

# December 2022 National, State, and La Crosse Housing Outlook

By Matt Style

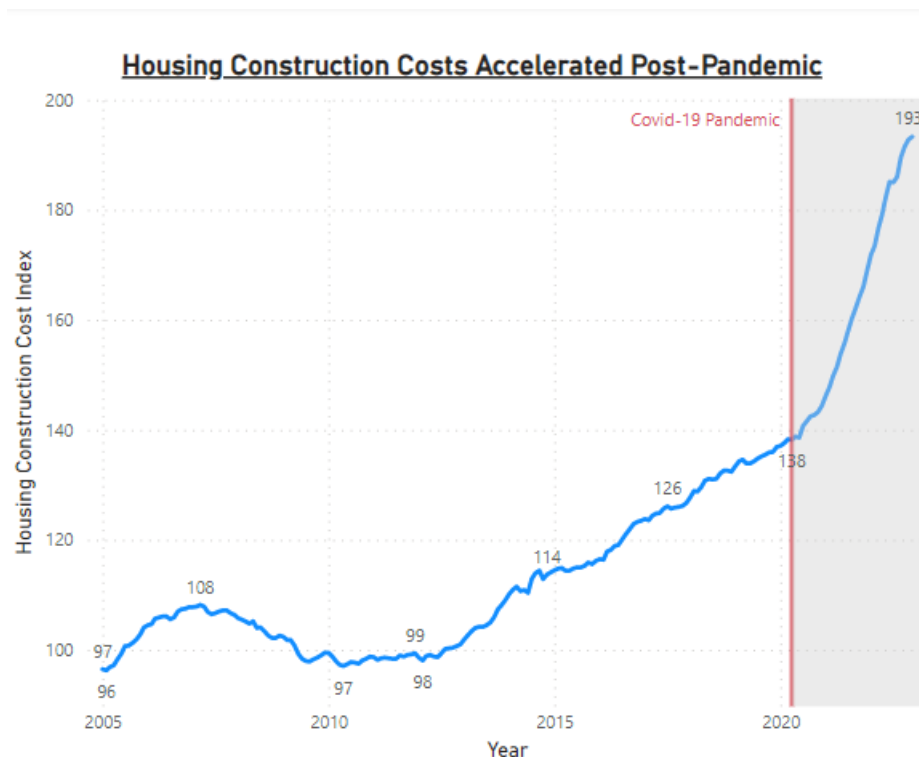
## Executive Summary

Over the last two years, the housing market has become a significant news story throughout the United States due to high prices and relatively low supply of available houses on the market. The goal of this publication is to track indicators relating to the housing market at the national, state, and local levels. While the housing market is still experiencing historically high prices, there are signs of potential relief on the way for consumers.

## National Housing Outlook

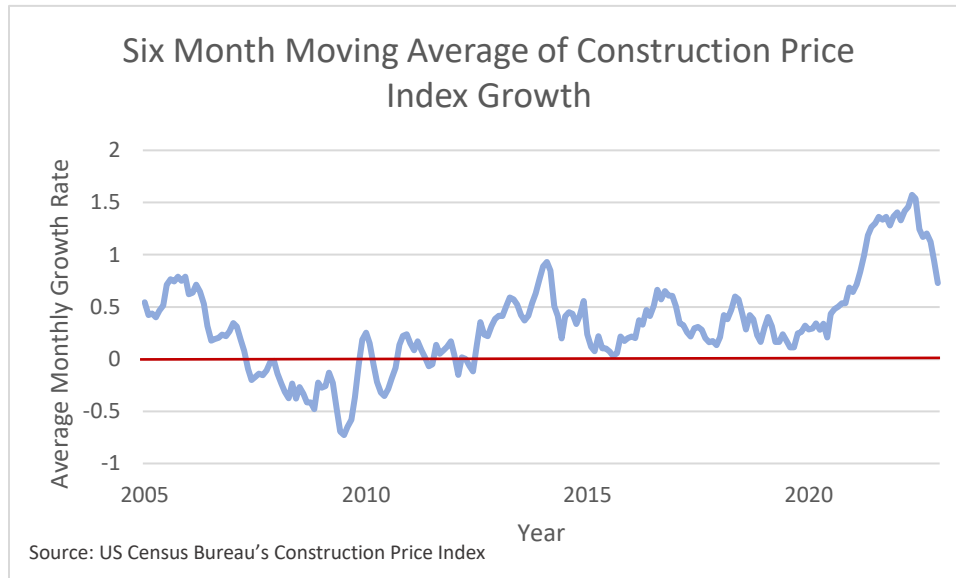
A common story around the nation has been the record-high prices for the new construction of houses. Similar to how the Consumer Price Index is calculated, economists measure the cost for builders over time to build a similar house. Using data from the US Census Bureau's Construction Price Index, we see an increase of roughly 40% in that index from March 2020, at the start of the pandemic, to December 2022. That increase of 55 points over the past two-and-a-half years is larger than the preceding 15 years.

The greatest period of acceleration in construction costs occurred during 2021 and in the first half of 2022 as a reopened economy combined with significant shortages in softwood lumber and other crucial construction materials made construction inherently more expensive.



Source: US Census Bureau's Construction Price Index

However, there may be some encouraging news as the six-month moving average in the month-to-month growth in the Construction Price Index shows that the pace of growth is slowing. While this does not mean that prices will go down, what it does mean is that they will not be going up as quickly as they have been. By the second half of 2022, the index had been growing by less than 1% each month for the first time since January 2021.



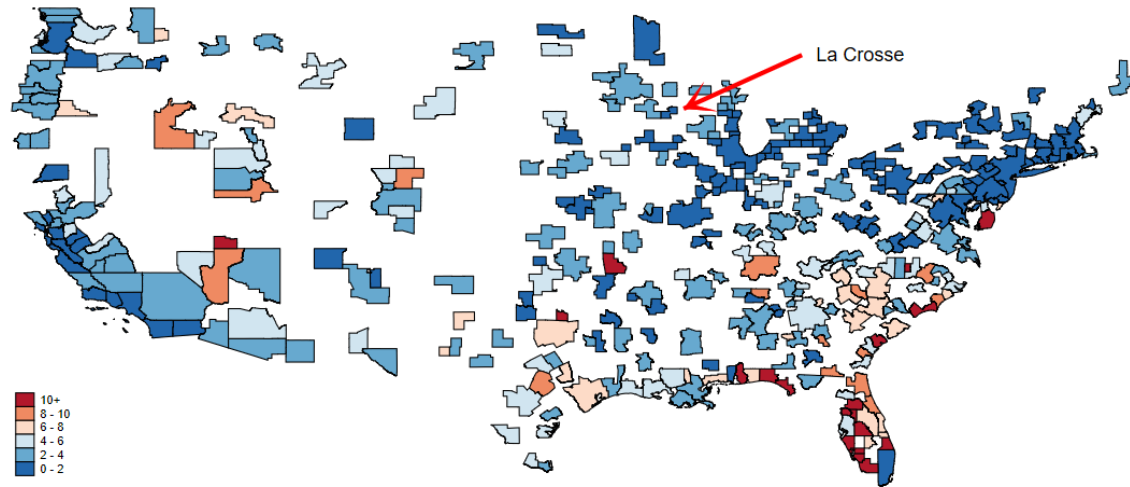
With the goal of owning a new home, rising construction costs can place a burden on buyers who are looking for a lower price as these supply constraints have most likely decreased the quantity of supply at a given price for homes within a market. According to basic microeconomics, you either need supply to increase or demand from other buyers to decrease as well. Essentially a decrease in competition for scarce housing either by having less buyers to compete against or having more housing options.

While would-be buyer competition might be harder to analyze, we can look at where the majority of new houses are being built around the country. Using data from the Building Permit Survey (BPS) conducted by the US Census Bureau, we found that the hottest regions of growth have been in both the Southeast and Southwest. Many cities such as Austin, Raleigh, Jacksonville, Nashville, and Boise have all seen increased rates of new housing construction with over 8 single family home permits issued per 1,000 residents over the past year.

<b>National Housing Permit Booms vs. Permit Rusts Among Major Cities</b>			
Estimated Total Permits Issued ( <i>per 1,000</i> ) from Dec. 2021 – Dec. 2022			
<b>Booms (Most Permits Issued)</b>		<b>Rusts (Smallest per 1,000)</b>	
1. Houston, TX	+51,164 (7.10)	1. New York City, NY	+13,682 (0.69)
2. Dallas-Fort Worth, TX	+46,716 (6.02)	2. San Francisco, CA	+3,747 (0.81)
3. Phoenix, AZ	+29,432 (5.95)	3. Los Angeles, CA	+11,498 (0.88)
4. Atlanta, GA	+28,151 (4.58)	4. Chicago, IL	+8,654 (0.91)
5. Austin- Round Rock, TX	+22,041 (9.37)	5. Boston, MA	+4,600 (0.94)
Source: US Census Bureau, Own Calculations			

## New Housing Permits Issued by Metropolitan Area

Permits Issued from Dec. 2021 - Dec. 2022 (per 1,000 residents)



Sources: US Census Bureau, Own Calculations

In search of housing this has mostly led people away from smaller cities in the Rust Belt as well as away from what you may call “old cities” as people head towards newer cities with new economic opportunities and growth. It is becoming increasingly clear that housing patterns are starting to follow this pattern. As the above map shows, this presents a significant question for the state of Wisconsin as well as the rest of the Midwest, will all the new housing options be “elsewhere” in the future? While new houses will still be authorized here, it appears that relative to population, you will be gaining more options both south and west.

### La Crosse’s Current Housing Situation

Despite interest rate hikes from the Federal Reserve throughout the spring and summer, La Crosse has been averaging roughly 19 permits per month since March of 2022.

Factoring in the 2021 population estimates issued by the US Census bureau, the La Crosse area saw 1.5 housing permits issued per 1,000 residents through 2022. Within the state of Wisconsin, that places La Crosse in 8<sup>th</sup> out of the 12 metropolitan areas, finishing ahead of Milwaukee, Sheboygan, Racine, and Fond du Lac.

La Crosse fairs to be a middle-of-the-pack city with respect to the number of single-family building permits compared to the rest of the state of Wisconsin. Due to geographical constraints, further growth may involve a great deal of sprawl or higher density housing.

Month	Permits
Dec21	7
Jan22	5
Feb22	7
Mar22	23
Apr22	24
May22	19
Jun22	17
Jul22	20
Aug22	19
Sep22	20
Oct22	22
Nov22	7
Dec22	21
Source: US Census Bureau’s BPS	

### Wisconsin’s Picture

Wisconsin is seeing a mixture of results based on the performance of each individual metropolitan area. While different areas of Wisconsin face different zoning regulations, economic conditions, and land availabilities, there are still a few interesting stories that can be presented with just the raw data.

**The State Capital Leads the State:** Both by a gross permit amount (1,677) and on a *per 1,000* resident basis (2.45), the Madison area is leading the state in permits to construct new single-family homes. Despite being less than half as populous as the Milwaukee area, Madison managed to issue more permits than

Milwaukee by 2, making them most likely statistical equals when factoring in for sampling error. Madison’s further growth will be driven by an abundance of surrounding land unlike Milwaukee who is constrained by Lake Michigan.

**Milwaukee is underperforming:** One reason why Madison’s numbers look impressive next to Milwaukee is because the city and its surrounding suburbs are underperforming in the number of permits being issued compared to national cities with a similar population. At 1.07 permits per 1,000 residents Milwaukee is not far from the cities that I had presented among the nationally stagnant cities such as Boston, Chicago, Los Angeles, the Bay Area, and New York City.

**Any Good Company?:** So how well are Wisconsin cities doing at providing new housing compared to other cities around the nation? While the numbers feel abstract, the table below will provide two pieces of information – the relative ranking within the state as well as another metropolitan area to act as a comparison. All metropolitan areas were paired by using similar performance in their permits per 1,000 metric (within 0.1) and by being within 20% of their population size to provide a more accessible view of performance.

Ranking Wisconsin’s MSA’s (Dec. 2021 – Dec. 2022)				
City	Population Estimate	Estimated Permits Issued	Permits per 1,000	National Comparison (Similar per 1,000)
1. Madison	683,183	1677	<b>2.45</b>	Wichita, KS
2. Eau Claire	173,317	383	<b>2.21</b>	Blacksburg, VA
3. Green Bay	329,490	724	<b>2.20</b>	Montgomery, AL
4. Janesville-Beloit	164,381	362	<b>2.20</b>	Blacksburg, VA
5. Wausau-Weston	166,189	355	<b>2.14</b>	Bangor, ME
6. Appleton	244,084	496	<b>2.03</b>	Lynchburg, VA
7. Oshkosh-Neenah	171,623	347	<b>2.02</b>	Florence, AL
8. La Crosse-Onalaska	139,211	211	<b>1.52</b>	Dubuque, IA
9. Fond du Lac	104,362	142	<b>1.36</b>	Watertown – Fort Drum, NY
10. Sheboygan	117,747	134	<b>1.14</b>	Kankakee, IL
11. Milwaukee	1,566,487	1675	<b>1.07</b>	Providence, RI
12. Racine	196,896	139	<b>0.71</b>	Springfield, IL
Source: US Census Bureau, Own Calculations				

**Conclusion**

While many Americans hope that the housing supply will improve, there are a few positives. The first is that construction costs have slowed their acceleration which will help bring minimize even further inflation within this market. Additionally, depending on what part of the country you live in or move to there may be plenty of new housing options in the works. As for the areas of Wisconsin that are looking for improvement, a deeper dive into the zoning regulations, tax rates, and other economic policies will be warranted to identify factors that are preventing growth.

We will continue to keep track of the data and provide more updates in the coming months as things further develop.