

# Wisconsin's Housing Challenge: Inadequate supply, declining affordability



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Wisconsin Real Estate and Economic Outlook Conference

*The opinions expressed herein are my own and do not necessarily constitute the opinions of the University of Wisconsin-Madison, the Wisconsin Housing and Economic Development Authority (WHEDA), or the Wisconsin Realtors Association (WRA).*



SPECIAL REPORT  
**FALLING  
BEHIND**

Addressing Wisconsin's workforce housing shortage to strengthen families, communities and our economy.

**ALL ACROSS WISCONSIN**

communities and employers are recognizing the critical need to address Wisconsin's housing shortage.

# Main Themes

- Updated Supply and Price Numbers, Affordability concerns, racial disparities
- Opportunities: low-interest rates; Emergency Rental Assistance (ERAP) and Homeowner Assistance Fund (HAF). Slight increase in lots and building permits.
- Challenges: Lumber, labor, lots/land, lending. Low inventory of lots and homes for sale.

# Housing Demand: demographics and income

## Wisconsin: Demographic and Housing Changes (2010-2019)

	2010	2019	Change	% Change	Ann.% Change
Population	5,691,047	5,822,434	131,387	2.3%	0.25%
Households	2,279,532	2,386,623	107,091	4.7%	0.51%
Housing units	2,625,477	2,725,153	99,676	3.8%	0.41%
Jobs	2,633,572	2,887,018	253,446	9.6%	1.03%
<i>Inflation-adjusted to 2019\$:</i>					
Median household income (in 2019\$)	\$57,451	\$64,168	\$6,717	11.7%	1.24%
Median owner household income (in 2019\$)	\$72,808	\$80,206	\$7,398	10.2%	1.08%
Median renter household income (in 2019\$)	\$31,746	\$39,184	\$7,438	23.4%	2.37%
Median value of owner-occupied homes (in 2019\$)	\$198,537	\$197,200	-\$1,337	-0.7%	-0.08%
Median gross rent (in 2019\$)	\$838	\$867	\$29	3.5%	0.38%

Sources: US Census; Bureau of Labor Statistics (QCEW). Inflation adjustment: CPI-U from BLS.

### Key messages:

- Jobs grew faster than households; households grew faster than housing units.
- Renter income growth suggests “displaced demand” – people who might otherwise have purchased homes if available/affordable.

# Housing Demand: demographics and income

## Change in Wisconsin Households, by Size, 2010-2019

Household size	2010	2019	Change (2010-2019)	Avg. Ann. Growth Rate
1-person households	669,106	727,668	58,562	0.94%
2-person households	814,206	898,376	84,170	1.10%
3-person households	335,238	311,906	-23,332	-0.80%
4-5 person households	394,495	384,670	-9,825	-0.28%
6-or-more person households	66,487	64,003	-2,484	-0.42%
<b>Total households</b>	<b>2,279,532</b>	<b>2,386,623</b>	<b>107,091</b>	<b>0.51%</b>

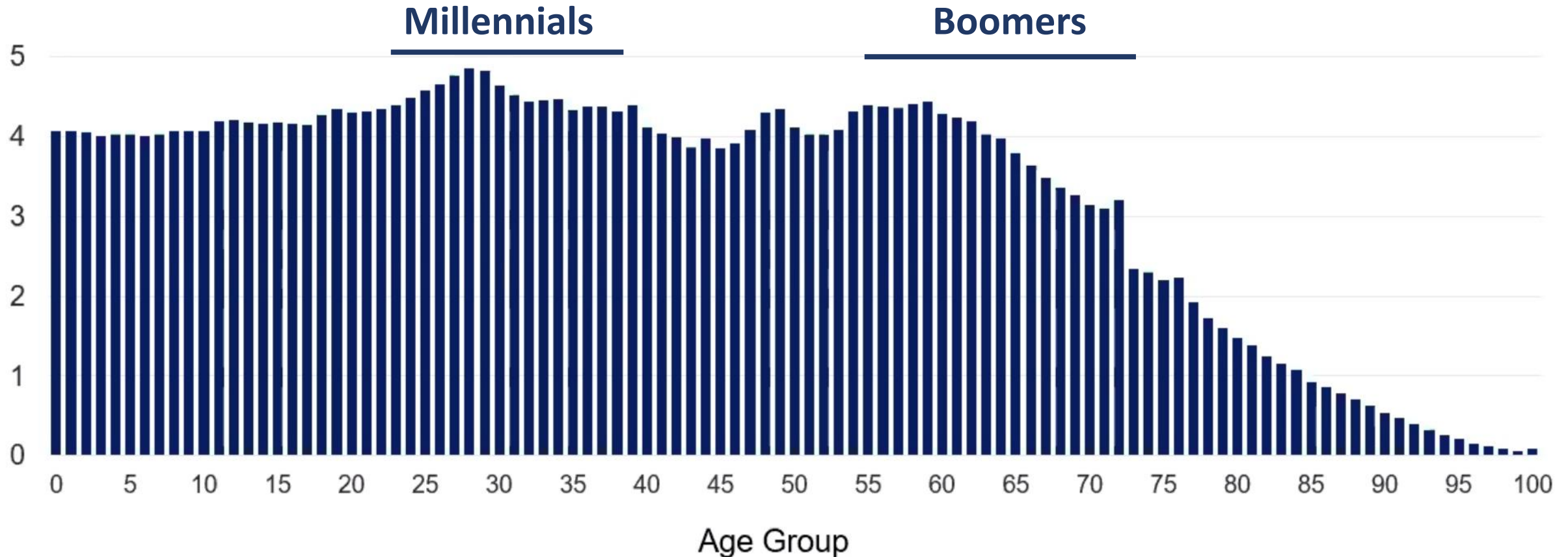
Source: US Census Bureau, 1-year American Community Survey

- Overall, slow rate of household growth = 0.51 percent per year
- Growth **only** in 1-person and 2-person households
- Average household size has declined
- Housing demand for 1- and 2-person households = smaller units?



# Over the Last Decade, the Millennial and Baby-Boomer Generations Have Pushed Up the Population in The 20s and 60s

US Population in 2019 (Millions)



Source: JCHS tabulations of US Census Bureau, 2017 National Population Projections.

# Lumber prices down from extreme Covid peak, remain high

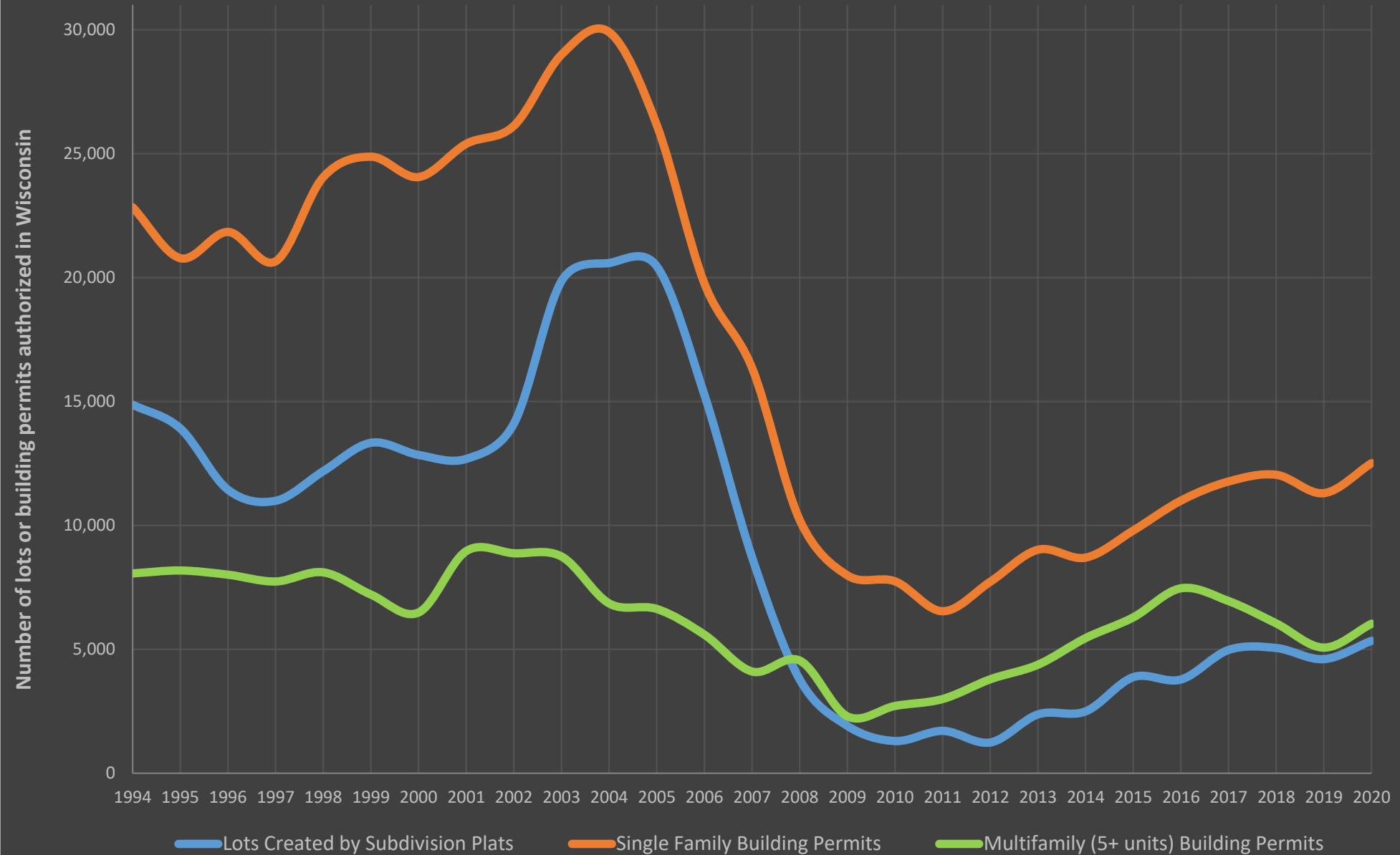


Source: Random length lumber continuous contract price (LB00) (per 1000 board feet), Chicago Mercantile Exchange; last accessed 10/5/2021

# Excessively tight bank lending for Construction/Land Development *might* start loosening ...?



# Housing Construction and Subdivision Activity in Wisconsin have not Recovered from Great Recession, Remain at Historically Low Levels



Source: Subdivision Lots from Wis. Dept. Admin.; Building Permits Database, U.S. Census Bureau.



Despite uptick in construction and subdivision lots (2018-2020), production remains less than half of historic trends.

**Wisconsin Building Permits and Subdivision Lot Summary**

	1994 - 2004	2012 - 2017	2018 - 2020	
Avg. Lots (by subdivision), per year	14,255	3,120		4,996
Avg. Building permits, per year	35,908	16,070		18,733
Avg. building permits per 1,000 population	6.78	2.79		3.21

# Wisconsin's 20 Largest Counties Underproduced Over 20,000 Housing Units from 2006-2019

	Growth in households (2006-2019)	Growth in housing units (2006-2019)	Housing "Underproduction" (2006-2019)	Previous Report Gap (2006-2017)
Milwaukee County	7,426	11,999		
Dane County	43,063	31,997	11,066	11,206
Waukesha County	14,321	13,294	1,027	2,213
Brown County	12,323	9,770	2,553	1,661
Racine County	3,751	2,994	757	
Outagamie County	6,668	7,499		
Winnebago County	4,364	5,581		
Kenosha County	4,378	4,212	166	
Rock County	2,954	1,954	1,000	1,036
Marathon County	2,864	3,957		
Washington County	5,290	5,021	269	
La Crosse County	3,873	4,629		
Sheboygan County	2,116	1,814	302	332
Eau Claire County	2,122	3,757		
Walworth County	4,936	3,268	1,668	537
Fond du Lac County	3,882	3,251	631	798
St. Croix County	3,515	4,255		
Ozaukee County	3,152	2,590	562	827
Dodge County	2,187	1,692	495	
Jefferson County	2,718	2,586	132	1,228
<b>20 Largest Wisconsin Counties</b>	<b>135,903</b>	<b>126,120</b>	<b>20,628</b>	<b>19,838</b>

Source: Author's calculations based on 2006 and 2019 1-year American Community Survey data, U.S. Census Bureau. Households are 1- or more persons who occupy a housing unit. Housing units include vacant structures for sale or rent.

## Many Wisconsin Counties Have More Jobs than Housing Units

County	Jobs/Housing Ratio 2019
Waukesha	1.48
Dane	1.42
Brown	1.39
Outagamie	1.38
La Crosse	1.34
Eau Claire	1.28
Sauk	1.23
Winnebago	1.20
Sheboygan	1.19
Marathon	1.16
Milwaukee	1.15
Ozaukee	1.12
Monroe	1.06
Portage	1.06
Fond du Lac	1.04
Wood	1.04

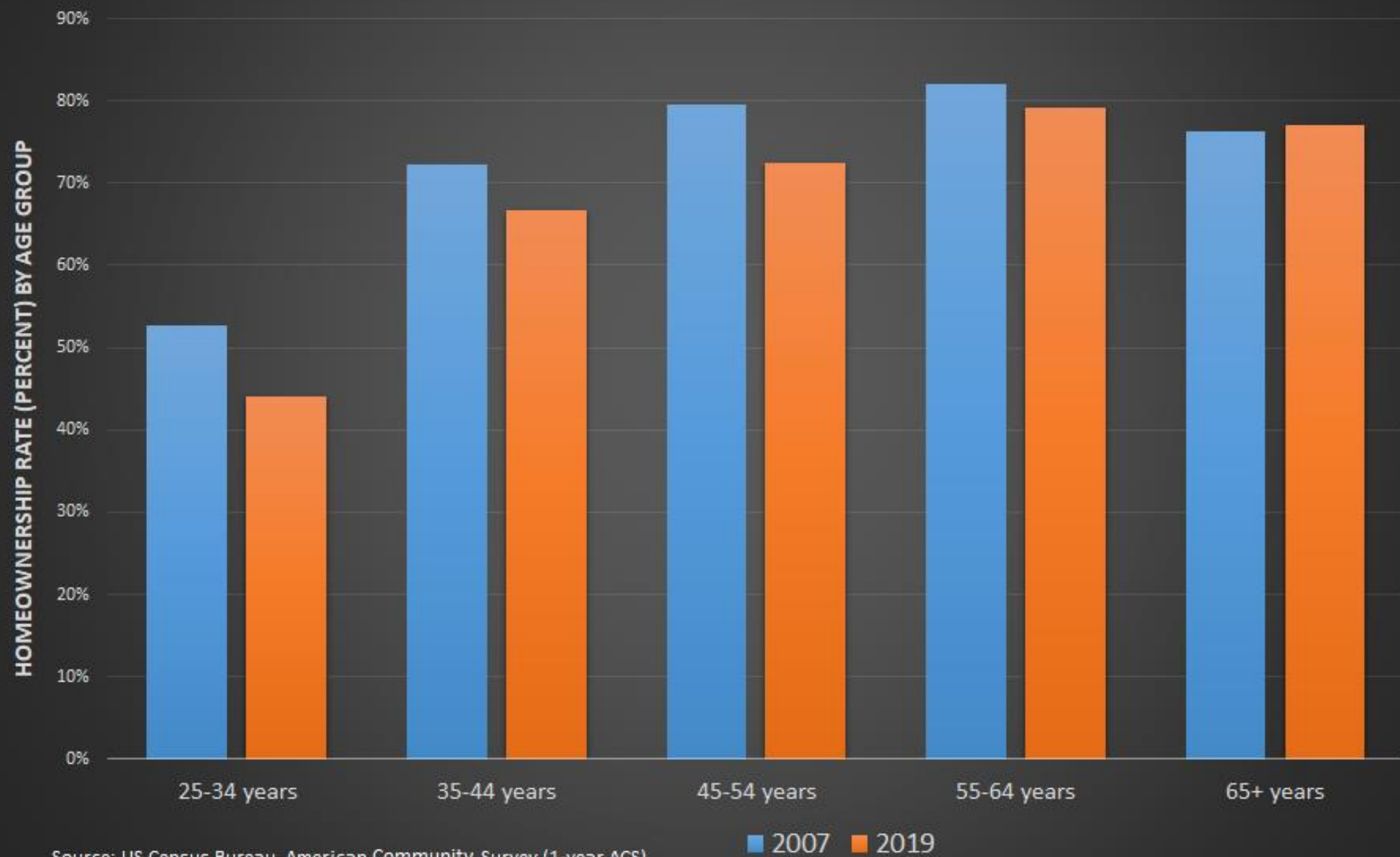
Source: BLS QCEW (jobs); Census (housing units)

# Declining Housing Affordability in Nearly All Wisconsin Metro Regions

Median-Price to Median-Income Ratio (Wis. Metros)	2015	2020	Change
Milwaukee-Waukesha-West Allis, WI	3.89	4.24	9.0% ↑
Madison, WI	3.68	4.03	9.5% ↑
Racine, WI	2.69	3.08	14.5% ↑
Green Bay, WI	2.57	2.99	16.3% ↑
Oshkosh-Neenah, WI	2.45	2.94	20.0% ↑
La Crosse-Onalaska, WI-MN	2.85	2.93	2.8% ↑
Sheboygan, WI	2.46	2.80	13.8% ↑
Appleton, WI	2.32	2.79	20.3% ↑
Janesville-Beloit, WI	2.38	2.60	9.2% ↑
Eau Claire, WI	2.83	2.58	-8.8% ↓
Wausau, WI	2.54	2.41	-5.1% ↓
Fond du Lac, WI	2.17	2.28	5.1% ↑
Chicago-Naperville-Elgin, IL-IN-WI	3.39	3.70	9.1% ↑
Minneapolis-St. Paul-Bloomington, MN-WI	3.11	3.69	18.6% ↑
Duluth, MN-WI	2.70	2.66	-1.5% ↓
<b>United States</b>	<b>3.97</b>	<b>4.37</b>	<b>10.1% ↑</b>

Source: Joint Center for Housing Studies, Harvard University: State of the Nation's Housing, 2021

## Homeownership Rates Declined in Wisconsin from 2007-2019 Across All Age Groups (except Seniors), with Largest Drop for Youngest Families



## Rents rose faster than household incomes in Midwestern states

<i><b>State</b></i>	<i><b>Increase median rent, 2007-2019</b></i>	<i><b>Increase median income, 2007-2019</b></i>
ILLINOIS	30.3%	27.8%
INDIANA	31.7%	21.4%
IOWA	42.5%	30.4%
MICHIGAN	30.0%	24.3%
MINNESOTA	42.9%	33.7%
WISCONSIN	28.8%	26.9%
<i><b>U.S. AVERAGE</b></i>	<i><b>39.0%</b></i>	<i><b>29.5%</b></i>

Source: US Census, 1-year American Community Survey (ACS) data, not inflation adjusted

- **On a *per-capita basis*, Wisconsin permitted more multifamily housing than our neighboring states from 2000-2014.**
- **From 2007-2019 Wisconsin had slower median rent growth than our neighboring states.**
- **Therefore, robust apartment construction moderates rent growth, even though we still didn't build enough**



## Many Lower-Income Homeowners Pay More than 50 percent of their Income on Housing

### *Percent of homeowners "extremely cost-burdened," by income category*

State	0-30 percent of area income	30-50 percent of area income	50-80 percent of area income	80-100 percent of area income	above median area income
ILLINOIS	63.1%	30.1%	11.6%	4.0%	0.8%
INDIANA	55.4%	20.2%	5.2%	1.6%	0.3%
IOWA	52.3%	17.6%	4.4%	1.3%	0.3%
MICHIGAN	60.4%	24.7%	7.8%	2.1%	0.4%
MINNESOTA	55.5%	22.6%	6.9%	2.1%	0.4%
<b>WISCONSIN</b>	<b>62.5%</b>	<b>27.0%</b>	<b>8.7%</b>	<b>2.6%</b>	<b>0.5%</b>

Source: US. Dept. Housing and Urban Development, Comprehensive Housing Affordability Strategy Data, 2013-2017

**For lower-income homeowners, Wisconsin's rate of extreme cost burden is second only to Illinois among Midwest.**

**Over 88,000 homeowners in Wisconsin with incomes below 50% AMI spend more than 50 percent of their income on housing.**

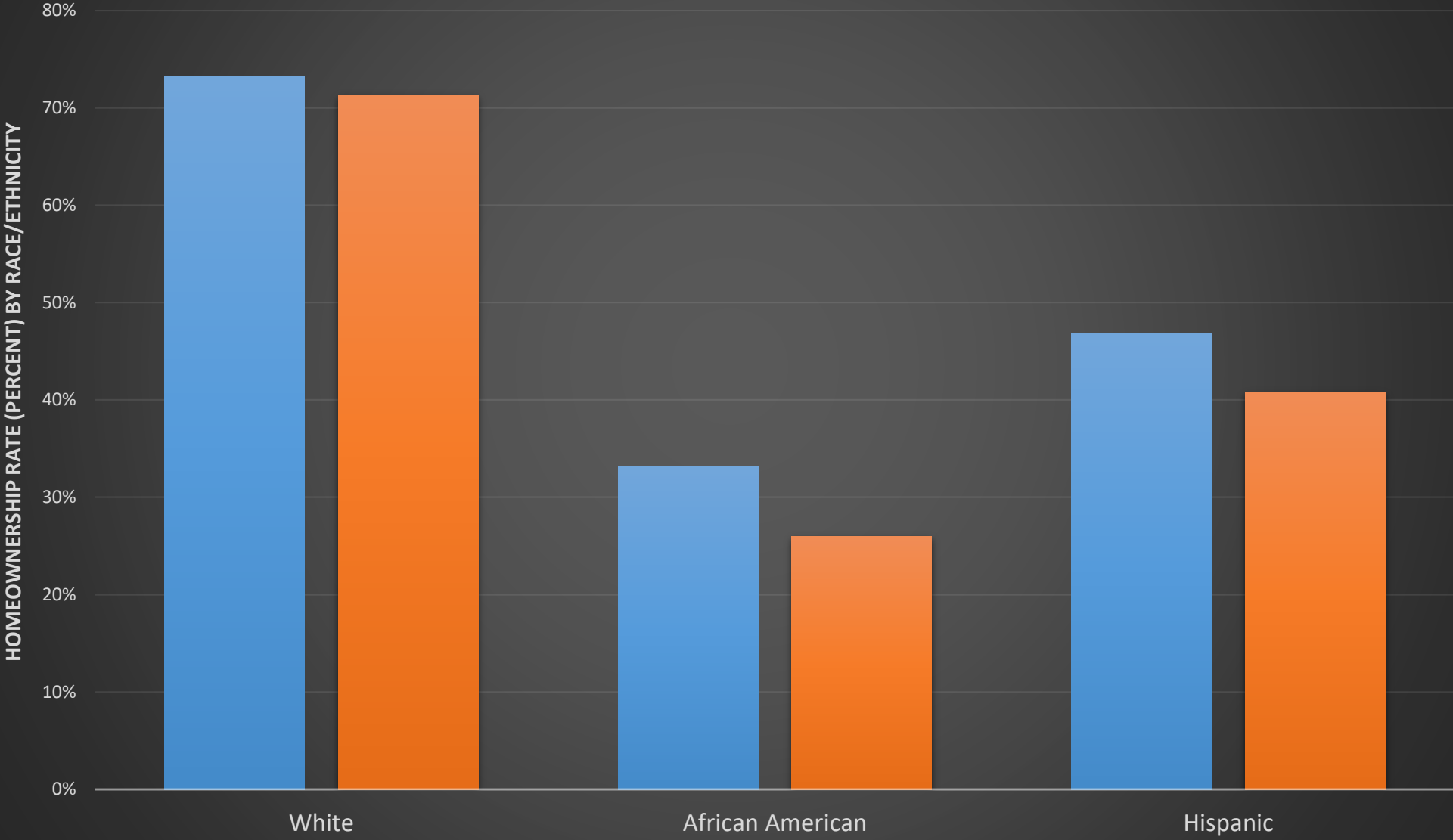
# Wisconsin Leads Midwest with Highest Percentage of Lowest-Income Renters with Extreme Cost-Burdens

State	<i>Percent of renters "extremely cost-burdened," by income category</i>				
	0-30 percent of area income	30-50 percent of area income	50-80 percent of area income	80-100 percent of area income	above median area income
ILLINOIS	61.5%	26.0%	4.8%	1.3%	0.3%
INDIANA	61.5%	23.4%	3.1%	0.7%	0.4%
IOWA	61.2%	15.7%	3.2%	0.8%	0.5%
MICHIGAN	63.9%	28.9%	5.5%	1.5%	0.5%
MINNESOTA	59.0%	19.4%	3.9%	1.2%	0.4%
<b>WISCONSIN</b>	<b>64.4%</b>	<b>19.9%</b>	<b>2.8%</b>	<b>0.7%</b>	<b>0.2%</b>

Source: US. Dept. Housing and Urban Development, Comprehensive Housing Affordability Strategy Data, 2013-2017

**Over 151,000 renting households in Wisconsin with incomes below 50% AMI spend more than 50 percent of their income on housing.**

# Homeownership Rates Declined in Wisconsin from 2007-2019 Across All Racial/Ethnic Groups, with Largest Drop for African American Families



Source: US Census Bureau, American Community Survey (1-year ACS).

■ 2007 ■ 2019

## Homeownership rates, by race/ethnicity and income level, Wisconsin 2013-2017

	White	African-American	Asian	Hispanic
Less than 30-percent of AMI	38.8%	9.8%	16.6%	17.6%
Between 30- and 50-percent of AMI	50.1%	18.7%	32.7%	29.9%
Between 50- and 80-percent of AMI	62.4%	28.8%	44.7%	36.8%
Between 80- and 100-percent of AMI	71.2%	40.6%	50.1%	45.9%
More than 100-percent of AMI	86.2%	57.9%	61.4%	64.1%

Notes: Source is US Department of Housing and Urban Development Comprehensive Housing Affordability Strategy data (CHAS), based on 2013-2017 census

**Percent with Severe Housing Problems, by race/ethnicity and income level, Wisconsin 2013-2017**

	White	African-American	Asian	Hispanic
Less than 30-percent of AMI	64.8%	70.2%	70.5%	70.1%
Between 30- and 50-percent of AMI	26.7%	26.5%	34.8%	31.9%
Between 50- and 80-percent of AMI	8.8%	9.3%	23.7%	13.5%
Between 80- and 100-percent of AMI	3.8%	5.5%	14.2%	6.6%
More than 100-percent of AMI	1.4%	2.9%	9.2%	4.5%

Notes: Source is US Department of Housing and Urban Development Comprehensive Housing Affordability Strategy data (CHAS), based on 2013-2017 census. Severe housing problems is defined by HUD as either lacking complete plumbing or kitchen facilities, being severely overcrowded, or being severely cost-burdened (paying more than 50 percent of income on housing.)