



The Economics of Housing in the ICC Region

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Two recent reports on rural Wisconsin identified housing as a primary concern.....

Tuesday, December 22, 2020



WMC: New report promotes economic growth and workforce development in rural Wisconsin

- Limited workforce availability
- Gaps in broadband
- Stress on legacy industries
- Lack of new housing
- Affordability of healthcare



Dec 23, 2020

BLUE RIBBON COMMISSION ISSUES RECOMMENDATIONS TO ENSURE PROSPERITY FOR WISCONSIN'S RURAL COMMUNITIES

“The readers of this report will gain insight into the unique and significant issues facing rural Wisconsin residents,” said Tom Landgraf, Commissioner of Dane County. “They will also get a glimpse at strategies to enhance rural economic and community development, education, health systems, housing, technology, innovation, and agriculture.”

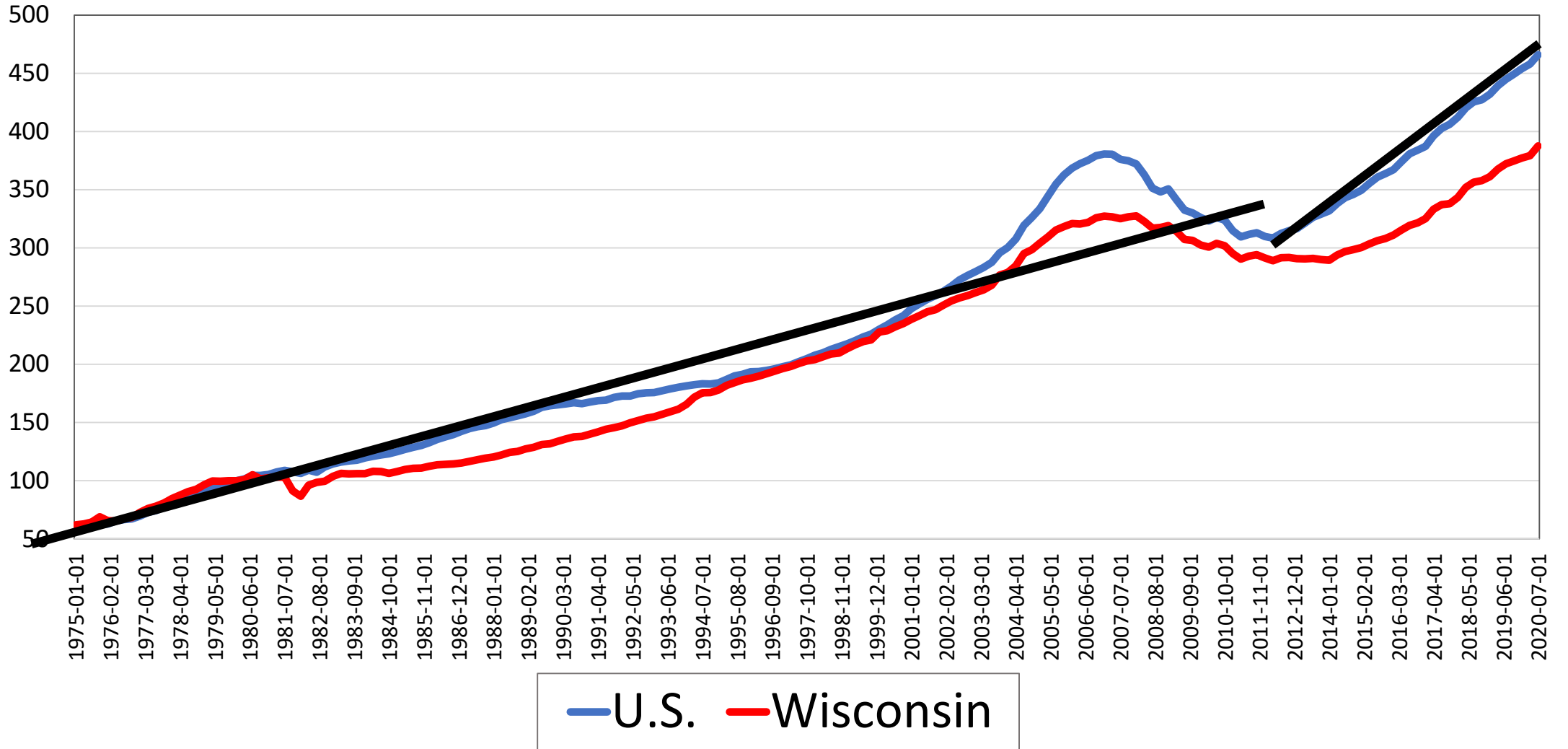
Housing tend to be expressed as two issues:

- **Too Expensive**
(cost of housing outstrips the pay levels of employment opportunities)
- **Inferior Quality**



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Housing Transaction Price Index: US and Wisc

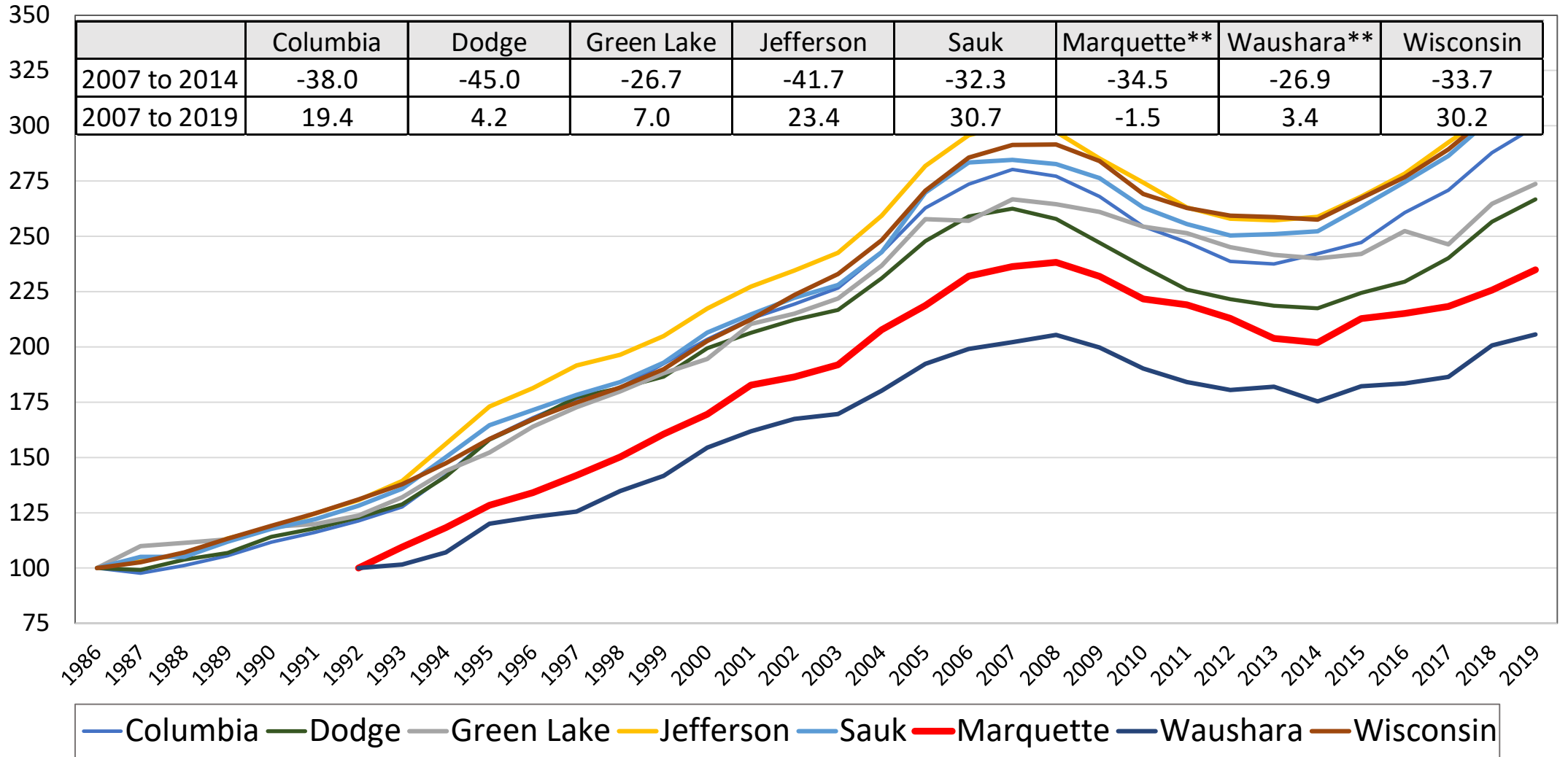


Source: U.S. Federal Housing Finance Agency



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Housing Transaction Price Index: ICC Counties and Wisc

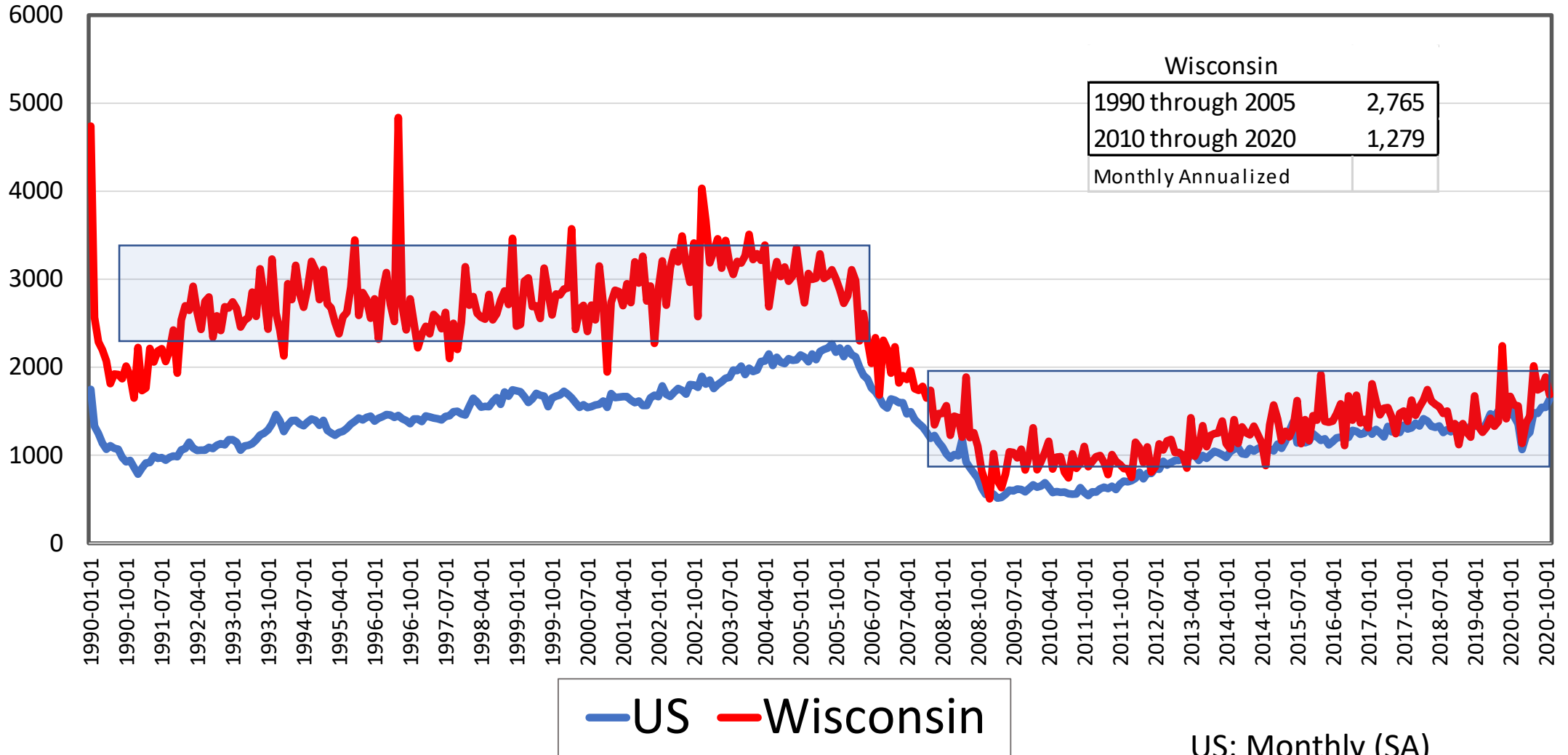


Source: U.S. Federal Housing Finance Agency



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Housing Building Permits: US and Wisc



Sources: Census, HUD

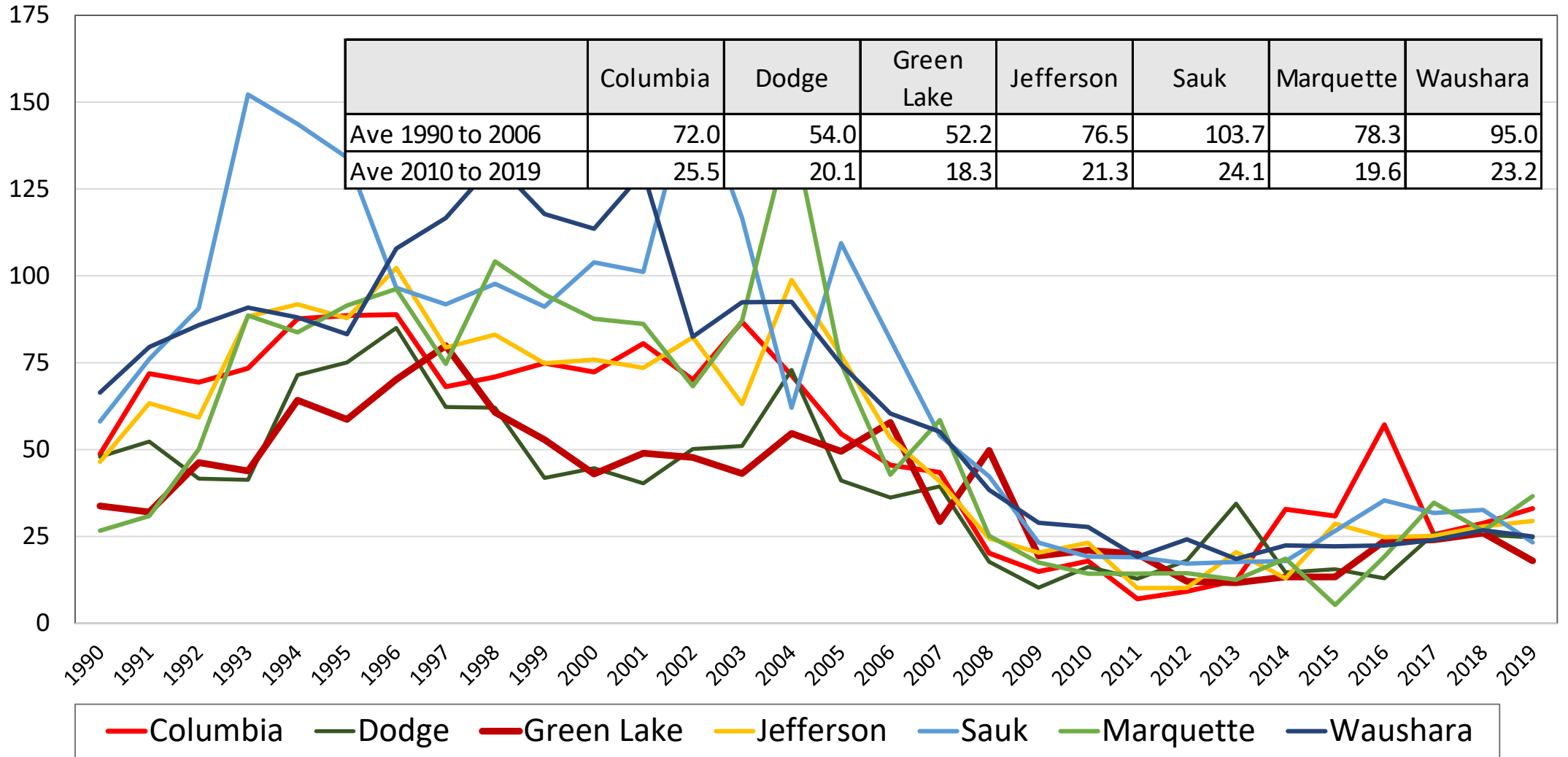
US: Monthly (SA)

WI: Monthly Annualized (SA)



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Residential Building Permits New Construction (per 10K population)

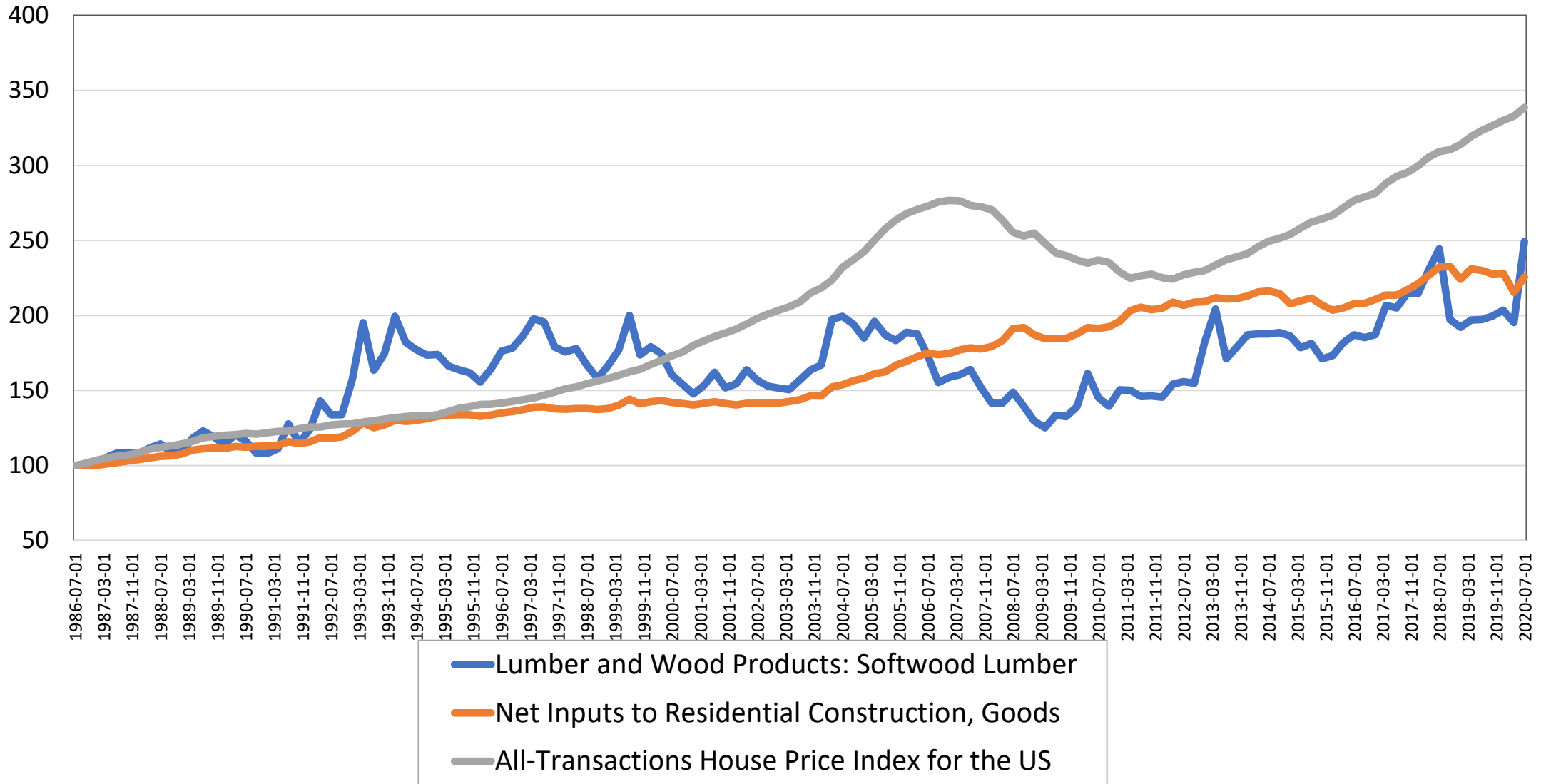


Source: U.S. Federal Housing Finance Agency



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Housing Construction Costs vs Housing Transaction Prices (US)

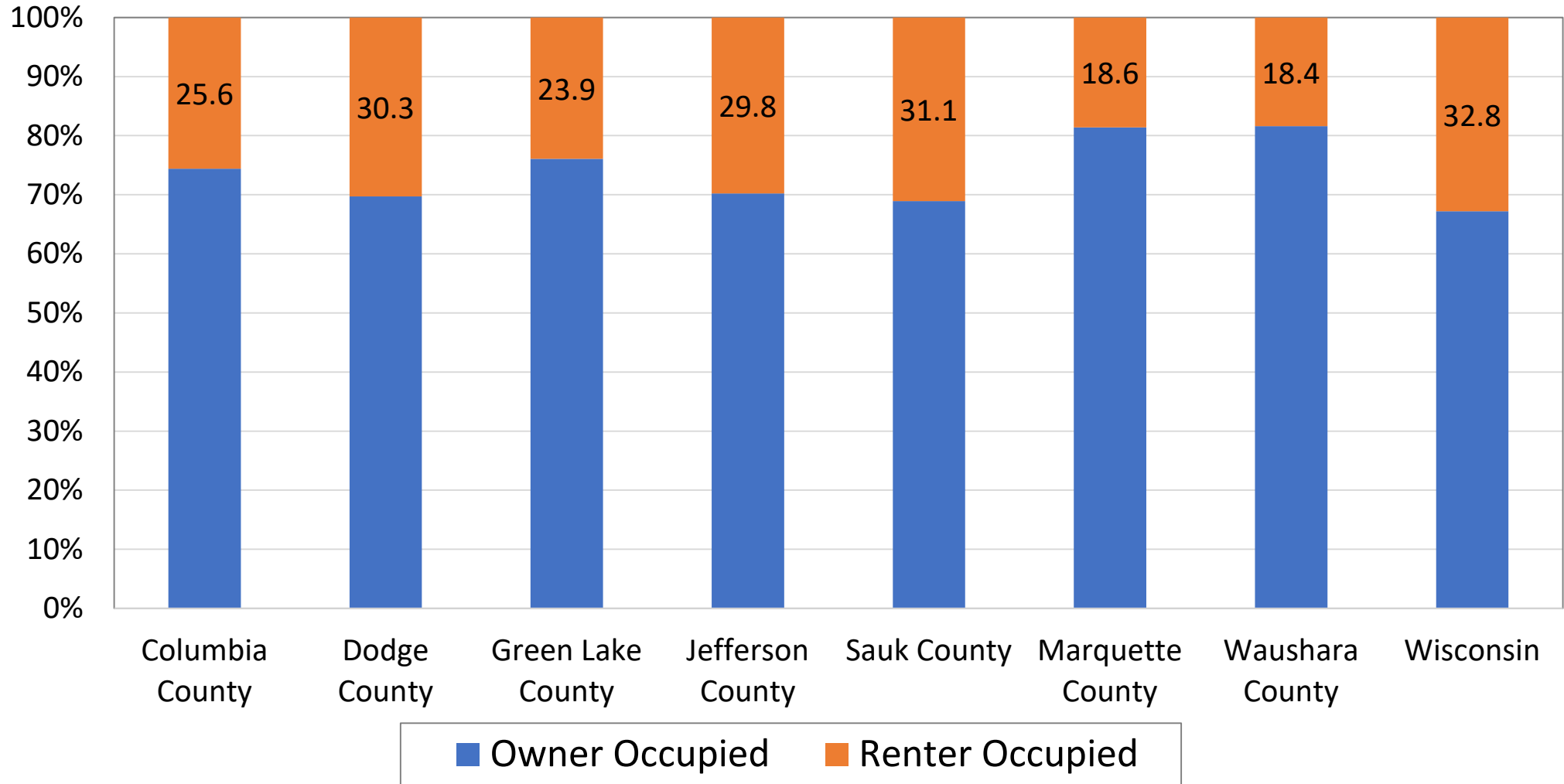


Sources: FRED, Federal Reserve Bank of St. Louis (various sources).



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Owner or Renter Occupied (ACS 2019 5-yr Ave)

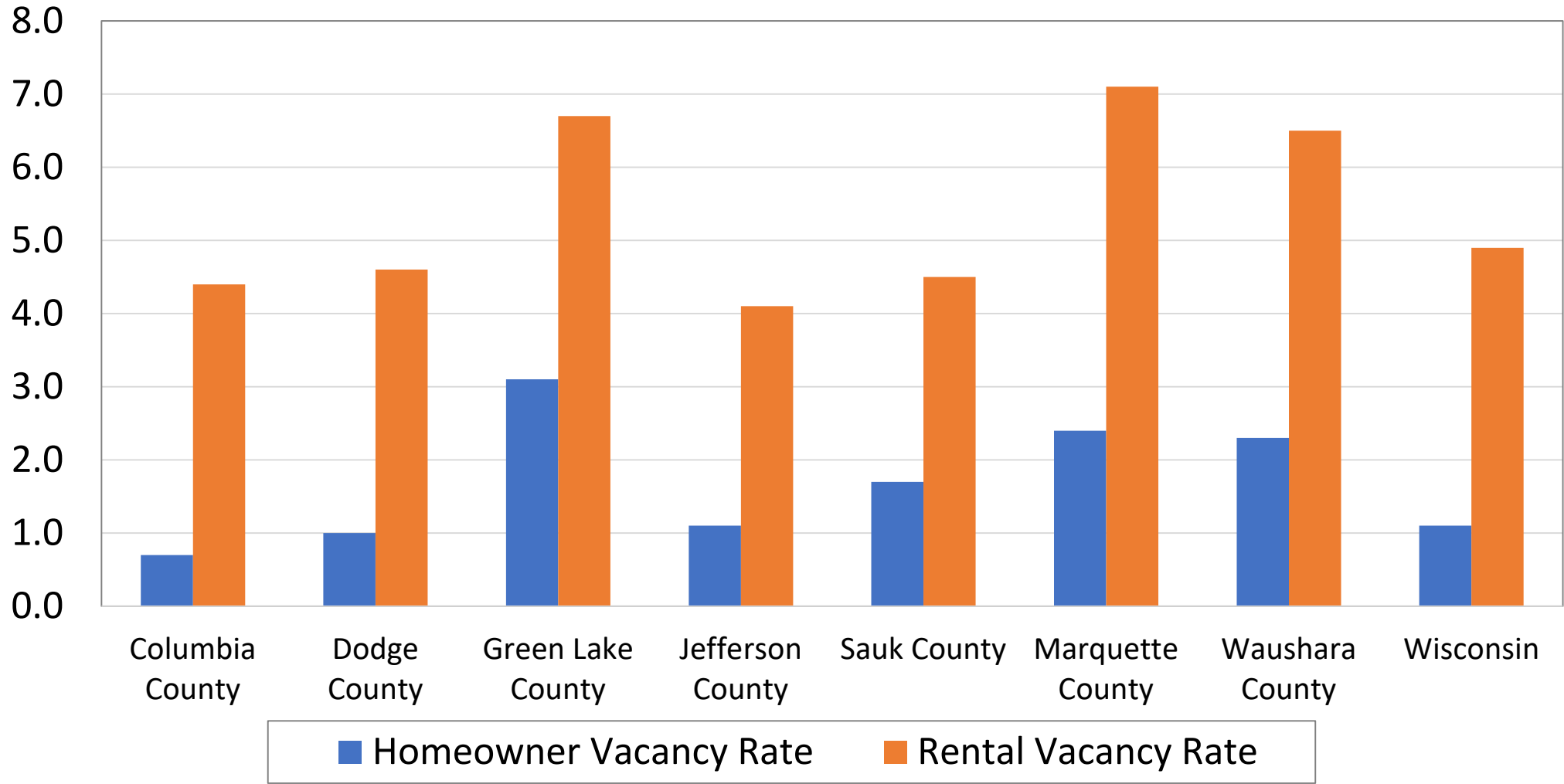


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Housing Vacancy Rates (ACS 2019 5-yr Ave)

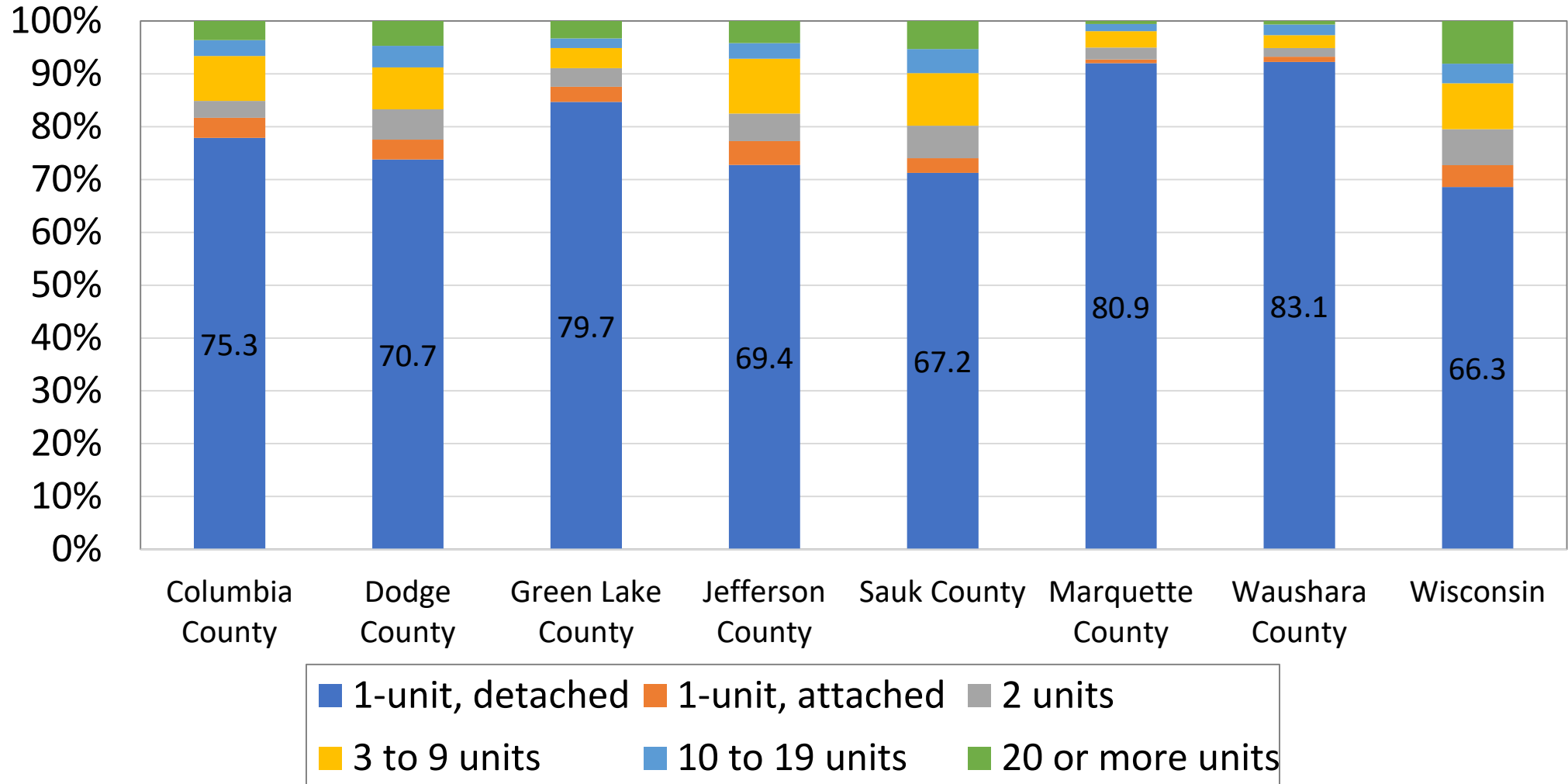


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Housing Composition by Structure Type (ACS 2019 5-yr Ave)

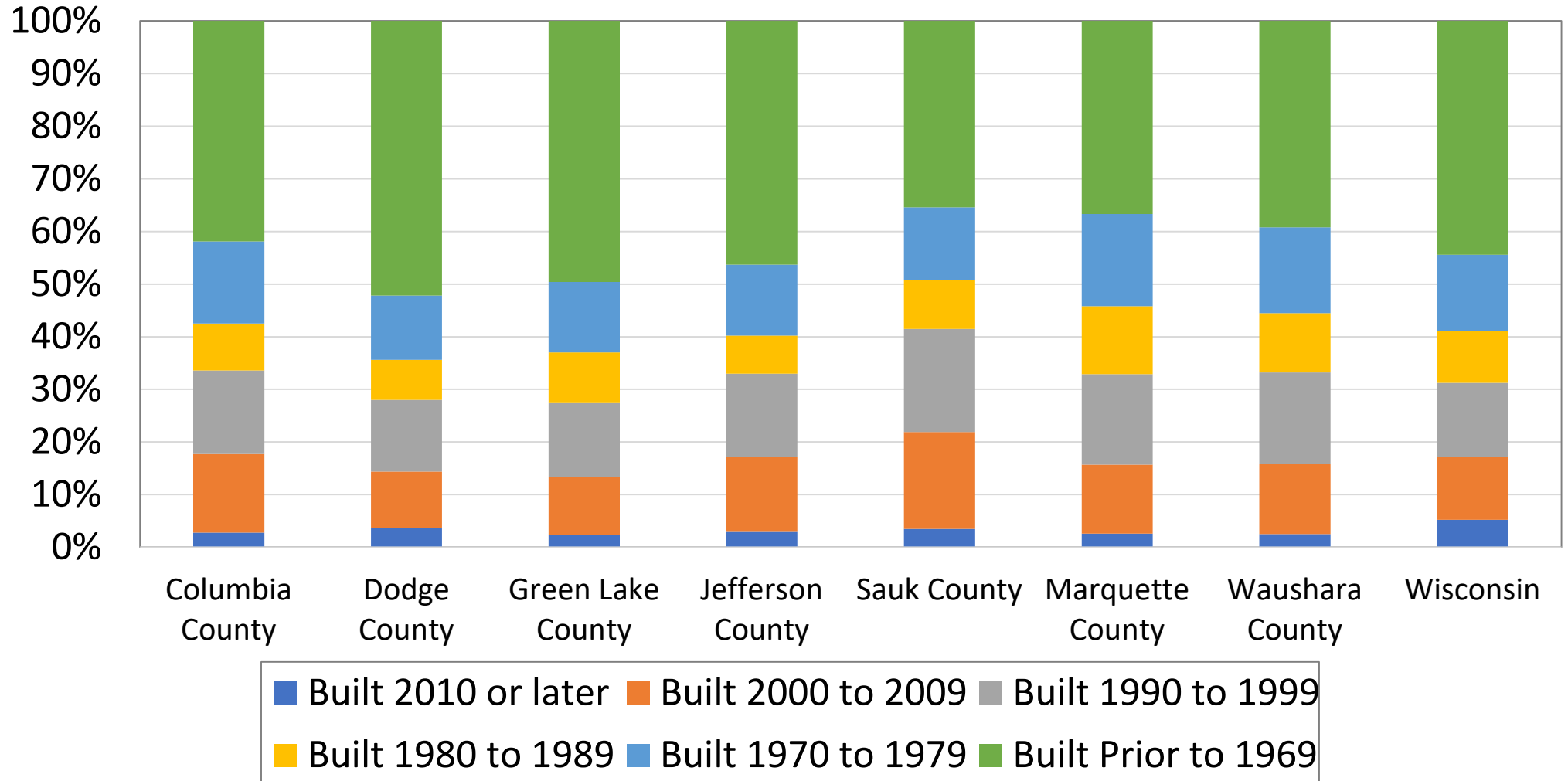


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Housing Age of Construction (ACS 2019 5-yr Ave)

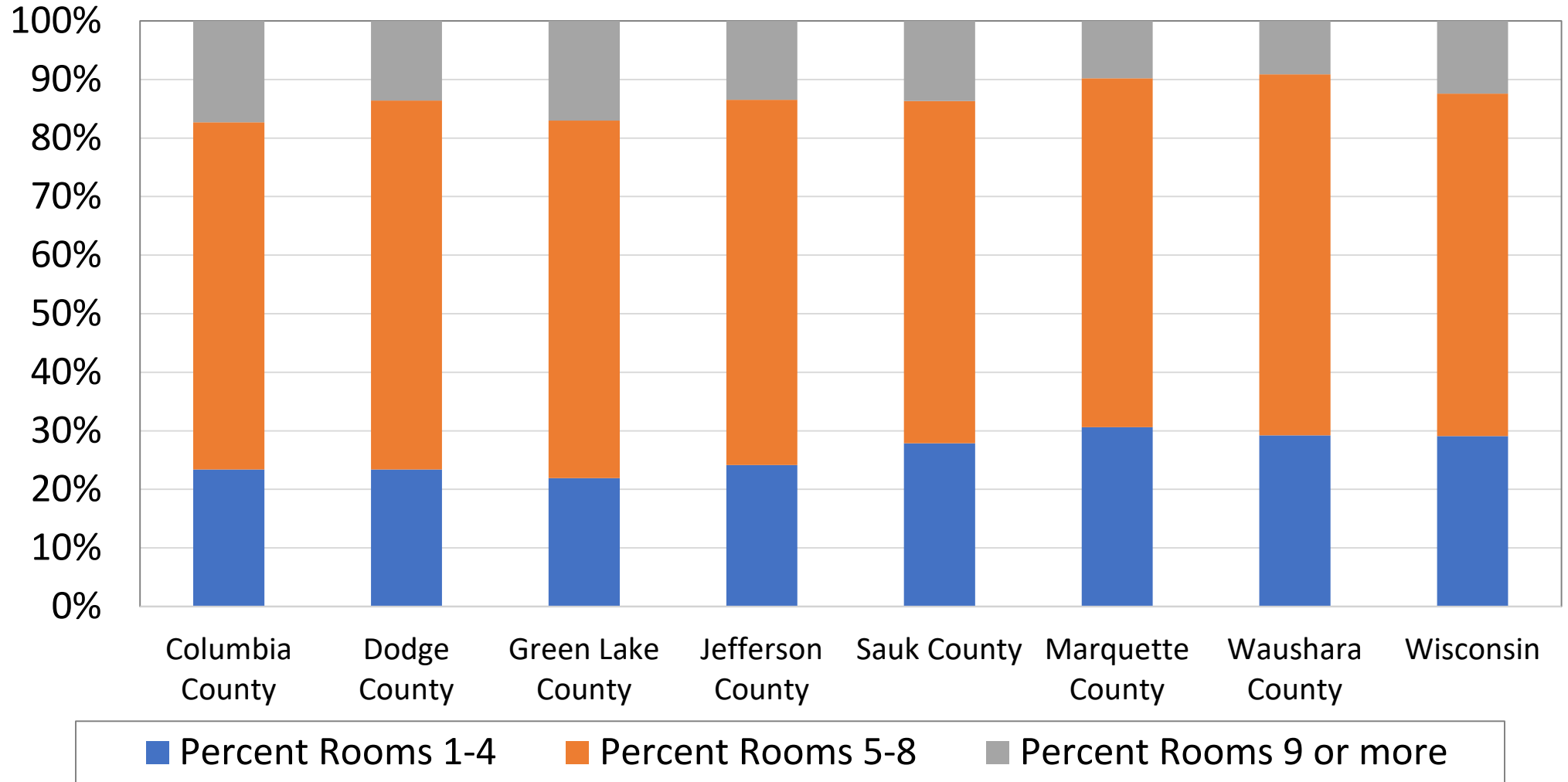


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Housing Size by Total Room Count (ACS 2019 5-yr Ave)

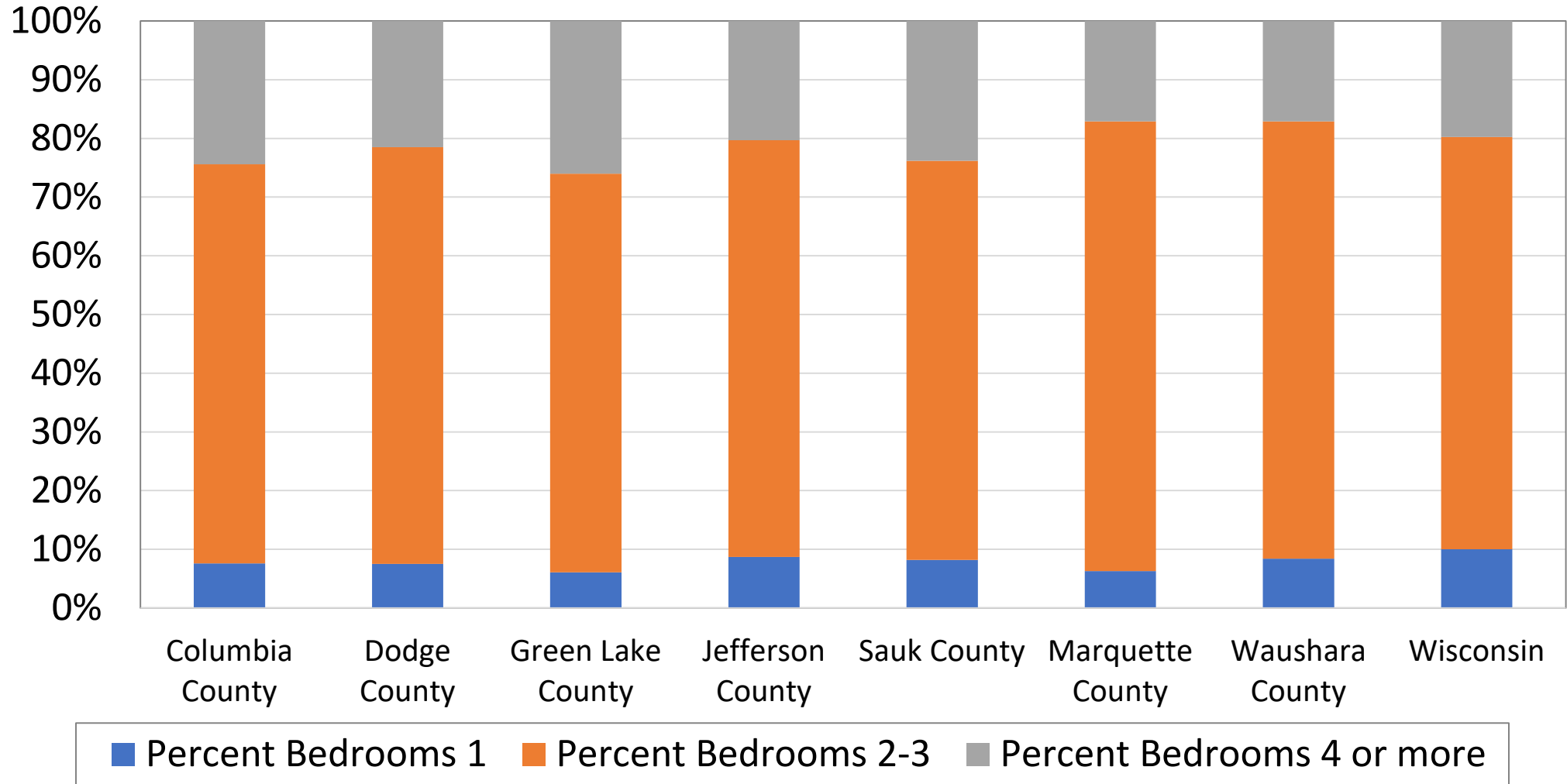


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Housing Size by Bedroom Count (ACS 2019 5-yr Ave)

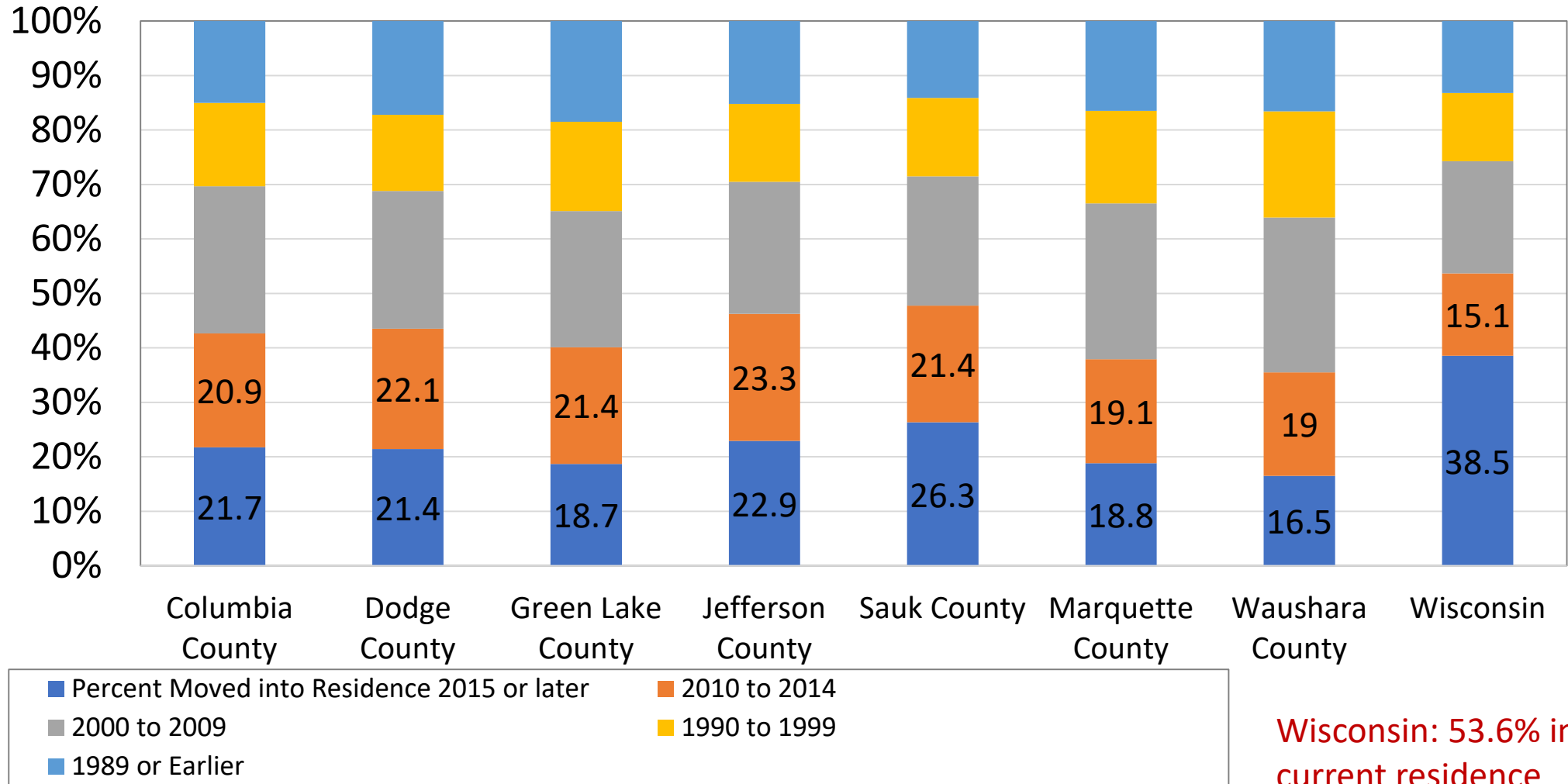


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Residency Turn Over Rate (ACS 2019 5-yr Ave)



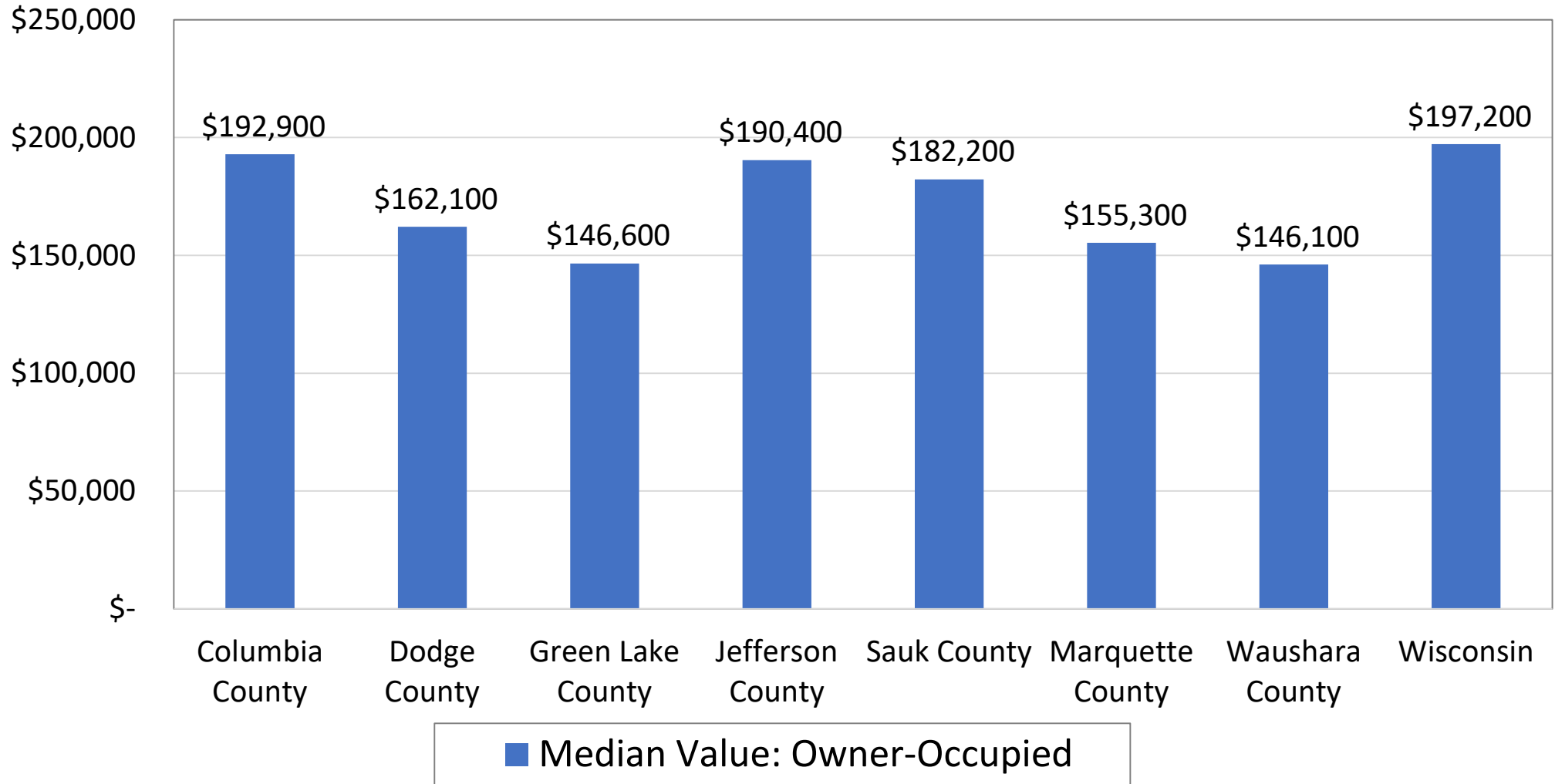
Wisconsin: 53.6% in current residence less than 10 years.

Source: U.S. Census, American Community Survey 2019 5-yr Average



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Median House Value: Owner Occupied (ACS 2019 5-yr Ave)

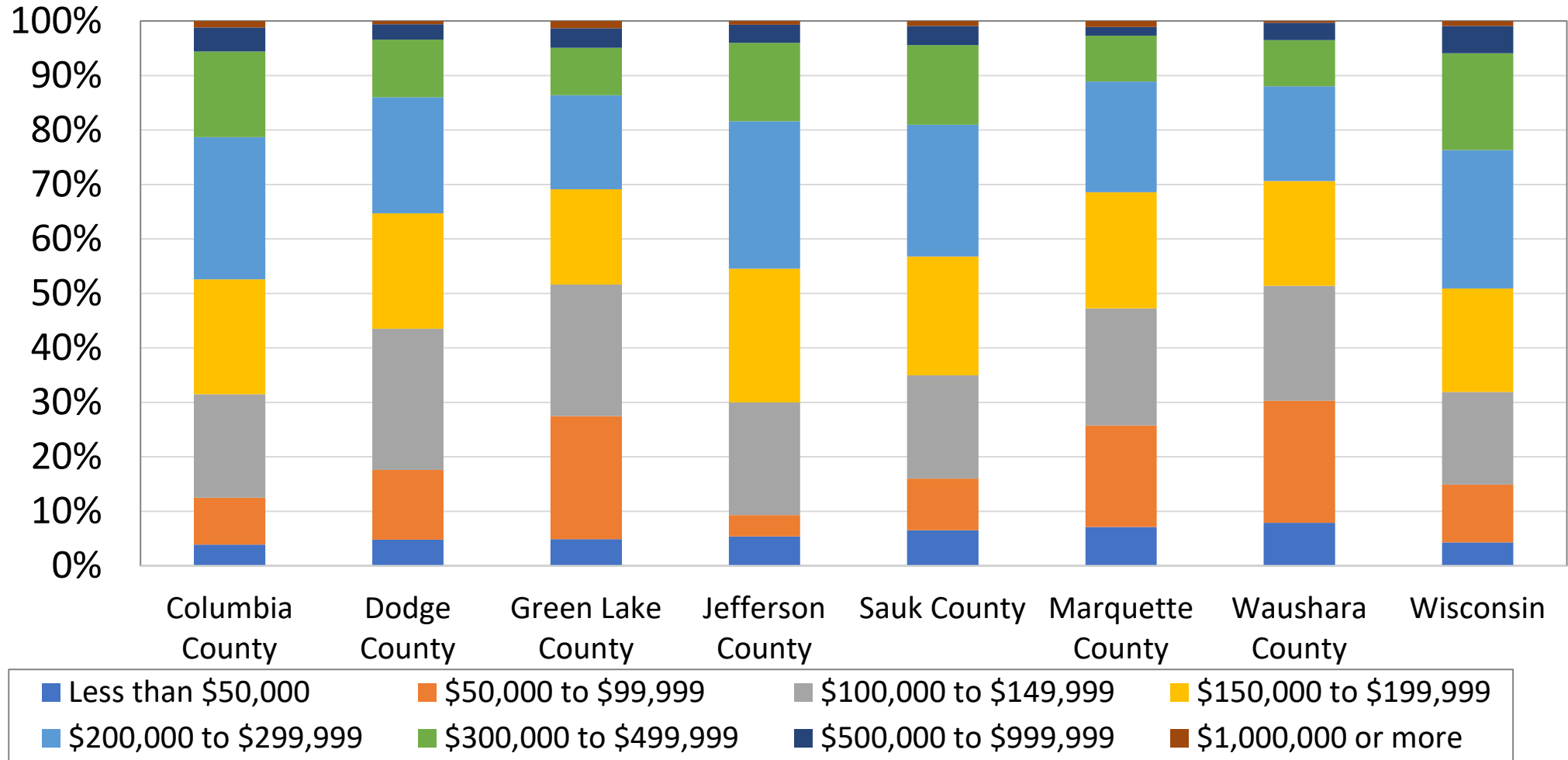


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Distribution of Owner Occupied Values (ACS 2019 5-yr Ave)

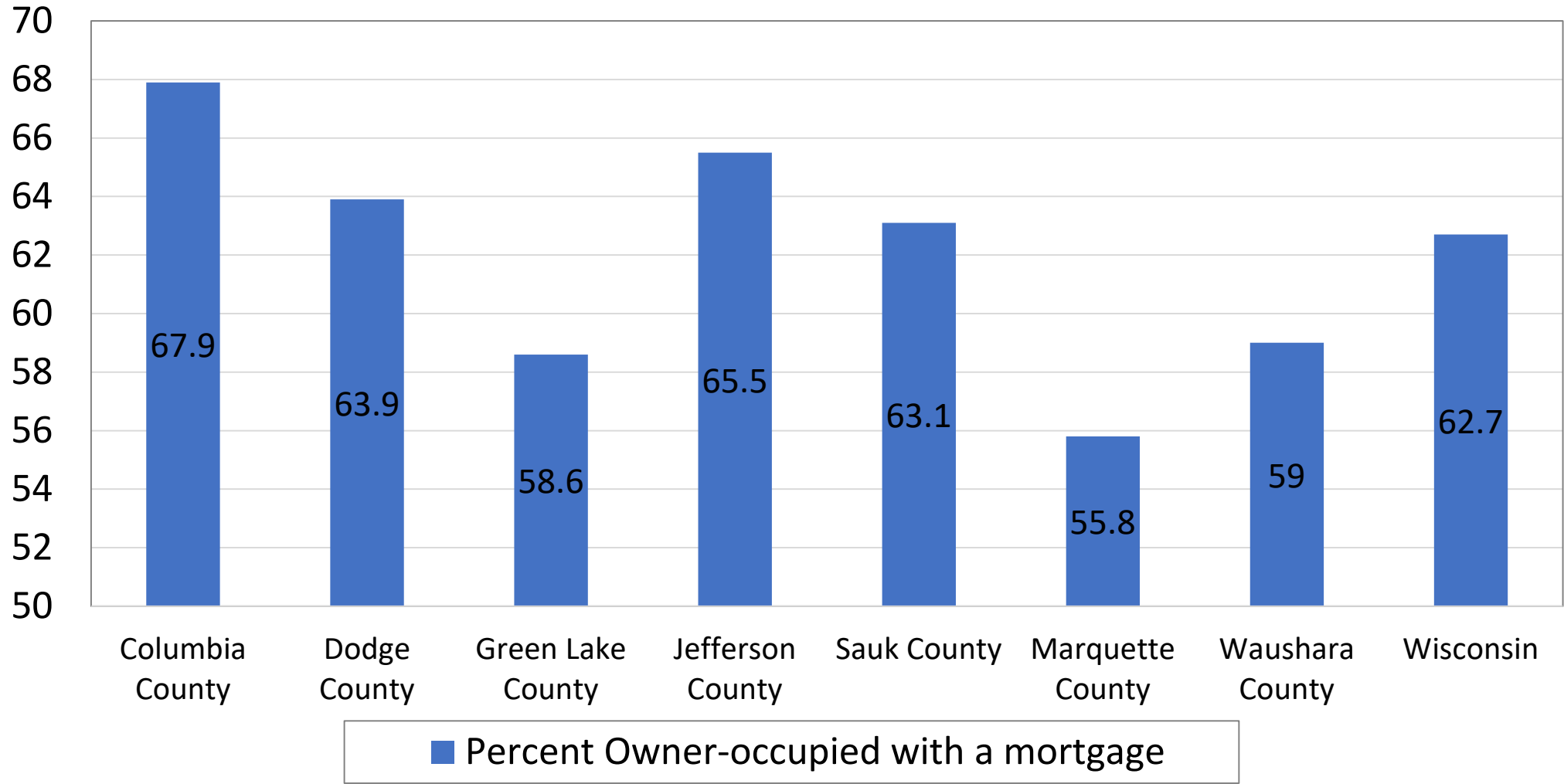


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Percent With a Mortgage Owner Occupied (ACS 2019 5-yr Ave)

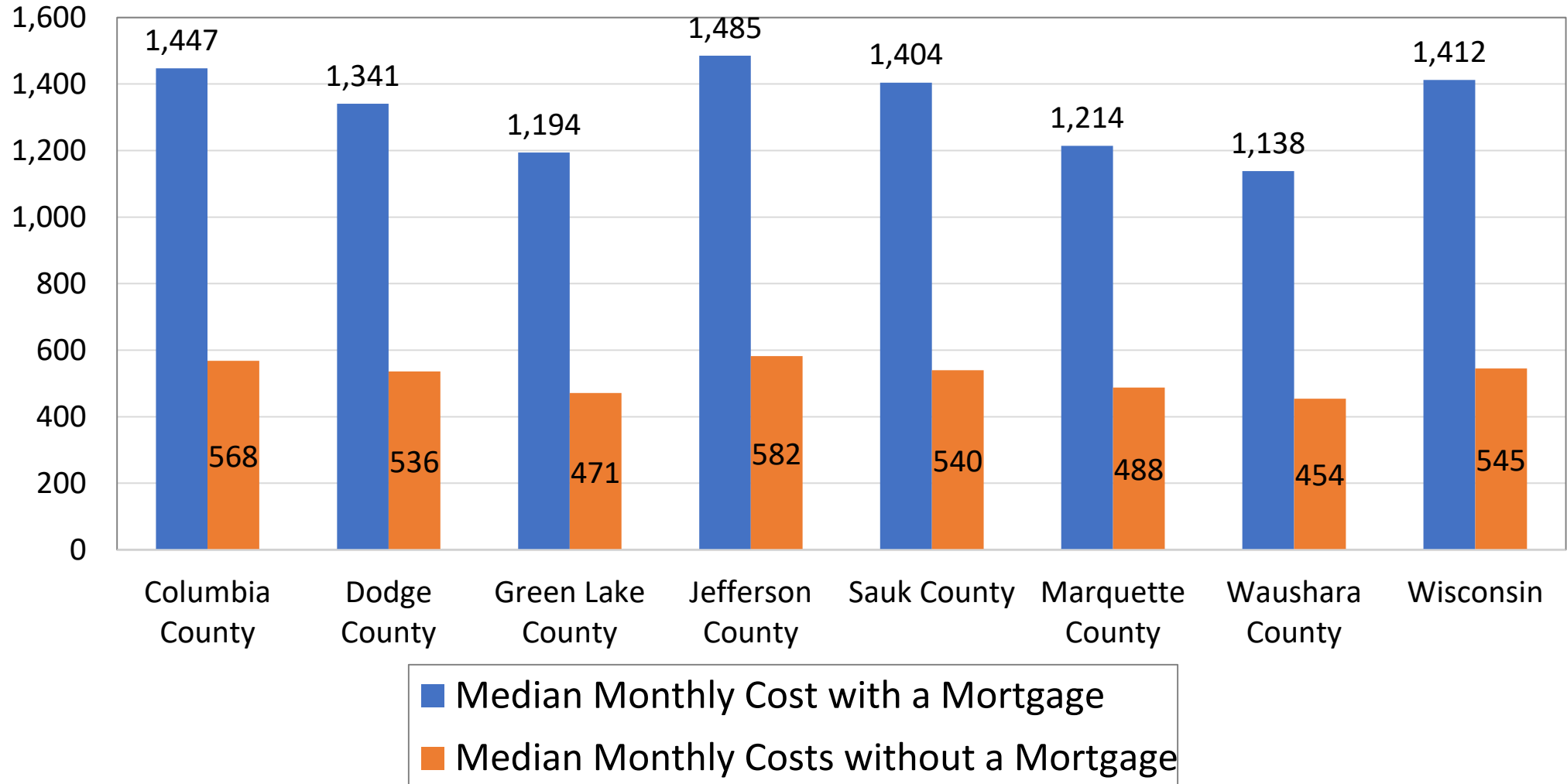


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Median Monthly Cost Owner Occupied (ACS 2019 5-yr Ave)

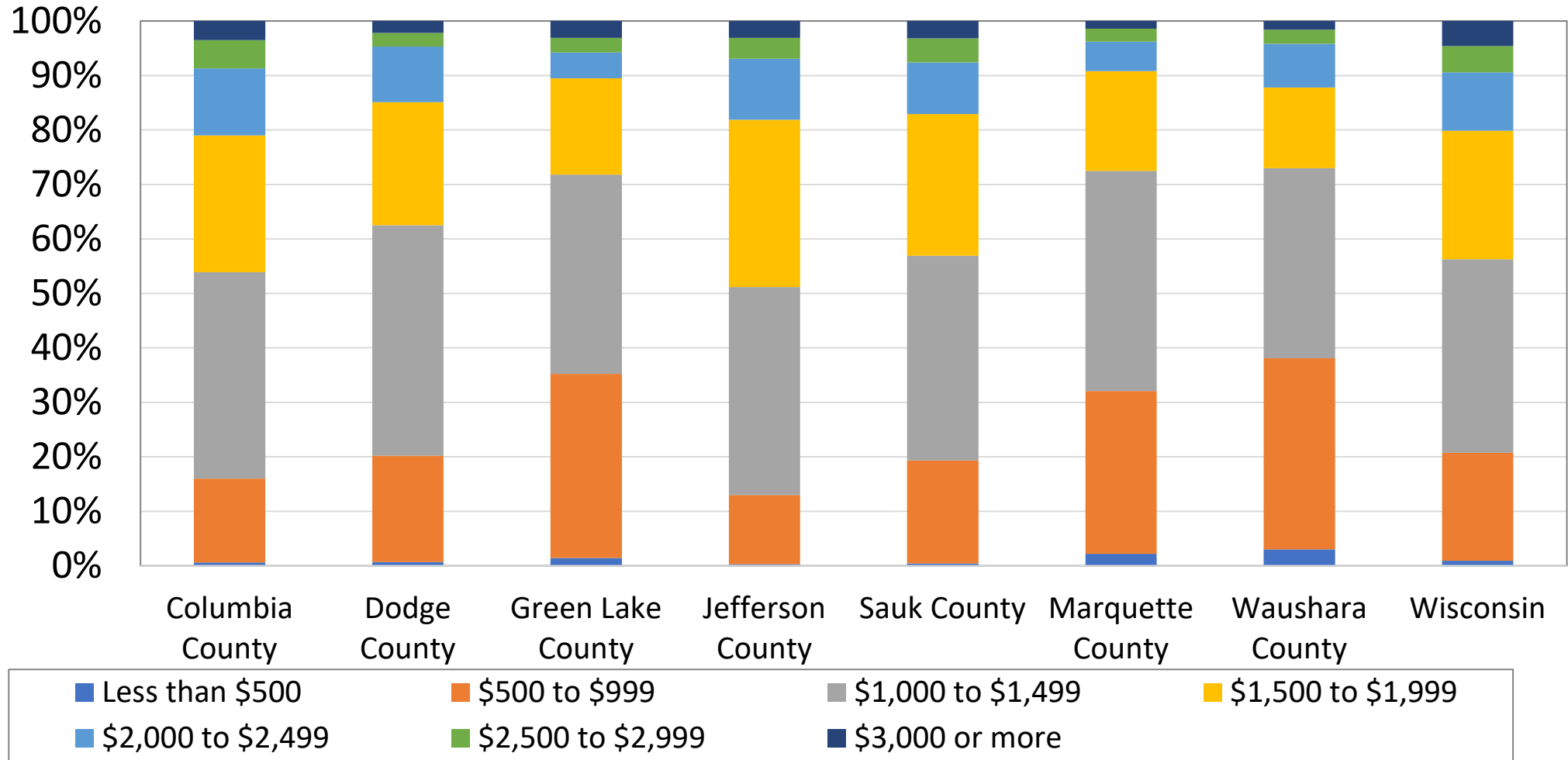


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Distribution of Monthly Costs With a Mortgage (ACS 2019 5-yr Ave)

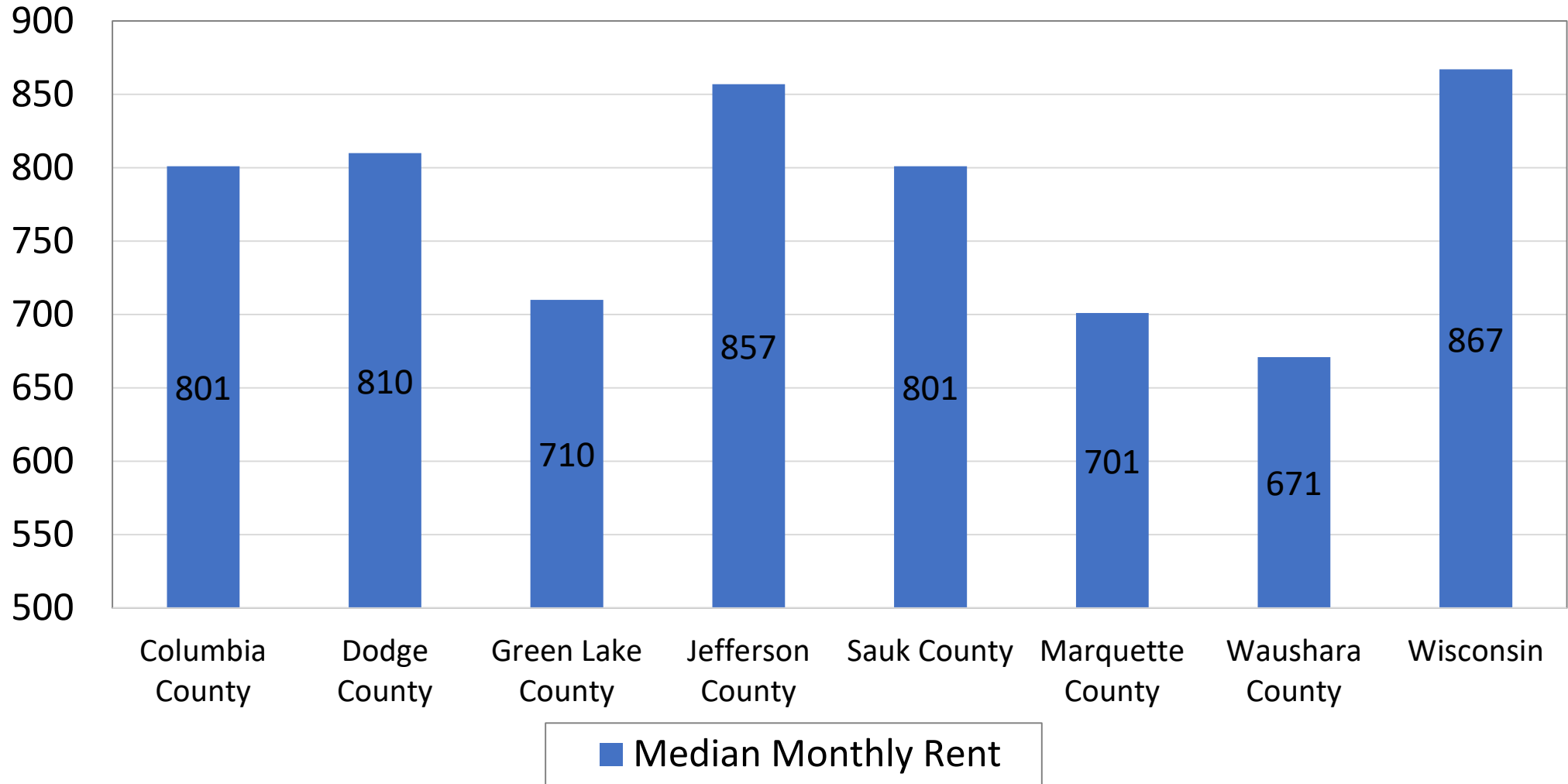


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Median Monthly Rent (ACS 2019 5-yr Ave)

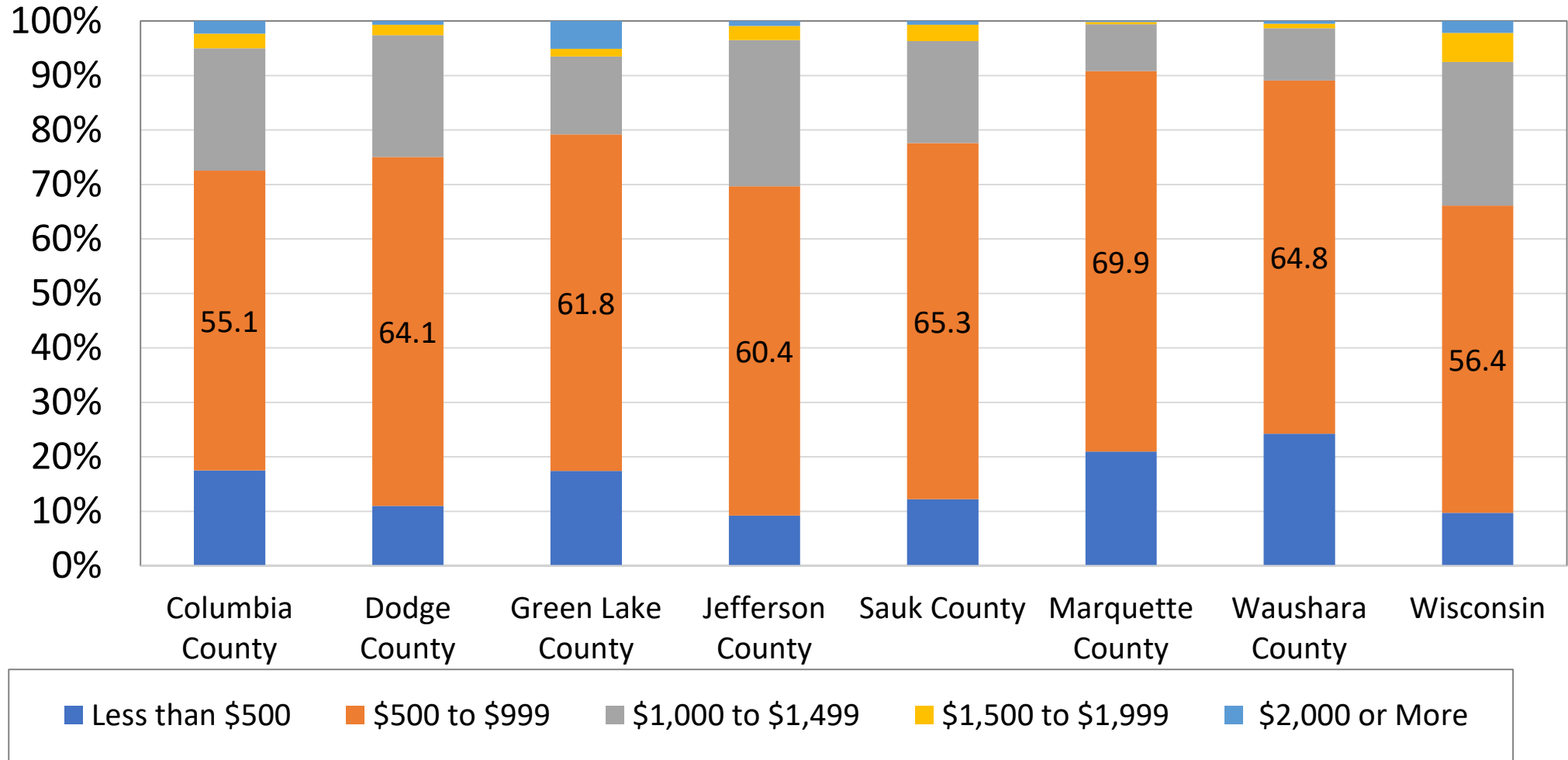


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Distribution of Monthly Costs Rent (ACS 2019 5-yr Ave)



Source: U.S. Census, American Community Survey 2019 5-yr Average



Housing Stress: Fiscal

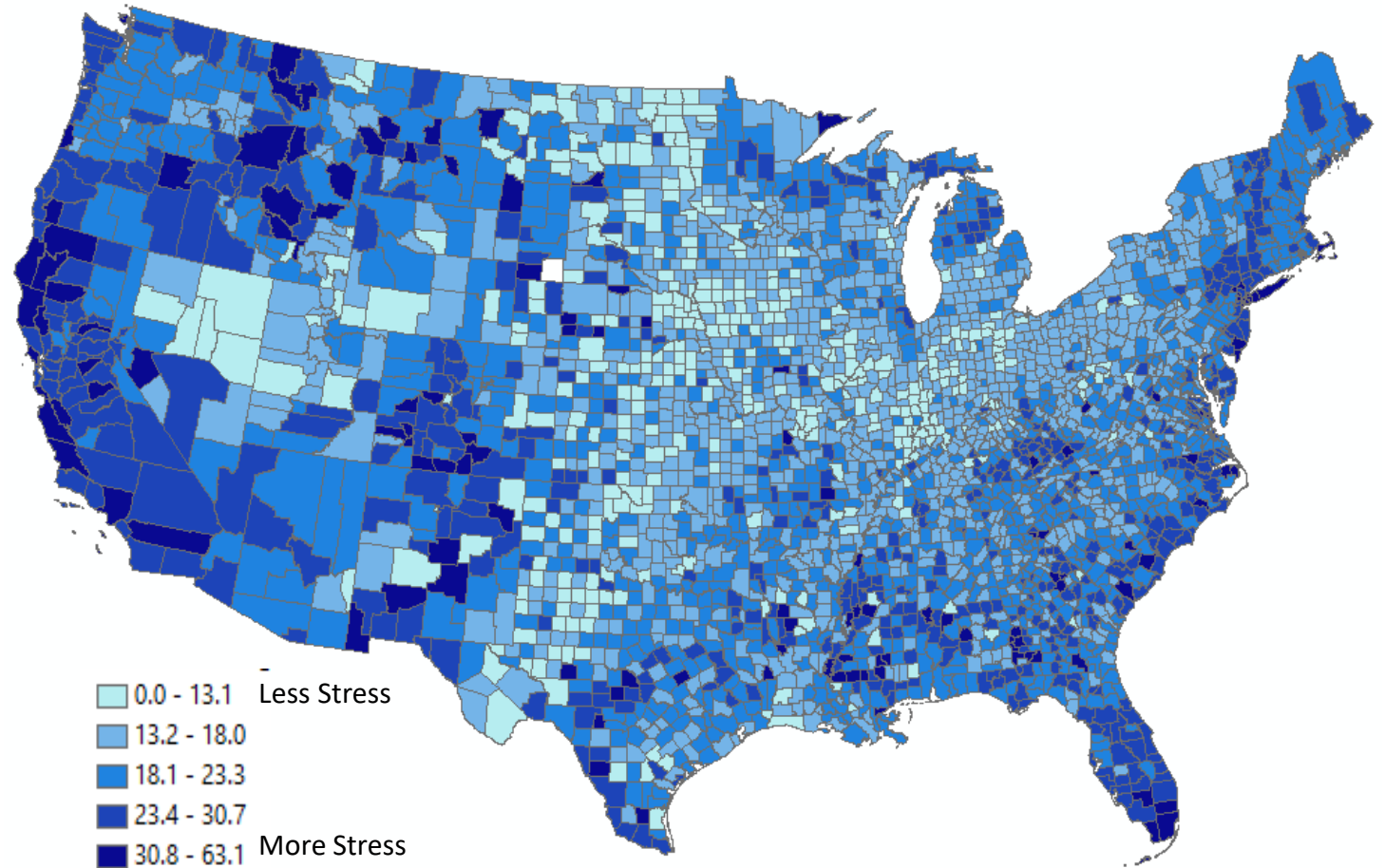
How much house can you afford?

Use the 28-36 rule

Most mortgage lenders use the 28-36 rule to determine what you can afford and how much money they're willing to lend you. The 28-36 rule states that your maximum household expenses shouldn't exceed 28 percent of your gross monthly income.

If you earn \$5,000 a month, that means your monthly **house** payment **should** be no more than \$1,250.

Percent With Mortgage 35% or More Income to Housing



Housing Stress: Fiscal

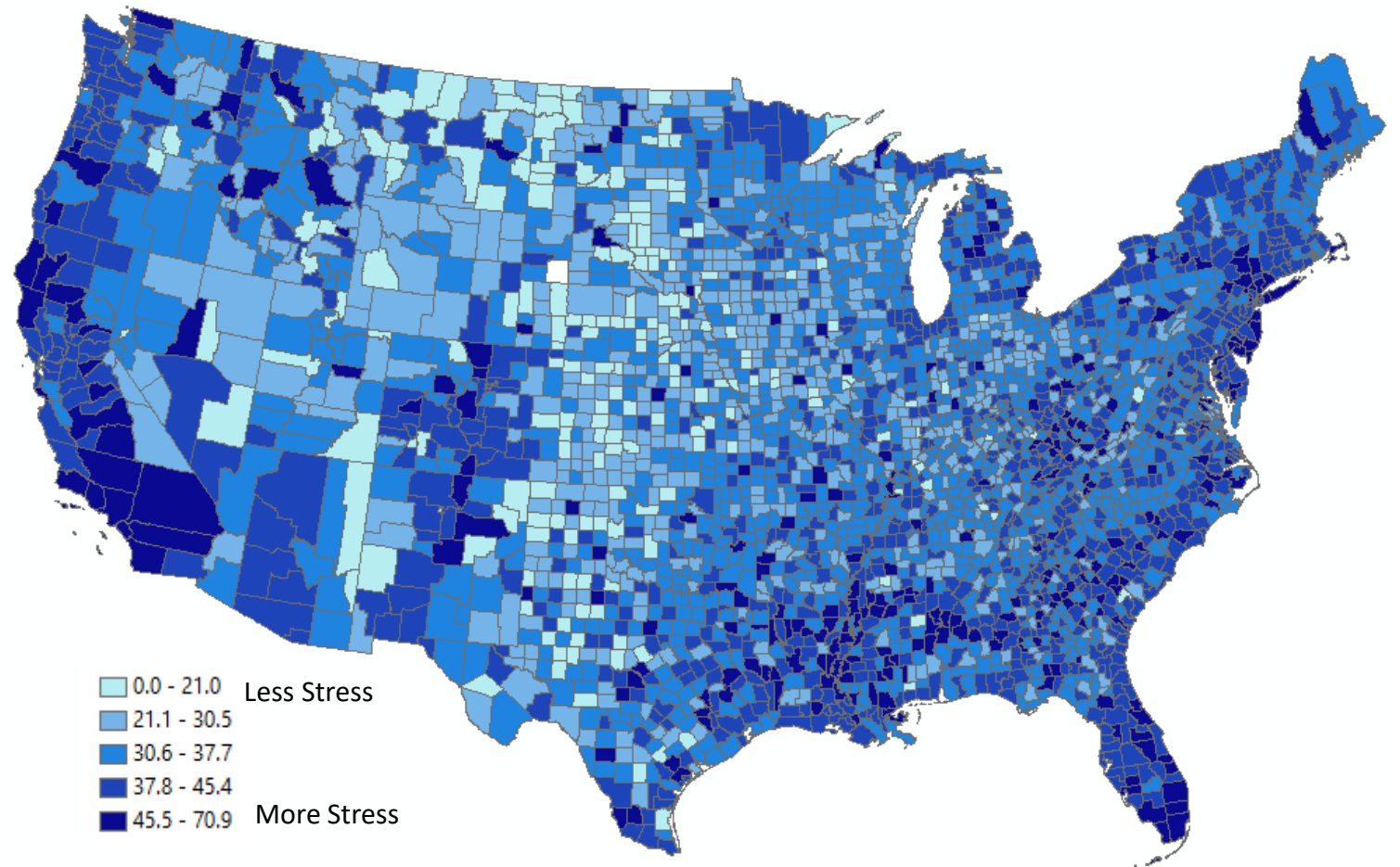
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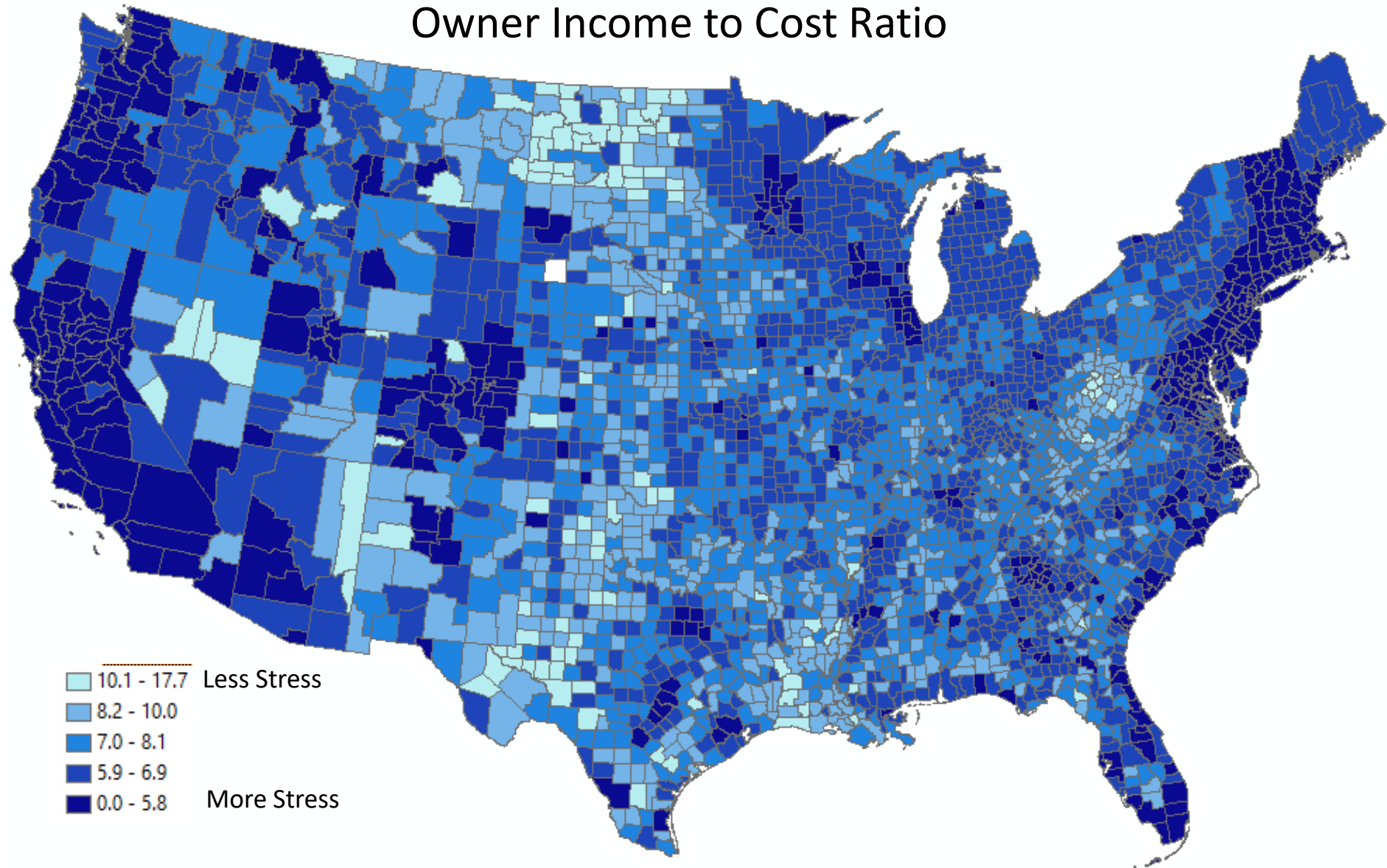
If you earn \$5,000 a month, that means your monthly **house payment should** be no more than \$1,250.

Renters 35% or More Income to Housing



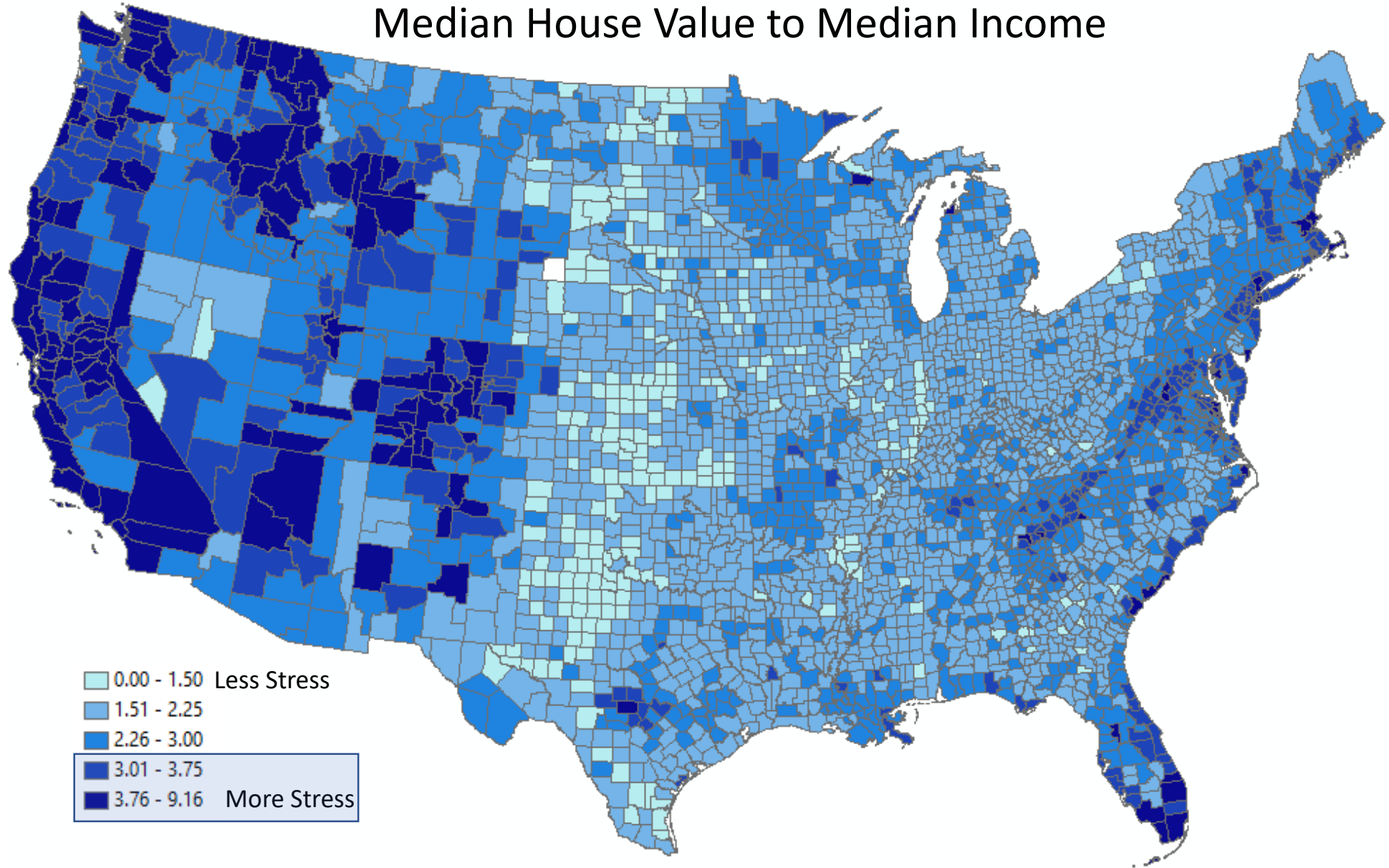
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Owner Income to Cost Ratio



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Median House Value to Median Income



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Combining Individual Measures into a Housing Stress Index

Owner Occupied

Correlation Coefficients	Percent w/ Mortgage 35%+	Percent w/o Mortgage 35%+	Median Value to Median Income
Percent w/o Mortgage 35%+	0.3723		
Median Value to Median Income	0.4669	0.2228	
Owner Income to Cost Ratio	-0.3576	-0.4081	-0.5149

	Index Weight
Percent w/ Mortgage 35%+	0.5055
Percent w/o Mortgage 35%+	0.4416
Median Value to Median Income	0.5162
Owner Income to Cost Ratio	-0.5319
Percent Explained	0.5446

Renter Occupied

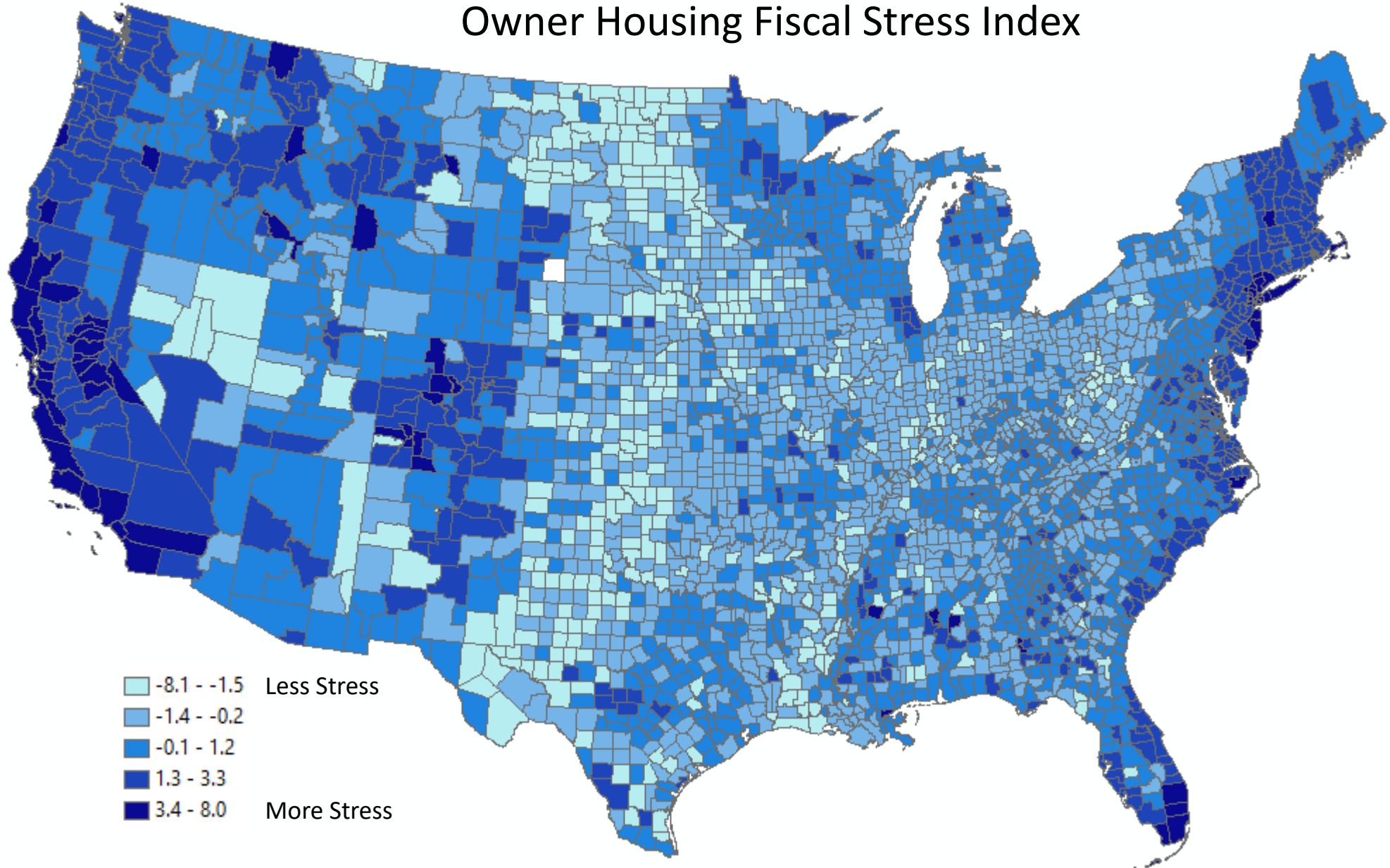
	Renter Income to Cost Ratio
Percent w/ Rent 35%+	-0.6857

	Index Weight
Percent w/ Rent 35%+	0.7071
Renter Income to Cost Ratio	-0.7071
Percent Explained	0.8428



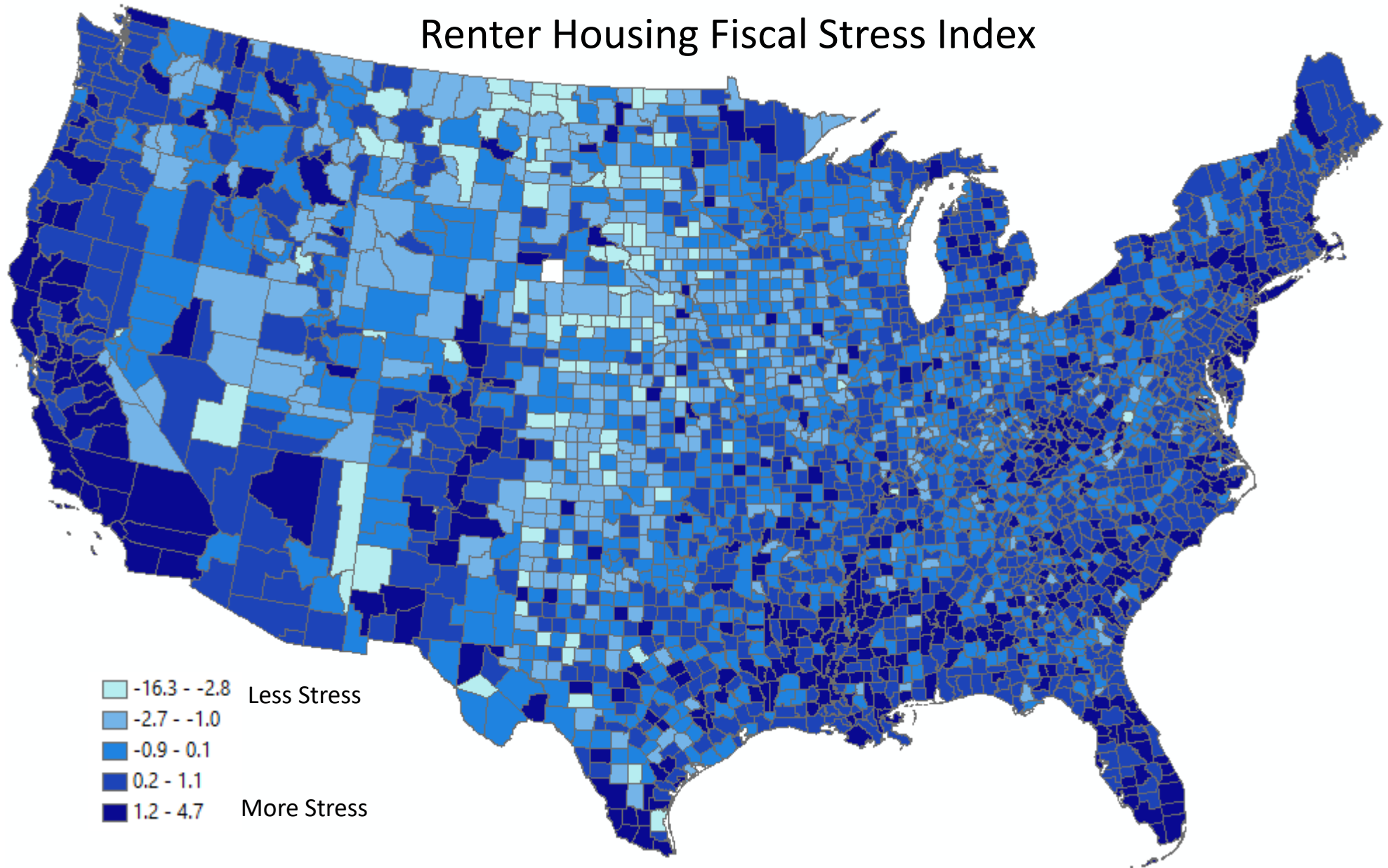
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Owner Housing Fiscal Stress Index



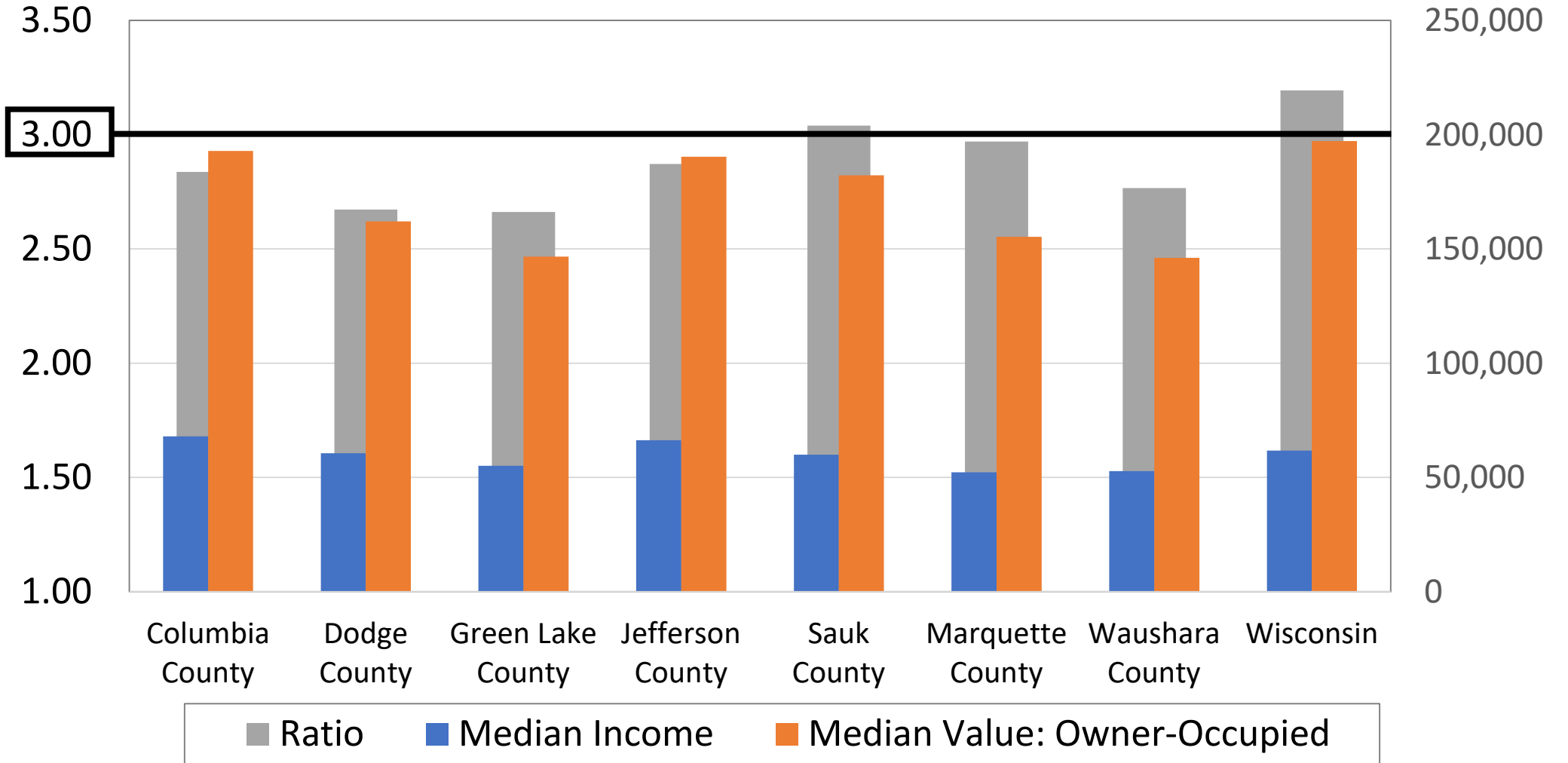
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Renter Housing Fiscal Stress Index



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Percent With a Mortgage Owner Occupied (ACS 2019 5-yr Ave)

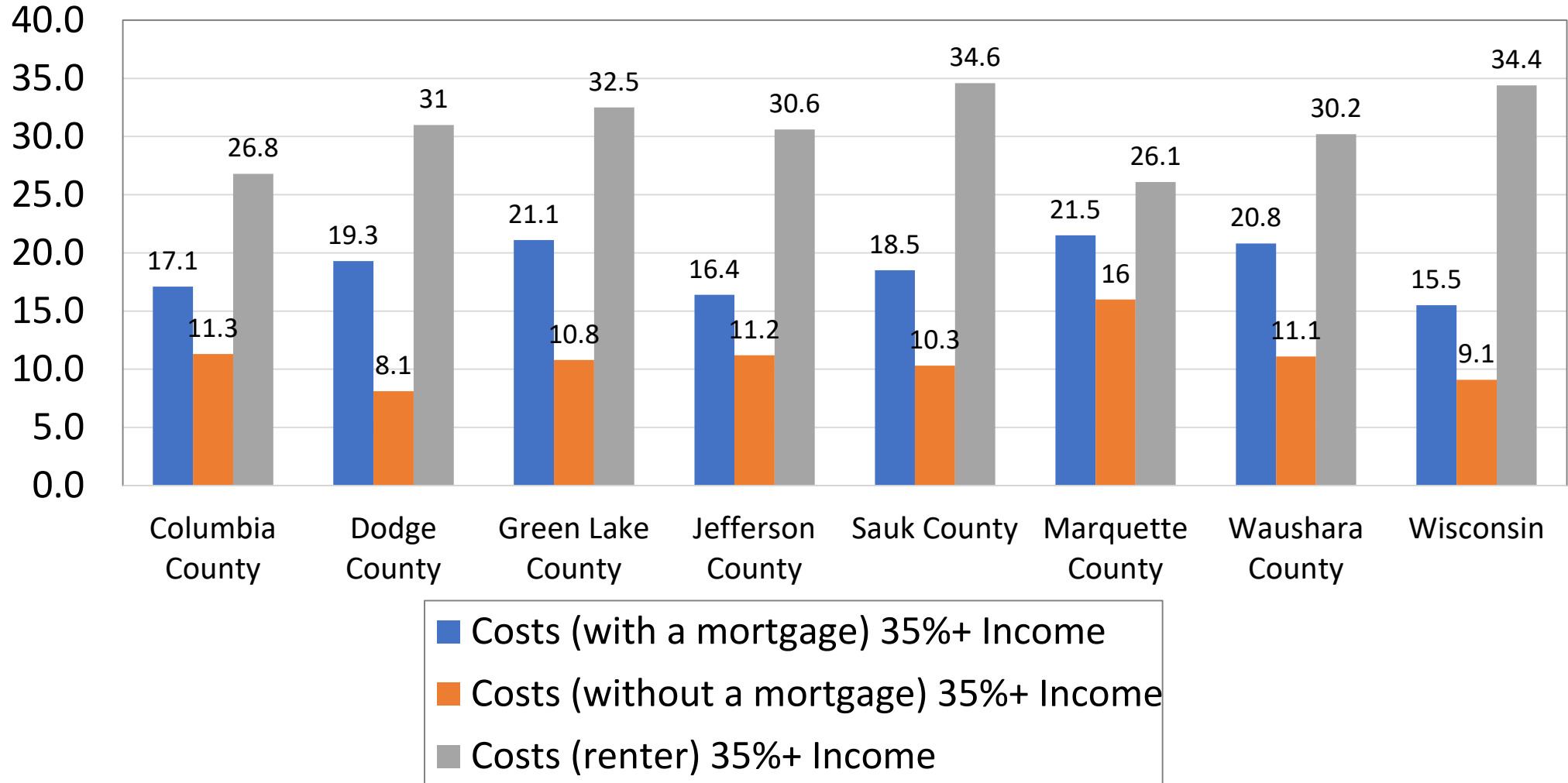


Source: U.S. Census, American Community Survey 2019 5-yr Average



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Housing Costs 35% or More of Income



Source: U.S. Census, American Community Survey 2019 5-yr Average



Summary of Key “Take Aways”

- Housing values are accelerating at a concerning rate.
- Construction of new housing unusually low which is contributing to accelerating values.
- What is an “acceptable” level of housing fiscal stress for your community?
- Rental market is experiencing high levels of fiscal stress.



Sampling of Strategies to Think About

We have developed, implemented and enforce land use regulations that guide the location of future development and protect prized features of our community?

Housing is explicitly addressed in the comprehensive plan?

The housing elements of the comprehensive plan have been reviewed by a citizens committee in the last five years.

Provisions are made for single and multi-family housing?

The land use plan allows for higher density residential development to facilitate more affordable housing?



Sampling of Strategies to Think About

Our housing code is designed to encourage owners of residents to provide basic maintenance?

The community has a well-established understanding of what “substandard” housing means?

We vigorously enforce housing codes to encourage property owners to upgrade or sell poorly maintained properties?

We vigorously pursue payment of delinquent property taxes to pressure owners of abandoned or underused properties to sell?

To address habitually poorly maintained, underused, or abandoned properties we are willing to use statutory authority to condemn and redevelop the property?



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