

WHERE BEST TO INVEST

THE EDGE OF ANALYTICS

March 4, 2019

Madison

Wisconsin

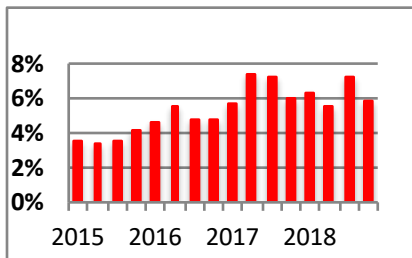
Economic Area

EXPECTED RETURNS		
Cash on Cash	Equity	RISK
MEDIUM	MEDIUM	LOW

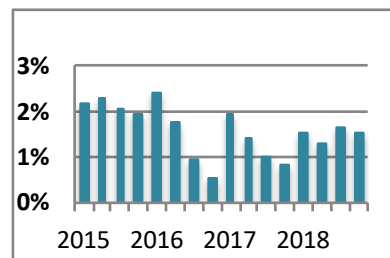
The high Home Price/Rent ratio means that investors will do best by splitting single-family homes into multiple units. Straight rentals have a small audience. Apartment buildings are a good bet but may be priced too high. Locations near colleges, medical centers and retail complexes are favored. Aim for the upper end of typical rents. The positive home price forecast makes rehab re-sales a good possibility, but also means investors must closely monitor prices for signs of weakening demand.

The economy features large government (state, university) and information sectors. Recent growth in government was fair. Total job growth was modest in recent months, little different than 3 months ago. Population growth has been average. Over the last three years, home prices rose 17 percent, 6 percent in the past year. Income grew 9 percent (US: 9%). 38 percent of housing is rented.

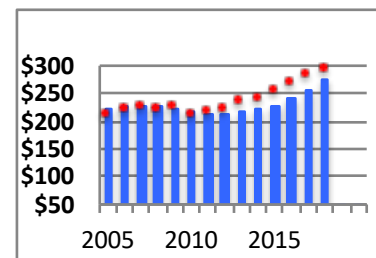
The moderate rate of job growth means that the risk of falling home prices and rents is average at this point. Future demand for housing will depend very much on economic growth, which should be monitored very closely. A sustained rise or fall in the rate at which jobs are growing will quickly decrease or increase the risk of investing. The current risk is LOW.



HOME PRICE CHANGE



JOB GROWTH RATE



HOME PRICE VS INCOME PRICE

	CURRENT	CURRENT		3-YEAR FORECAST	
	Prices	Rents	Ratio	Prices	Rents
	\$271,700	\$1,048	22	16%	11%
US Average:	\$238,900	\$962	20	14%	10%

Positives

Homes Underpriced
 Home Prices Rising Well **YES**
 Population Growth High
 Economic Growth Accelerating
 Healthcare Jobs Growing Well
 Business Service Jobs Growing Well

Negatives

Homes Overpriced
 Home Prices Not Rising
 Population Growth Low
 Economic Growth Slowing
 Job Growth Poor

Economic Area Guide

The conditions of an economic area affect all the zip code areas within it and **must** be understood when making and managing a local investment.

Expected Returns

The Rating of Low, Medium or High for both Cash-on-Cash and Equity returns is based on our forecasts of home prices and rents.

Risk

There are **two risks** for investors: that home prices will **fall** (especially after a price bubble) and that rents will be **too low** (either because rents actually fall or because not enough renters are in the market – usually because the local economy is in recession). The Rating is a combination of these risks.

Discussion of Investment Strategies

Different kinds of investments are favored under different economic conditions.

Discussion of The Local Economy

Jobs, population growth, home prices and income all affect future demand.

Discussion of Market Risks

The specific conditions that lead to our Risk Rating.

Three Essential Charts

These show 1. How much home prices have been rising – and therefore how much demand there is for both single-family homes *and* rentals; 2. How much jobs have been increasing – and therefore the strength of the local economy; 3. How home prices compare to the local ‘income’ price – whether the market is **over-priced** and close to a dangerous bubble.

Stats

Current prices and rents, our forecasts, and the Ratio of Home Prices to Annual Rents.

Positives & Negatives

WHERE BEST TO INVEST

THE EDGE OF ANALYTICS

March 4, 2019

Madison Wisconsin

Zip Code Areas

Zip Code	Pop.	Renters	\$ Sweet Spot \$ For Rentals		Average	Rent	Home Price Increase			
					Rent 2019	Forecast 3 Years	2016	2017	Forecast 2019	
53050	MAYVILLE WI	6,808	34%	158,800	195,300	\$662	-1%	-3%	8%	3%
53094	WATERTOWN WI	19,139	38%	183,300	351,900	\$764	0%	4%	4%	3%
53098	WATERTOWN WI	11,690	29%	209,200	307,500	\$872	-1%	2%	4%	2%
53508	BELLEVILLE WI	5,407	21%	281,400	360,100	\$1,047	5%	4%	9%	6%
53520	BRODHEAD WI	6,474	22%	179,900	215,800	\$714	0%	1%	11%	2%
53527	COTTAGE GROVE WI	10,945	17%	281,200	478,000	\$1,085	5%	5%	4%	6%
53528	CROSS PLAINS WI	5,977	23%	212,800	374,500	\$887	5%	6%	8%	6%
53532	DE FOREST WI	14,747	24%	227,600	300,400	\$930	6%	4%	9%	6%
53533	DODGEVILLE WI	7,211	31%	193,400	386,800	\$806	1%	4%	2%	3%
53538	FORT ATKINSON WI	18,836	29%	203,600	299,200	\$824	0%	6%	5%	4%
53549	JEFFERSON WI	10,303	35%	204,200	245,000	\$788	0%	4%	5%	4%
53551	LAKE MILLS WI	8,453	34%	228,700	457,400	\$953	0%	3%	8%	4%
53555	LODI WI	8,356	23%	197,000	394,000	\$821	5%	6%	3%	4%
53558	MC FARLAND WI	11,638	16%	229,900	485,000	\$958	5%	6%	4%	4%
53559	MARSHALL WI	6,129	24%	227,600	273,100	\$939	5%	8%	6%	6%
53562	MIDDLETON WI	25,508	39%	234,200	550,300	\$976	5%	5%	5%	5%
53566	MONROE WI	15,122	35%	180,000	300,600	\$701	0%	5%	3%	2%
53572	MOUNT HOREB WI	10,688	27%	213,600	501,900	\$890	5%	5%	6%	6%
53575	OREGON WI	16,211	20%	204,500	300,600	\$844	5%	5%	7%	5%
53578	PRAIRIE DU SAC WI	6,418	27%	282,900	480,900	\$1,034	2%	4%	5%	3%
53581	RICHLAND CENTER WI	10,193	31%	150,700	274,200	\$628	1%	4%	5%	3%
53583	SAUK CITY WI	5,888	29%	162,000	223,500	\$675	2%	2%	6%	3%
53589	STOUGHTON WI	20,178	23%	219,300	385,900	\$914	5%	5%	7%	6%
53590	SUN PRAIRIE WI	39,227	38%	281,100	477,800	\$1,010	5%	6%	6%	5%
53593	VERONA WI	22,659	26%	282,700	602,100	\$1,144	5%	5%	4%	4%
53594	WATERLOO WI	5,069	21%	169,200	233,400	\$705	0%	3%	8%	4%
53597	WAUNAKEE WI	18,723	21%	236,400	555,500	\$985	5%	4%	6%	5%
53703	MADISON WI	31,370	86%	250,800	589,300	\$1,045	6%	5%	9%	6%
53704	MADISON WI	45,528	45%	281,600	360,400	\$954	6%	6%	8%	6%
53705	MADISON WI	25,066	50%	235,600	497,100	\$982	6%	6%	7%	6%

WHERE BEST TO INVEST

THE EDGE OF ANALYTICS

March 4, 2019

Madison Wisconsin

Zip Code Areas

Zip Code	Pop.	Renters	\$ Sweet Spot \$ For Rentals		Average	Rent	Home Price Increase			
					Rent 2019	Forecast 3 Years	2016	2017	Forecast 2019	
53711	MADISON WI	47,712	36%	235,400	496,600	\$981	5%	5%	6%	5%
53713	MADISON WI	23,097	74%	207,600	305,100	\$865	5%	8%	4%	5%
53714	MADISON WI	16,835	41%	220,500	324,100	\$919	6%	7%	8%	6%
53715	MADISON WI	14,246	84%	450,100	720,100	\$1,226	7%	8%	11%	8%
53716	MADISON WI	18,481	30%	215,000	505,200	\$896	6%	7%	8%	6%
53717	MADISON WI	12,512	50%	250,800	396,200	\$1,045	5%	6%	6%	6%
53718	MADISON WI	12,700	34%	287,700	489,000	\$1,199	5%	6%	6%	5%
53719	MADISON WI	31,705	49%	259,600	547,700	\$1,082	5%	5%	6%	5%
53726	MADISON WI	5,869	68%	262,000	699,500	\$1,092	5%	4%	16%	6%
53805	BOSCOBEL WI	5,156	31%	144,400	320,500	\$602	0%	7%	0%	3%
53813	LANCASTER WI	5,809	31%	128,600	228,900	\$536	0%	6%	7%	3%
53818	PLATTEVILLE WI	16,126	46%	181,200	418,500	\$755	0%	1%	6%	3%
53821	PRAIRIE DU CHIEN WI	8,287	29%	135,800	247,100	\$566	1%	4%	-4%	0%
53901	PORTAGE WI	14,627	36%	179,600	299,900	\$734	5%	3%	5%	4%
53913	BARABOO WI	20,319	37%	180,700	301,700	\$753	2%	6%	3%	3%
53916	BEAVER DAM WI	22,647	33%	185,000	308,900	\$771	-1%	3%	5%	3%
53925	COLUMBUS WI	7,916	27%	192,400	321,300	\$802	5%	2%	9%	4%
53948	MAUSTON WI	8,101	26%	179,500	344,600	\$748	1%	5%	2%	2%
53949	MONTELLO WI	5,823	19%	157,600	302,500	\$657	1%	2%	1%	3%
53950	NEW LISBON WI	5,570	23%	179,700	215,600	\$700	1%	6%	0%	2%
53954	PARDEEVILLE WI	6,841	17%	203,700	299,400	\$801	5%	5%	2%	4%
53955	POYNETTE WI	5,606	20%	175,200	525,600	\$730	5%	7%	2%	4%
53959	REEDSBURG WI	13,903	32%	185,500	309,700	\$773	2%	5%	3%	3%
53963	WAUPUN WI	13,918	30%	167,200	379,500	\$697	-1%	6%	1%	2%
54923	BERLIN WI	8,710	29%	156,100	299,700	\$638	1%	-7%	1%	0%

Zip Code Area Guide

Population

The odds of finding a suitable property will be higher in a zip code with more people. If you're looking at a lot of zip codes, look at the big ones first. Typically there are 2.5 people in a home, so in a 10,000 person zip code there are 4,000 properties (owner and rental).

Renters

This is the percent of properties occupied by renters (rather than home owners). A low percent of renters often means high home prices and that means that you could have trouble finding people who will rent your property, especially when a market softens. A very high percent of renters often means that apartment buildings are more popular than single-family rentals.

Sweet Spot for Rentals

*This is an immensely important statistic that is **different** for each zip code area!* It shows the property prices where you will find the **largest concentration** of renters. If the property you buy is priced in the Sweet Spot range, you will most easily find renters. If your property is priced well *above* the range, you can still find renters but it will be more difficult – and you could have trouble finding them when a market softens!

In an *over-priced* market, you may not be able to find properties within the Sweet Spot range at all. You can still invest in such a market, but at greater *risk*.

Average Rent

The average monthly rent is the minimum you should expect to receive. Half of renters pay less than that but low-end renting is a riskier specialty most investors should avoid.

Rent Forecast

The forecast is for a **3 year** period. Rents often move along with home prices but are more closely tied to income.

Home Price Increase

This is a measure of the strength of demand for housing – for owners and renters. We show the last two years of actual price increases and our own forecast for the next year. Because zip code areas are fairly small, changes from year to year can be abrupt.