



SOAR

Each August, the Wisconsin Department of Revenue releases its latest estimate of the total value of all taxable property in the state and each municipality and county. These “equalized values” are used primarily to apportion property tax levies across taxing jurisdictions. For example, they are used to distribute the county levy to all underlying cities, villages and towns based on each municipality’s share of the total county equalized value.

These figures are also a good indicator of the health of the real estate market. They can help answer questions about the strength of the housing market or about regional changes in home values.

The values are “as of” January 1 and represent economic activity that occurred in the prior year. Thus, the recently reported 2023 values represent activity during 2022.

► Double-digit increases

The latest DOR report shows the value of all taxable property in the state rose 13.1% during 2022. Double-digit increases are relatively rare, having occurred just 13 times over the past 74 years. The majority occurred during the 1970s when inflation averaged more than 7% per year.

This year’s increase follows last year’s even larger gain of 13.8%. Combined, equalized property values soared nearly 29%, the biggest two-year gain since 1980 and the fourth largest since 1950.

At the county level, two-year increases ranged from 21% in Buffalo County to 63% in Menominee County. In

addition to Menominee County, gains topped 40% in Adams, Burnett, Door, Oneida and Price counties.

► Residential properties

The 2023 figures show double-digit value increases in nearly all property classes. Commercial property rose 11% over the year, manufacturing 12%, and agricultural land 11%. Residential property, which accounts for nearly three-fourths of all taxable property, increased 14%.

The growth in residential property was a continuation from the prior year when it climbed 14.9%. Over the two years, residential values were up 31%, the largest two-year gain in at least 38 years. Only a small portion of the increase was due to new home construction; more than 89% was a result of value changes from strong market conditions.

It was not much of a surprise that residential values rose rapidly. Over the last few years, stories of single-family homes selling above the asking price, sometimes tens of thousands of dollars higher, have been relatively common. Data from home sales are one of the primary factors in DOR’s estimation of residential values. According to the Wisconsin Association of Realtors®, the median sales price of a Wisconsin home rose 9% in 2021 and 10% in 2022.

The new figures tell an interesting story about the geography of residential growth. In particular, there is a relatively large rural-urban divide. Over the two years, residential values grew 29% in the state’s 26 urban counties. In a typical two-year period, this rate of growth would be

unusually high. Yet, it did not match the 37% gain in 46 rural counties. In the rural north, values were up 41%.

Looking at individual counties, values in Menominee (64% increase) and Adams (52% increase) soared more than 50% over two years. In another 11 rural counties, values grew more than 40% (see map).

The slowest growth was seen in the southeast corner of the state, with Kenosha, Racine, Ozaukee and Milwaukee counties all seeing two-year gains of less than 27%.

► Financial effects

Households: The rapid growth in residential values increased the wealth of homeowners, at least on paper. For the typical homeowner nationally, home equity constitutes 44% of net worth. Thirty percent growth in that asset over two years generates a significant increase in household net worth.

Counties: The rapid rise in overall values can also impact county finances. The amount of property taxes a county can levy is capped by levy limits, which allow levies to grow at the rate of new construction. Since the denominator in that rate calculation is total equalized value, these rapid increases will have the effect of reducing new construction rates. Price County is illustrative.

For 2022 (activity in 2021), new construction in Price County was \$20 million, the largest amount ever, and 1.33% of total equalized value. Under levy limits, Price County was able to increase its levy by 1.33% in 2022.

Over the past two years, equalized values in Price County increased 41%, which means the base for next year's levy limit calculation is 41% higher than the base for 2022's calculation. Even if the county can reach that \$20 million of new construction again in 2023 for the 2024 calculation (questionable since new construction activity dropped to \$16.7 million in 2022), its new construction percentage would be just 0.94% of total equalized value, which would equate to a 0.94% allowable levy increase. While inflation has fallen below 4% in recent months, it is still running significantly higher than this allowable growth in property tax revenues.

► Final thoughts

Rapid growth in residential property values generates benefits and creates challenges. Homeowners in the state see relatively large increases in wealth, at least on paper. At the same time, though, county and municipal governments

Two Year Change
**RESIDENTIAL
PROPERTY VALUES**
2021-2023



may struggle financially due the tightening effect these increases have on the ability to raise revenues. ■

Forward Analytics is a Wisconsin-based research organization that provides state and local policymakers with nonpartisan analysis of issues affecting the state.

1. For this article, residential values were available for 1984 and later. Residential properties include rentals with three units or less. Complexes with four or more units are classified as commercial.

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