

# HOUSING PERMITTING SLOWS, ADDING TO AFFORDABILITY CONCERNS

*As housing has become increasingly unaffordable in Wisconsin and nationally since 2021, our state has issued more permits for housing construction. But the pace has declined slightly over the last two years and still lags far behind the housing boom years of the early 2000s. A growing share of new housing permits were for multi-family units, while the pace of single-family permitting has stagnated or declined in the state's largest metros areas.*

Since the onset of the COVID-19 pandemic, housing market conditions in Wisconsin and nationally have changed dramatically. Our recent [research found](#) home prices have risen much faster than incomes. Among many factors, this occurred as housing inventory began to reflect the cumulative impact of years of low levels of construction after the Great Recession.

Early in the pandemic, these conditions triggered an increase in housing permitting in Wisconsin, as Figure 1 shows (and as we reported in our [last look at housing permit activity in Wisconsin](#) in 2021).

Since then, however, amid the surge in mortgage interest rates and a rise in building costs, the pace of

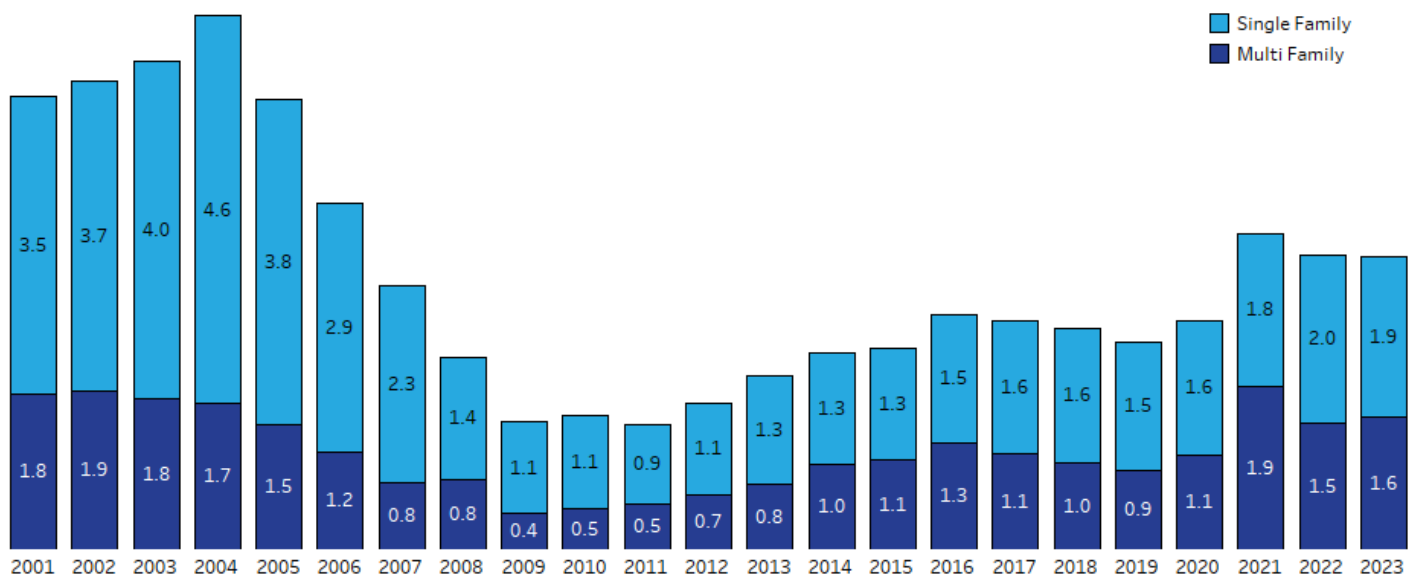
housing permitting has stagnated – declining slightly in 2022 and remaining roughly flat in 2023, our latest analysis finds.

As in our previous analysis, here we rely on data from the U.S. Census Bureau’s Building Permits Survey. While these data reflect the issuance of permits for housing construction, they do not indicate when construction actually begins or is completed.

Compared to the years immediately preceding the pandemic, Figure 1 shows that since 2021, permitting for multi-family housing in Wisconsin has increased significantly – while single-family permitting has increased more modestly. Using an average of the most

**Figure 1: Wisconsin Housing Permits Recover but Continue to Lag Pre-Recession Levels**

Wisconsin housing permits per 1,000 population, by year and type of permit



Source: U.S. Census Building Permits Survey, U.S. Census population data



recent three years for which we have data (2021-2023) multi-family housing permits increased 61.3% on a population-adjusted basis, relative to the three years preceding the pandemic (2017-2019). Single-family permits increased by 21.7% during this period.

Housing permit activity during the last three years remained far below the state’s 21<sup>st</sup> century peak for new housing, however, which occurred between 2002 and 2004. Adjusting for population change, the average rate of multi-family housing permits for the last three years was 7.1% below the average from that peak period. Single-family permitting was 53.6% below 2002-2004 levels.

Our state’s mix of single-family versus multi-family housing permitting has changed over time, as Figure 1 also shows. This occurred as the [average size of households](#) in Wisconsin and nationally has declined, bolstering demand for smaller housing units within multi-family structures.

### ZOOMING IN TO METROS

Since housing market conditions vary significantly across the state, we analyzed permitting trends in each of the state’s 10 largest Wisconsin-based metropolitan statistical areas (MSAs): Milwaukee, Madison, Green Bay, Appleton, Racine, Eau Claire, Oshkosh-Neenah, Kenosha, Janesville-Beloit, and Wausau.

In the last three years for which data are available (2021-23), eight of these metros have issued more housing permits on a per-capita basis relative to the years immediately preceding the pandemic (2017-19). The two MSAs that lagged the pace of their pre-pandemic permitting were Milwaukee and Racine.

During this period, the Madison MSA issued the most housing permits per capita, followed by Eau Claire, then Appleton (see Figure 2). Notably, in 2023, the Eau Claire MSA issued the most housing permits per capita among the 10 MSAs.

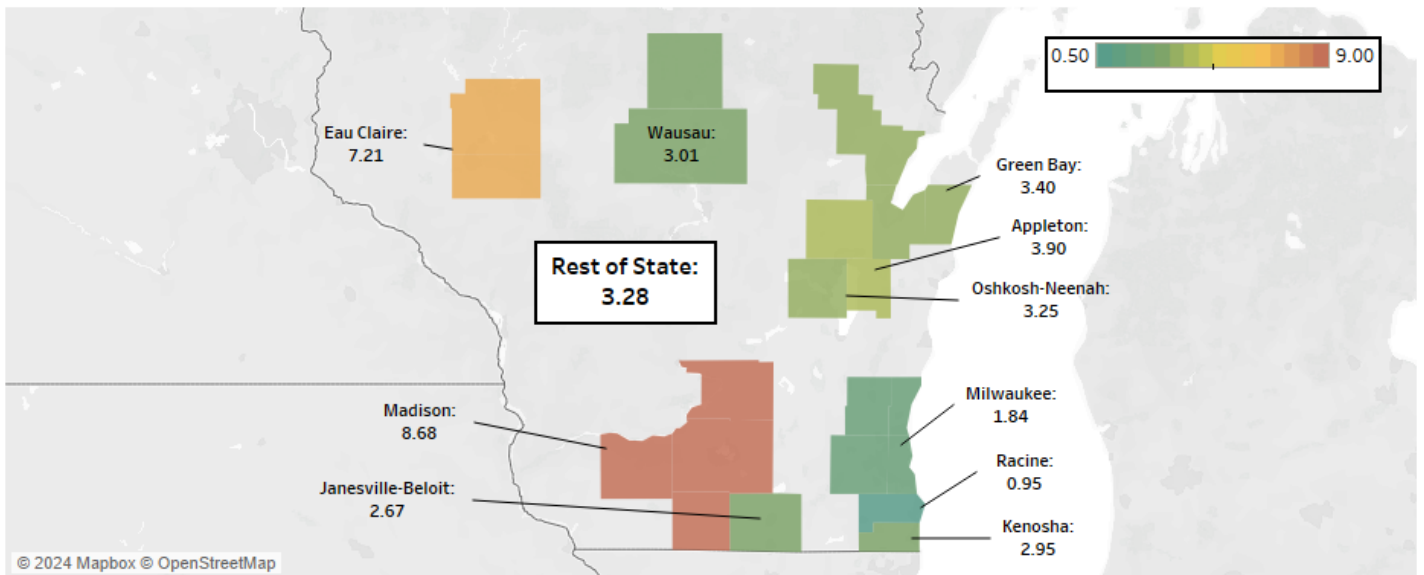
All but one of the state’s top 10 metros issued fewer permits per capita than in the building boom years of 2002-2004, with the Eau Claire MSA the lone exception.

### MILWAUKEE, MADISON DIFFER

The state’s largest housing market, metro Milwaukee, saw a decline the last three years in the pace of multi-family housing construction relative to 2017-2019, while single-family construction held flat. Milwaukee’s lack of population growth must be considered in evaluating this trend. But it remains a concern due to other factors, such as the shift to smaller households, an increasing total number of households, and the region’s aging housing stock. Home and rent prices have soared in metro Milwaukee since the pandemic,

**Figure 2: Madison, Eau Claire Lead Recent Permitting Efforts**

Average annual housing permits per 1,000 population, 2021-2023, 10 largest MSAs\*



Source: U.S. Census Building Permits Survey, U.S. Census population data. \*Based on MSA population only in Wisconsin.



and the lack of permitting suggests there is little new housing in the pipeline to help ease the supply crunch and control price increases.

Meanwhile, the state’s hottest housing market, metro Madison, has seen a robust increase in permitting for multi-family housing since 2021. Comparing the average of 2021-2023 to 2017-2019, multi-family permits have increased 77.8% in the Madison MSA.

Conversely, single-family permitting in Madison has fallen, even as home prices continue to rise. The average rate of single-family permitting for 2021-2023 was 4.3% lower than 2017-2019, offering little hope of relief for prospective buyers.

Figure 3 illustrates the sharp shift over time in the types of housing being permitted in the Madison MSA. At the start of the 21<sup>st</sup> century, single-family housing permits were more prevalent. Beginning during the Great Recession, the pace of permitting sharply increased for multi-family structures of five or more units – and this trend accelerated after the pandemic. Single-family housing permits, meanwhile, increased only modestly after the Great Recession and slightly decreased since 2017.

The trends are different in metro Milwaukee, where permitting declined during the Great Recession and increased only modestly afterward. Single-family

housing permits have outpaced multi-family housing in the metro area since 2019.

## NATIONAL COMPARISON

We also examined how Wisconsin’s housing permitting compares to other states. Permits in Wisconsin per capita increased more than the national average in recent years, but our state still is issuing fewer permits on a per-capita basis. In 2023, Wisconsin issued permits for 3.47 housing units per 1,000 residents, compared to a ratio of 4.48 nationally.

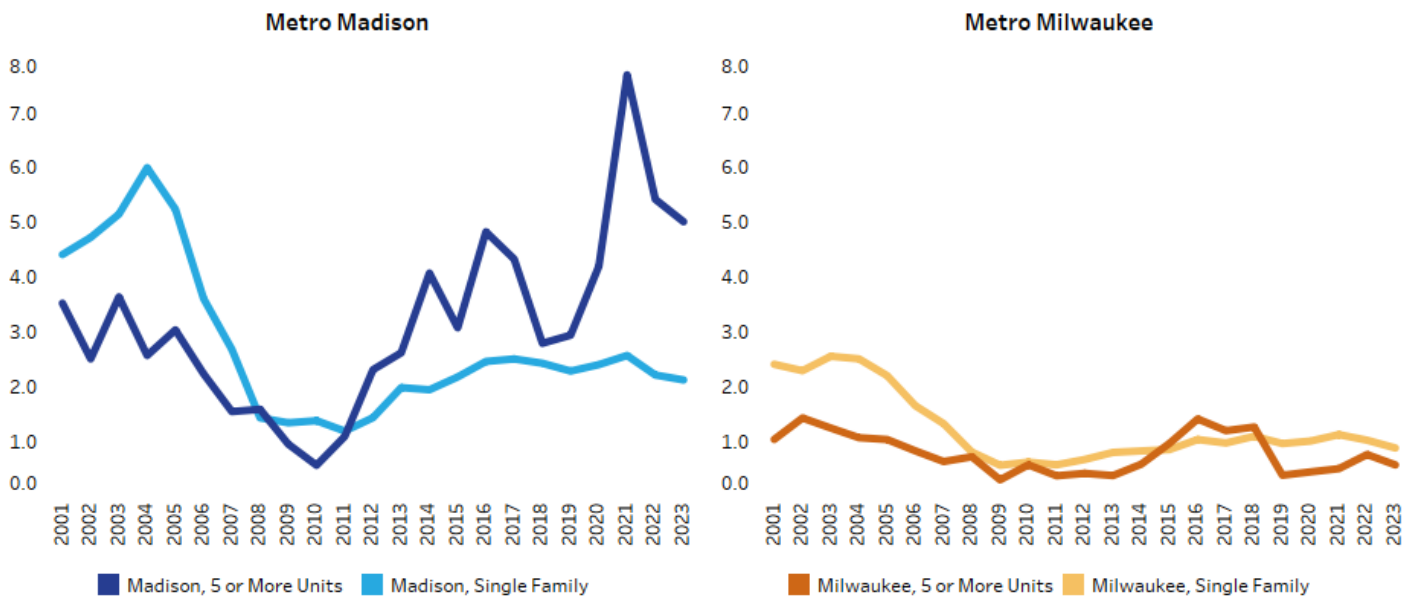
In 2023, Wisconsin’s ratio of permitting for multi-family units (1.58) only slightly lagged the nation (1.75). Most of Wisconsin’s overall gap was in single-family units, where its rate (1.89) was well below the nation (2.73).

Wisconsin saw a slightly larger permitting increase during the last three years (2021-23) relative to the three immediately preceding the pandemic (2017-2019), at 37.5%, relative to the nation at 29.6%. However, Wisconsin lags the nation relative to the construction boom years of 2002-2004. Looking at the average for 2021-2023, Wisconsin remained 39.4% below those levels; the nation was 22.9% below them.

## LOT CREATION DOWN IN MADISON

In addition to building materials and labor, another input needed to develop housing is buildable lots. The

**Figure 3: Permits for 5 or More Unit Buildings Boom in Madison While Milwaukee Lags Behind**  
Housing permits per 1,000 population, by year and type of housing, Madison and Milwaukee MSAs, 2001-2023



Source: U.S. Census Building Permits Survey, U.S. Census population data



state Department of Administration records new subdivision plats and lots throughout the state, which are then recorded with a county register of deeds. While these data include a few commercial developments such as office and industrial parks, they are predominantly residential lots and thus serve as a useful metric to gauge housing construction.

These data show there has been a significant long-term decline in the volume of new lots. Given the relatively small numbers of newly recorded lots, we again compare three-year averages. During 2021-2023, the number of newly recorded lots in Wisconsin increased 9.4% on a per capita basis relative to 2017-2019. But it remains 72.5% below the pace of new lot recordings seen during the construction boom years of 2002-2004.

These data vary considerably between Wisconsin metro areas. The Madison MSA is of particular note. Despite its population growth and high housing prices, Metro Madison trailed Appleton, Eau Claire, and Janesville-Beloit in per capita lot creation over the past several years. And while seven of the top 10 MSAs recorded more new lots the last three years relative to 2017-2019, Madison was among the three that saw a decrease.

## PRICES RISE, AFFORDABILITY WORSENS

The data cited here demonstrate that the pace of housing permitting has increased in the last few years relative to the pre-pandemic period, both in Wisconsin and nationally. Yet various indicators suggest that overall housing supply continues to trail demand – perhaps the most significant being the sharp [increase in housing prices since 2020](#).

Harvard University's Joint Center for Housing Studies recently published its ["State of the Nation's Housing 2024" report](#), which explains that a constrained housing inventory has contributed to large home price increases in recent years. The report says this is, in part, "attributable to the extended period of low construction beginning in 2008."

When comparing housing prices to households' ability to pay, the picture remains concerning. The Wisconsin Realtors Association's Housing Affordability Index – which measures the share of the median-priced home that a buyer with median family income qualifies to buy

– hit an [all-time low in May](#) of this year, spurred by rising mortgage interest rates.

In addition to population growth, a key factor contributing to housing demand is the increasing number of households. Amid a national shift to smaller households, this is occurring even in some communities with a stagnant or declining population.

Wisconsin's total number of households increased by nearly 141,000 (6%) from 2017 to 2022, according to the U.S. Census Bureau. Among the state's 10 largest metro areas, all saw an increase in the total number of households during this period. The Madison MSA led the group with an increase of over 30,000 total households (11.2%), followed by the Kenosha MSA with a 9.8% increase and the Eau Claire MSA with a 7.8% increase.

Despite declining in population, the Milwaukee MSA saw an increase of more than 29,000 households (4.8%) during this period. While slightly below the statewide growth rate, this suggests that the sluggish pace of housing permitting in the state's largest metro may not be keeping up with demand.

## CONCLUSION

Ultimately, while Wisconsin's increased pace of multi-family housing construction is welcome news for Wisconsin renters, it may still be insufficient to meet demand created by population and household growth in some communities.

For prospective homebuyers, meanwhile, the state's sluggish pace of single-family home permitting suggests that – absent other major changes in housing markets – there may be little relief in store from rising prices.

The [Harvard University report](#) cites a recent survey by the National Association of Homebuilders that asked builders about their top challenges. High interest rates were the most frequently cited in 2023, followed by the cost and availability of labor, the price of building materials, the cost and availability of lots, and difficulties obtaining zoning or permit approvals.

Local governments seeking to boost housing production potentially could take steps to increase the number of suitable lots in their community, make zoning codes more flexible, or make permit approval processes faster, more predictable, or less costly.



State government may be able to help address these factors as well. Measures that limit local authority in land use and building decision-making might make the process easier to navigate for builders; and there is at least limited [precedent for states adopting](#) them. However, it is likely they would be met with pushback from local governments and residents alike, who might object to a loss of local control.

Additional options for state policymakers could include tax cuts or incentives or regulatory changes to lower the cost of construction, or measures to bolster the state's construction workforce. Wisconsin builders say the state has a growing labor shortage in the construction and building trades. In fast-growing Madison, local builders [groups have predicted](#) the construction industry will need to double its workforce in just the next few years.

The rising cost of housing in recent years, both in absolute terms and [relative to incomes](#), is a glaring indicator that the state's housing inventory remains insufficient to meet demand. Some of the biggest factors at play, such as interest rates and construction costs, largely are beyond the scope of state and local policymakers. This makes it all the more important for them to pull the levers within their reach to make housing more affordable for all Wisconsinites.

