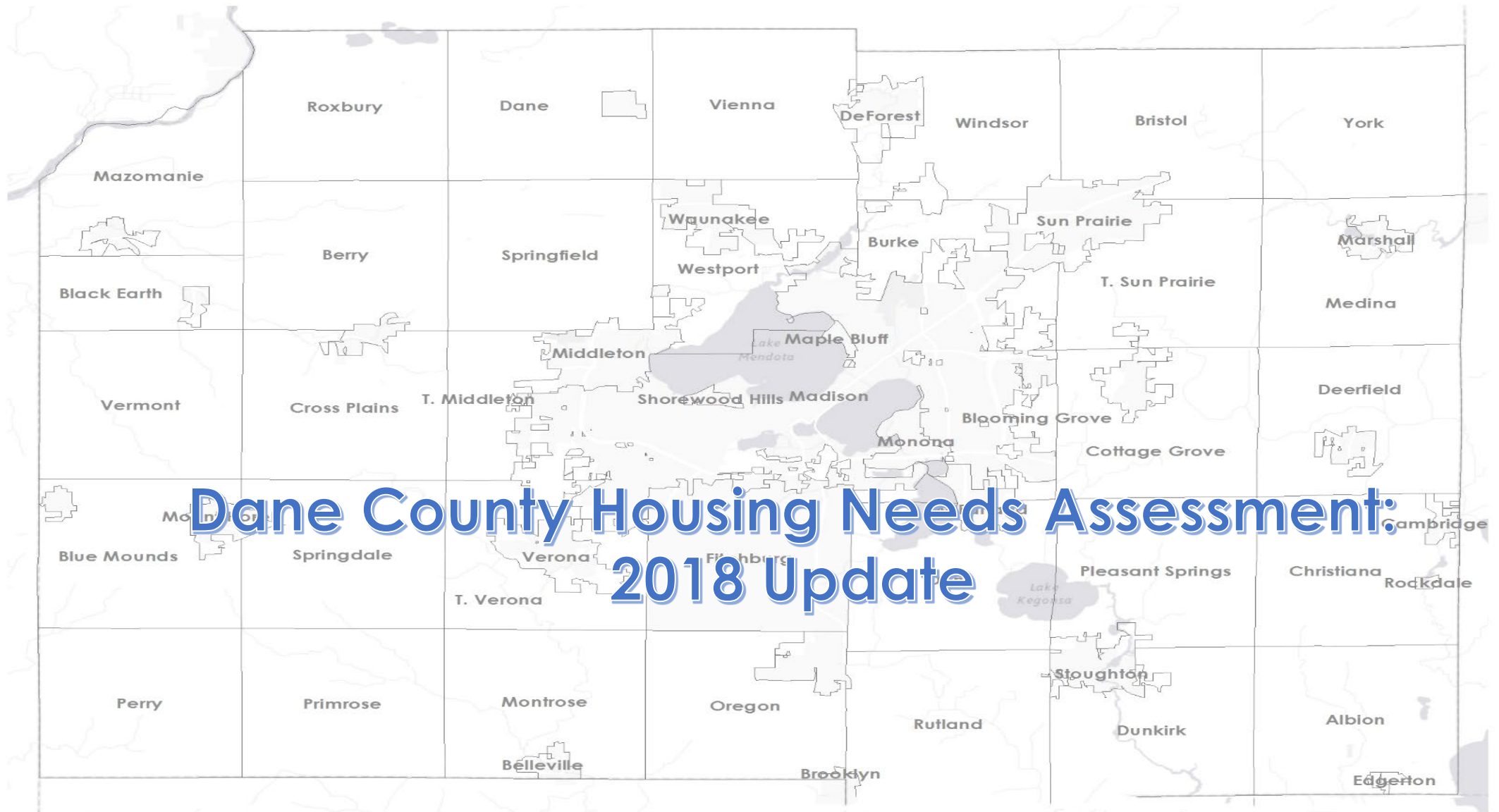 - Housing gap

Why we should all care about the cost and availability of housing …

Families with Children and Older Households Cut Back on Different Vital Needs When Housing Costs Take Up Most of Their Incomes

Average Monthly Expenditures of Low-Income Households (Dollars)
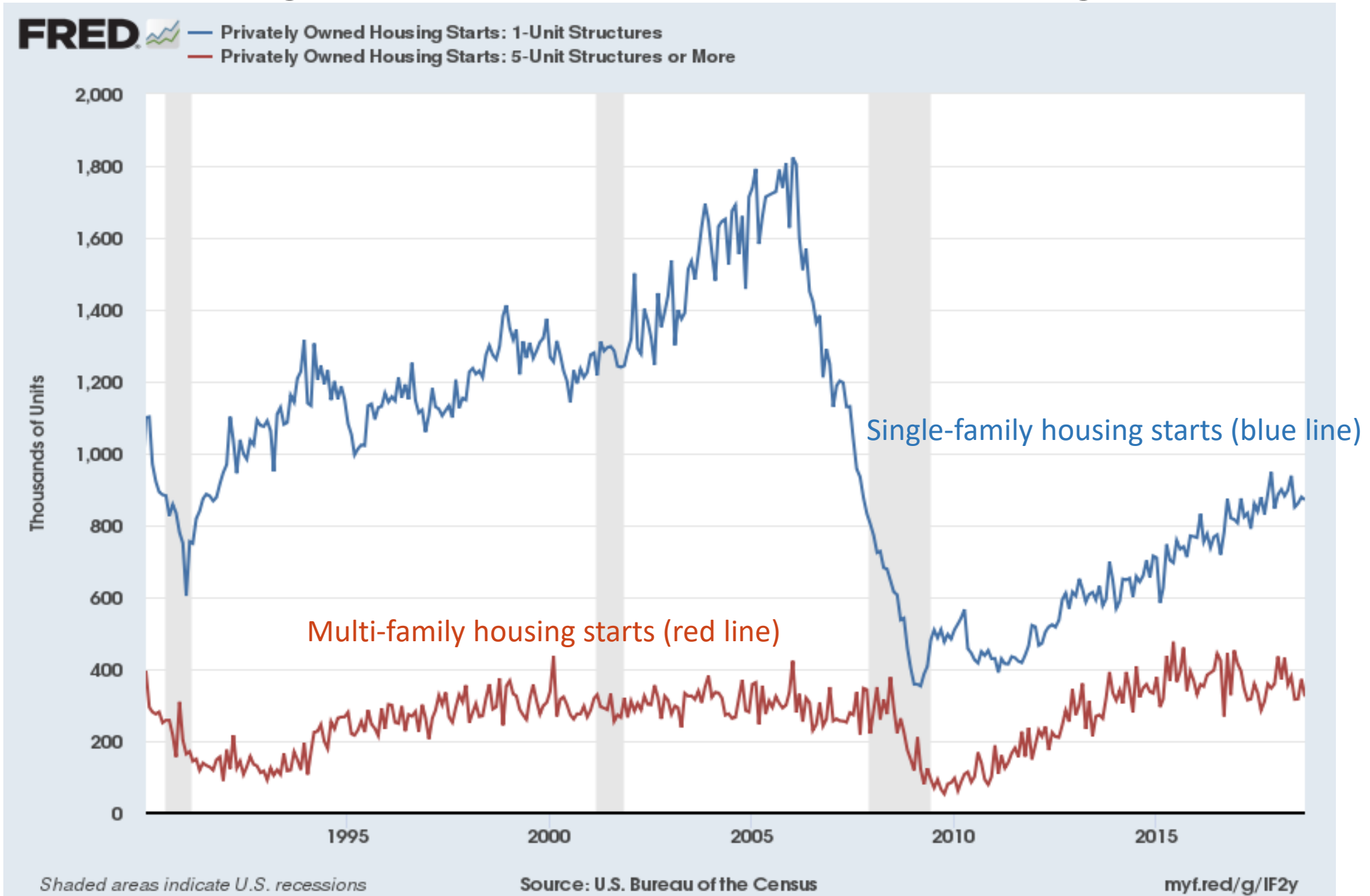

Families with Children — Food, Transportation, Healthcare
Age 65 and Over — Food, Transportation, Healthcare
All Other Households — Food, Transportation, Healthcare

● Not Burdened ● Severely Burdened

Nationwide, housing construction has recovered but still lags …

FRED — Privately Owned Housing Starts: 1-Unit Structures
— Privately Owned Housing Starts: 5-Unit Structures or More

Single-family housing starts (blue line)

Multi-family housing starts (red line)

Shaded areas indicate U.S. recessions   Source: U.S. Bureau of the Census   myf.red/g/IF2y
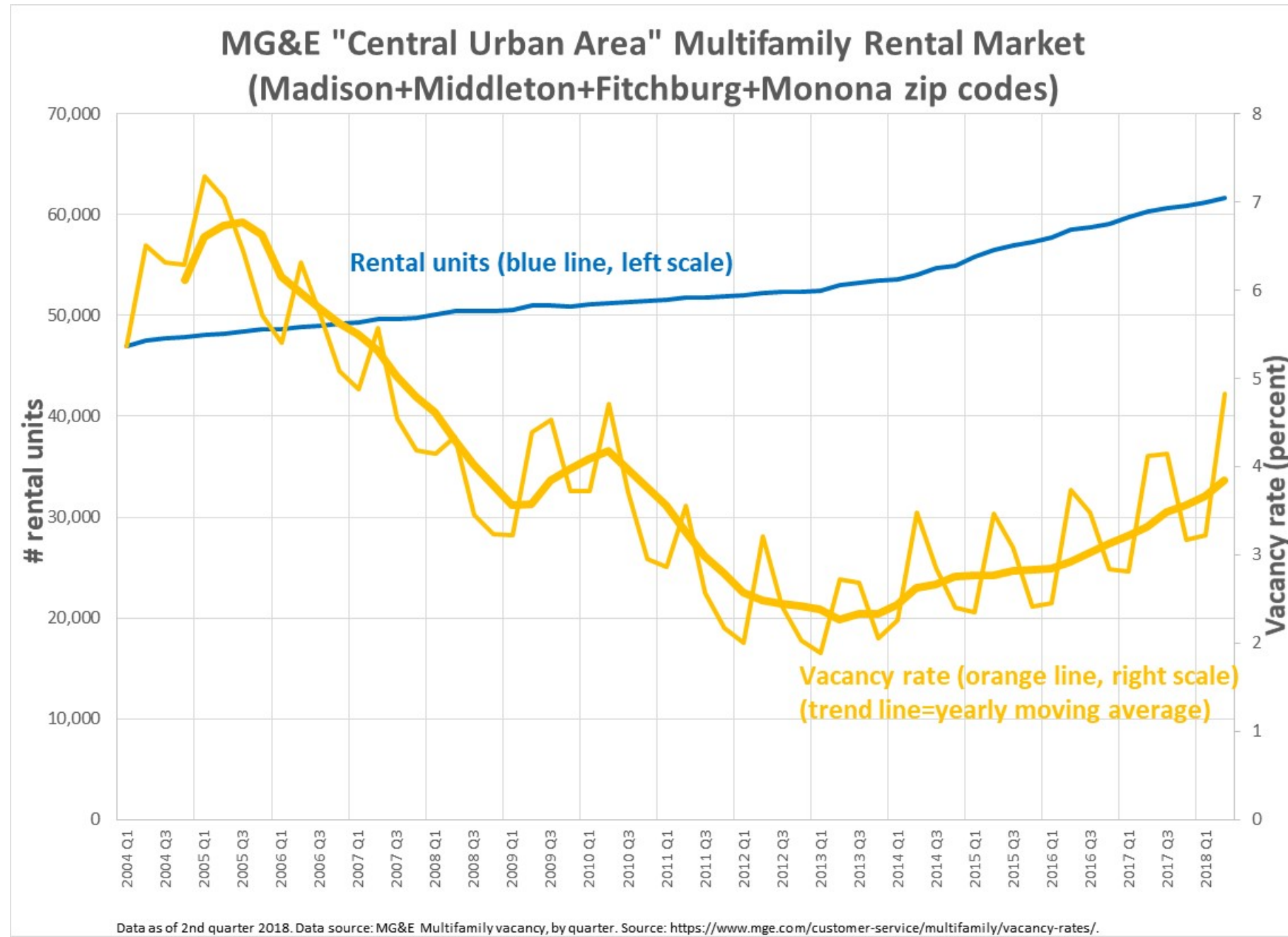
- Population and median household income in Dane County have grown 1.3% / year
- Housing units have (only) grown 1.1% / year
- Jobs have grown 1.7% / year
- Adjusted for inflation, owner-occupied homes have not grown much in value
- Rents have grown 2.3% / year

Dane County: Demographic and Housing Changes (2010-2017)

	2010	2017	Change	% Change	Ann.% Change
Population	489,309	536,416	47,107	9.6%	1.3%
Households	203,073	223,031	19,958	9.8%	1.3%
Housing units	216,230	233,007	16,777	7.8%	1.1%
Jobs	295,075	332,700	37,625	12.8%	1.7%
Inflation-adjusted to 2017$:					
Median household income (in 2017$)	$65,935	$72,268	$6,333	9.6%	1.3%
Median owner household income (in 2017$)	$90,966	$96,973	$6,007	6.6%	0.9%
Median renter household income (in 2017$)	$36,001	$42,189	$6,188	17.2%	2.3%
Median value of owner-occupied homes (in 2017$)	$259,869	$263,300	$3,431	1.3%	0.2%
Median gross rent (in 2017$)	$945	$1,053	$108	11.4%	1.6%

"Core" Urban apartment market has seen lots of construction, vacancies remain lower than 5%

MG&E "Central Urban Area" Multifamily Rental Market
(Madison+Middleton+Fitchburg+Monona zip codes)

Rental units (blue line, left scale)

Vacancy rate (orange line, right scale)
(trend line=yearly moving average)

Data as of 2nd quarter 2018. Data source: MG&E Multifamily vacancy, by quarter. Source: https://www.mge.com/customer-service/multifamily/vacancy-rates/.
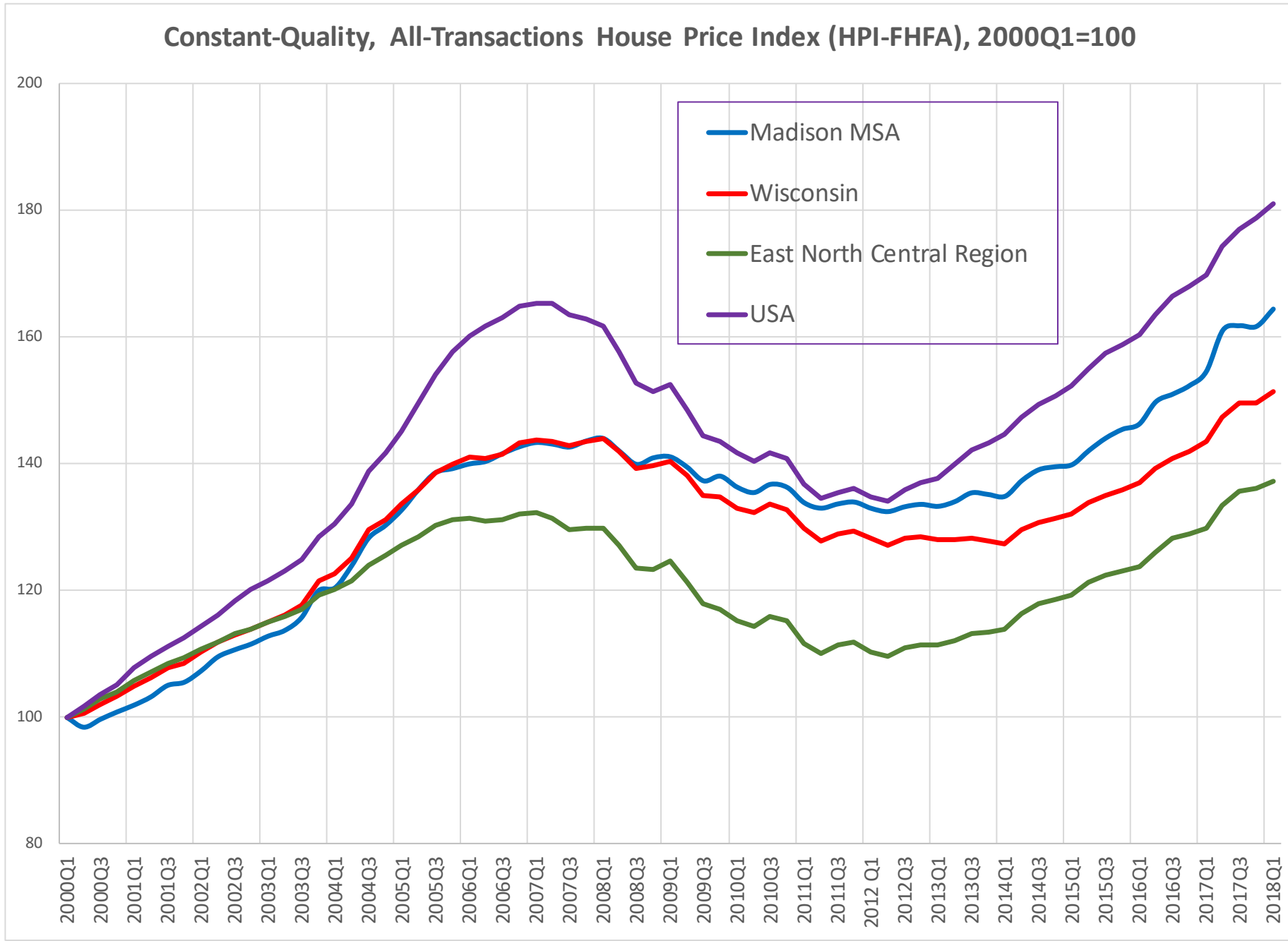
Dane County, despite robust construction, "underproduced" 11,000 housing units (2006-2017).

Wisconsin's 20 largest counties underproduced nearly 20,000 housing units from 2006-2017

	Growth in households (2006-2017)	Growth in housing units (2006-2017)	Ratio of household growth to housing unit growth	Housing "Underproduction"
Milwaukee County	206	10,754	0.0192	
Dane County	**36,334**	**25,128**	**1.4460**	**11,206**
Waukesha County	13,199	10,986	1.2014	2,213
Brown County	9,806	8,145	1.2039	1,661
Racine County	2,319	2,645	0.8767	
Outagamie County	5,727	6,249	0.9165	
Winnebago County	3,134	4,903	0.6392	
Kenosha County	3,737	3,922	0.9528	
Rock County	2,516	1,480	1.7000	1,036
Marathon County	3,183	3,231	0.9851	
Washington County	4,019	4,289	0.9370	
La Crosse County	3,402	3,859	0.8816	
Sheboygan County	1,772	1,440	1.2306	332
Eau Claire County	2,504	3,156	0.7934	
Walworth County	3,208	2,671	1.2010	537
Fond du Lac County	3,727	2,929	1.2724	798
St. Croix County	3,164	3,246	0.9747	
Ozaukee County	2,909	2,082	1.3972	827
Dodge County	1,311	1,354	0.9682	
Jefferson County	3,469	2,241	1.5480	1,228
20 Largest Wisconsin Counties	*109,646*	*104,710*	*1.0471*	*19,838*

Overall affordability: changes in Madison area house prices track state, nation

Constant-Quality, All-Transactions House Price Index (HPI-FHFA), 2000Q1=100

Legend:
- Madison MSA
- Wisconsin
- East North Central Region
- USA

Recovery from foreclosure crisis and recession: Except for lowest income category, extremely cost-burdened OWNER households declined.

	Owners		
Income category	Extremely cost-burdened (2006-2010)	Extremeley cost-burdened (2011-2015)	Change
Less than 30-percent of AMI	3,115	3,490	↑
Between 30- and 50-percent of AMI	3,165	2,575	↓
Between 50- and 80-percent of AMI	2,680	1,890	↓
Between 80- and 100-percent of AMI	5,235	365	↓
More than 100-percent of AMI	8,610	405	↓

Recovery? Except for highest 2 income categories, number of extremely cost-burdened renter households increased.

Income category	Renters		Change
	Extremely cost-burdened **(2006-2010)**	Extremeley cost-burdened **(2011-2015)**	
Less than 30-percent of AMI	10,285	13,050	↑
Between 30- and 50-percent of AMI	2,145	2,350	↑
Between 50- and 80-percent of AMI	430	650	↑
Between 80- and 100-percent of AMI	85	15	↓
More than 100-percent of AMI	170	20	↓

Progress? While total numbers of extremely cost-burdened lower-income renters *increased,* there was a 1.4 percentage point decrease in extreme cost-burdens.

At 2006-2010 rates: 1,000 more households would have been in extreme burden.

Income category	Renters		
	Extremely cost-burdened **(2006-2010)**	Extremeley cost-burdened **(2011-2015)**	Change
Less than 30-percent of AMI	68.6%	67.2%	↓
Between 30- and 50-percent of AMI	16.4%	13.5%	↓
Between 50- and 80-percent of AMI	2.4%	3.2%	↑
Between 80- and 100-percent of AMI	1.0%	0.2%	↓
More than 100-percent of AMI	1.2%	0.1%	↓

The City of Madison has slightly less than half of the county population, but almost 64 percent of the extremely low-income renter population.

	Occupied housing units	Percent of County's Total Occupied Housing Units	Percent of County's Extremely low-income (below 30% AMI) renter households	Percent of County's greater-than-100% AMI households
Cities				
Madison	104,085	49.31%	63.73%	43.26%
Sun Prairie	12,315	5.83%	5.15%	5.87%
Fitchburg	10,790	5.11%	6.73%	5.16%
Middleton	8,565	4.06%	3.22%	4.34%
Stoughton	5,240	2.48%	3.04%	2.32%
Verona	4,750	2.25%	1.08%	3.19%
Monona	3,940	1.87%	2.53%	1.59%
Cities Total	**149,685**	**70.91%**	**85.48%**	**65.72%**

Determining Housing Gap 1: Rental units available affordable at income levels relative to number of households.

Table 13. Affordable rental housing supply gap for under-30-percent-AMI renter households, 2015

	Renter Households with incomes below 30% AMI	Rental Units whose rent is affordable to households at 30% AMI	Affordable rental housing gap for households with incomes below 30% AMI
Cities			
Madison	12,365	4,320	8,045
Sun Prairie	1,000	245	755
Fitchburg	1,305	250	1,055
Middleton	625	205	420
Stoughton	590	250	340
Verona	210	30	180
Monona	490	220	270
Cities Total	*16,585*	*5,520*	*11,065*

Determining Housing Gap 2: Extremely Cost-burdened Households living in each municipality.

Table 14. Extremely-Cost-Burdened Households, by tenure and income category, Dane County municipalities, 2015

	Owner Households			Renter Households		
	Less than 30% AMI	Between 30% AMI and 50% AMI	Between 50% AMI and 80% AMI	Less than 30% AMI	Between 30% AMI and 50% AMI	Between 50% AMI and 80% AMI
Cities						
Madison	1,570	1,115	650	8,045	1,225	545
Sun Prairie	150	120	90	705	120	15
Fitchburg	85	60	145	915	155	45
Middleton	45	75	15	435	105	10
Stoughton	150	95	50	330	25	*
Verona	40	*	60	140	70	*
Monona	110	95	35	300	110	*
Cities Total	**2,150**	**1,570**	**1,045**	**10,870**	**1,810**	**615**