

# HOUSING PERMITS RISE IN WISCONSIN, STILL LAG FORMER HIGHS

The number of new housing permits issued this year is on pace to reach its highest level, in Wisconsin and nationally, since before the Great Recession – a welcome development given rising home prices. Multi-family housing permits are surging in Wisconsin, far outpacing the nation and neighboring states, but increases in single-family permits in the state have lagged. While a rise in construction could improve housing access and affordability, the state still significantly trails the levels of new housing permits seen in the 1990s and 2000s.

The number of new housing units permitted in Wisconsin from January through September 2021 increased 26% over the same months in the prior year, new data from the U.S. Census Bureau show. That compares to a 22.9% increase seen nationally during this period. This trend does not simply reflect a rebound from the pandemic: new housing unit permits also are up through September 2021 compared to the same months in the previous four-year average, by 31.9% in Wisconsin and 29.1% nationally.

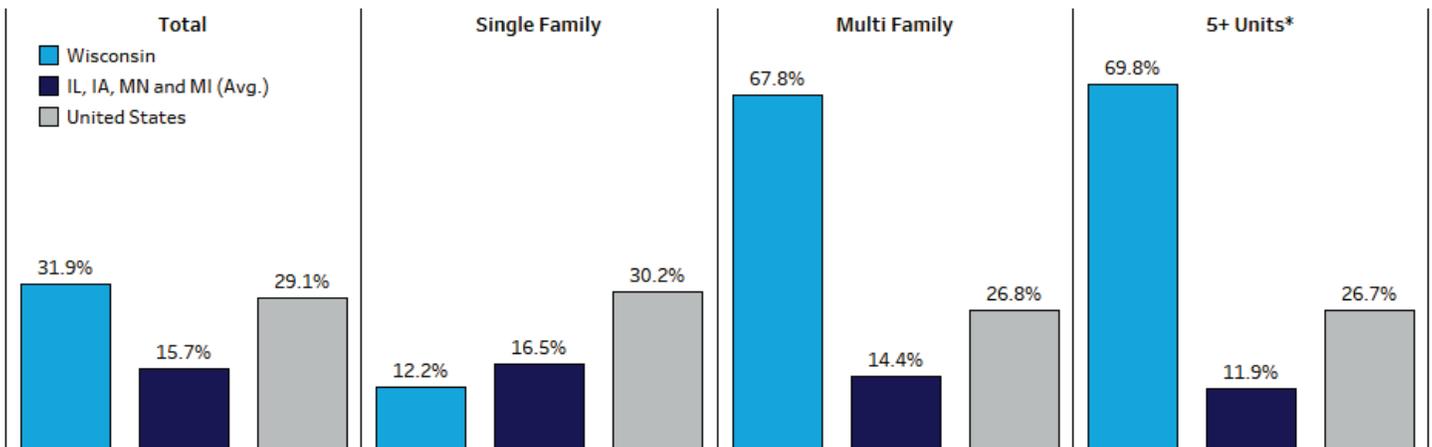
The trend differs, however, according to housing type. In Wisconsin, single-family housing permits were up 12.2% through September compared to the average of the same period in the prior four years, while multi-family permits were up 67.8% (see Figure 1). This difference separates Wisconsin from neighboring states and from a national trend in which recent permits for single-family and multi-family housing units have increased at

relatively comparable rates. Also worth noting is that the vast majority (67.1%) of the total increase in Wisconsin was for multi-family housing units in complexes of five or more. Notably, this comes in spite of some speculation early in the COVID-19 pandemic that it might dampen demand for higher-density housing.

Previous Forum research found [rental housing affordability is a challenge](#) in many areas of the state. Hurdles also are mounting for home ownership, as [housing price indices in Wisconsin](#) and nationally show prices at record highs. Moreover, [research conducted for the Wisconsin Realtors Association in 2019 found](#) the state is facing a shortage in new housing construction. An insufficient supply of housing puts upward pressure on prices, so it's encouraging that this year Wisconsin is poised to permit the most new housing units since at least 2007.

**Figure 1: Wisconsin Housing Growth Outpaces Country, Neighbors Due to Multi-Unit Buildings**

Change in housing permits by building type, 2017-2020 average vs. 2021



Source: U.S. Department of Housing and Urban Development. \*5+ Units counted as part of Multi Family developments.



Data referenced in this report are for residential construction permits issued by about 21,000 local governments collected as part of the Census Building Permits Survey. About 9,000 jurisdictions respond to the monthly survey, with the remainder reporting only on an annual basis. The year-to-date data we examine here is adjusted by the Census Bureau to try to account for missing annual reporters.

Though these permits are a useful metric for new housing trends, they are not a perfect measure of actual construction. In some cases, construction for a permitted project could be delayed or even fail to materialize.

## HOUSING PERMITS IN STATE'S LARGEST METROS

Our analysis also looked at trends in the 10 largest metropolitan areas located entirely or primarily within Wisconsin (these are also known as core-based statistical areas, or CBSAs). These are Appleton, Eau Claire, Green Bay, Janesville-Beloit, La Crosse-Onalaska, Madison, Milwaukee-Waukesha-West Allis, Oshkosh-Neenah, Racine, and Wausau.

The Madison CBSA leads, by far, in the total number of new housing units permitted this year through September. Housing permits in the Madison area increased 65% compared to the average of the prior four years, and accounted for 52.4% of the increased statewide total of newly permitted units relative to the prior average.

Figure 2 compares percentage increases in the housing unit permits issued in the state's two largest metro

areas, Milwaukee and Madison, to the next eight largest CBSAs combined. Importantly, it shows large relative increases are not limited to fast-growing Madison. Such growth, both overall and in multi-family construction, occurred in many mid-sized areas, including Appleton, Eau Claire, La Crosse, Oshkosh-Neenah, and Wausau.

Through September, all of these five areas have seen increases of at least 52% in new housing units permitted relative to the prior four-year average, with most of the increase coming in multi-family housing. Notably, all but one of these metro areas recorded larger percentage increases than Madison.

The state's largest CBSA, Milwaukee-Waukesha-West Allis, saw a more modest increase in housing units permitted compared to the average of the prior four years, at 9.7%.

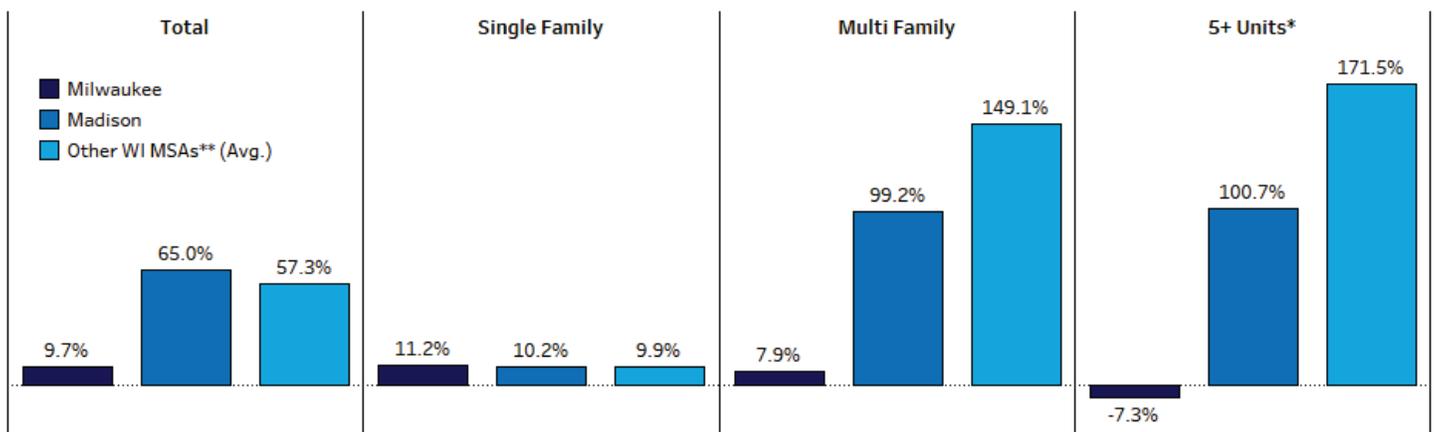
## LONG-TERM PICTURE

While these figures suggest residential building in Wisconsin is on the rise, placing them in historical context provides crucial perspective. Figure 3 depicts total new housing units permitted from 2000 through 2020, adjusted for population growth. It shows residential building units permitted in Wisconsin have risen since 2011. Yet the state, like the nation and its neighboring states, continues to lag far behind the pre-Great Recession pace of construction.

In 2020, Wisconsin permitted 21,226 new housing units, according to the Census survey. This is just 51.9% of the 40,884 units permitted in 2003. When adjusted for population growth, Wisconsin permitted less than half as many new housing units in 2020 as it did in

**Figure 2: Madison, Mid-Size MSAs Drive Multi-Unit Housing Growth**

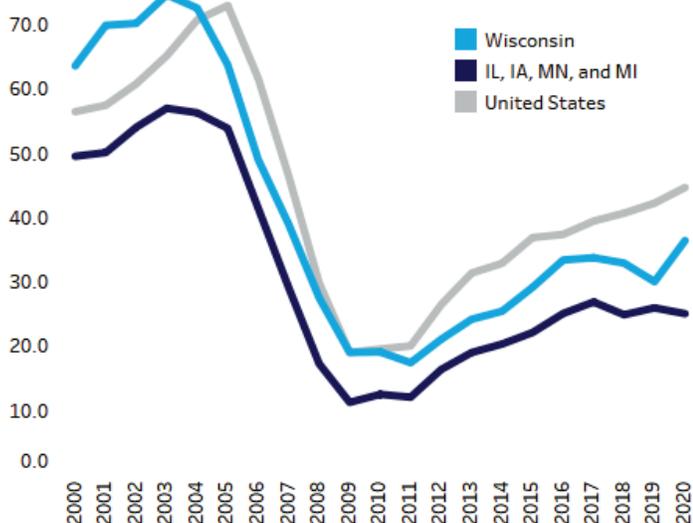
Change in housing permits by building type, 2017-2020 average vs. 2021



Source: U.S. Department of Housing and Urban Development. \*5+ Units counted as part of Multi Family developments. \*\*Includes Appleton, Eau Claire, Green Bay, Janesville-Beloit, La Crosse-Onalaska, Oshkosh-Neenah, Racine, and Wausau.



**Figure 3: Wisconsin Lags Pre-Recession Housing Pace**  
New housing units permitted per 10,000 people, 2000-2020



Sources: U.S. Department of Housing and Urban Development, U.S. Census Bureau

2003. While Wisconsin is on pace in 2021 to easily surpass last year’s totals, it would remain far shy of this previous high.

### POLICY RESPONSES

Some of the consequences of the post-recession slowdown in new housing construction have become apparent in recent years with skyrocketing housing prices. The [Wisconsin Realtors Association report](#), researched by University of Wisconsin-Madison professor Kurt Paulsen, identified and offered potential solutions to an emerging shortage of workforce housing – defined as housing that is affordable for individuals and families making at or near the median income in a given area. That report looked at the same source of data examined here to underscore how Wisconsin significantly lagged its pre-recession housing construction pace.

In Madison – a fast-growing area facing challenges with housing access and affordability – the city has begun to adopt or consider measures to increase the supply of market-rate housing. These include making certain smaller-scale, multi-family housing developments a “permitted use” in specific zoning districts rather than a “conditional use.” A similar change is being considered for accessory dwelling units in areas zoned for single-family housing. These changes come in addition to efforts to increase the supply of affordable subsidized housing units in the city.

In Madison and Milwaukee, [Forum research has found city governments using Tax Increment Financing \(TIF\)](#) to a greater extent to support affordable housing development. Both cities also have established affordable housing funds that can be used to fill financial gaps in potential affordable housing projects.

While the above measures may help, the most recent available data provide little indication that Wisconsin’s housing shortage – and corresponding increase in housing costs – is subsiding. In many parts of the state, additional steps may be needed to boost the supply of market-rate housing enough to change the underlying dynamics of the housing market.

Potential options might include policies to make it easier to build a broader variety of housing units in various neighborhoods. This could come via changes to local zoning ordinances or to other requirements for parking, lot sizes, or other factors. While options and public preferences may vary depending on the size of the municipality and which neighborhoods are involved, examples adopted in the city of Milwaukee include eliminating or reducing minimum parking requirements for housing units, especially those located near transit, and allowing multi-family housing by right in many zoning districts.

One of the most notable examples of reform occurred in the city of Minneapolis effective last year, when it allowed duplexes and triplexes to be constructed in neighborhoods that previously were limited only to single-family homes.

Some states also are taking action on this front. Long saddled with one of the nation’s worst housing crises, California lawmakers and the governor recently required municipalities to permit construction of two housing units, and to allow owners to subdivide residential lots in single-family neighborhoods.

### CONCLUSION

Our review of data on housing permits shows that, despite the COVID-19 pandemic, recent activity in the construction sector has remained robust. Residential building permits in Wisconsin and nationally ticked upward in 2020 and are rising again 2021. In Wisconsin in particular, the recent increase in multi-family housing permits is a positive indicator.

Yet the state’s comparatively sluggish pace of single family housing permits remains a cause for concern,



and one that warrants further study. It remains to be seen if recent housing construction will meet demand and ultimately make housing more accessible and affordable – or if more work will be needed to respond to this critical cost-of-living challenge for many Wisconsin households.

