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## THE SAME, YET DIFFERENT

On the surface, 2019 is off to a start very similar to those of the last five years. But if we dig a little deeper, things look much more erratic, with some newer developments that bear watching as the year goes on.

For example, Dane County sales were down more than four percent overall to start the year. This is not particularly worrisome, since the first quarter is the least active quarter of the year. But, within that benign start were some very uneven months. January started down almost 14 percent from the year before. Then February was up 9.3 percent. March finished off the year down 12.6 percent. That's a lot of up and down.

## REAL ESTATE MARKET SOURCE

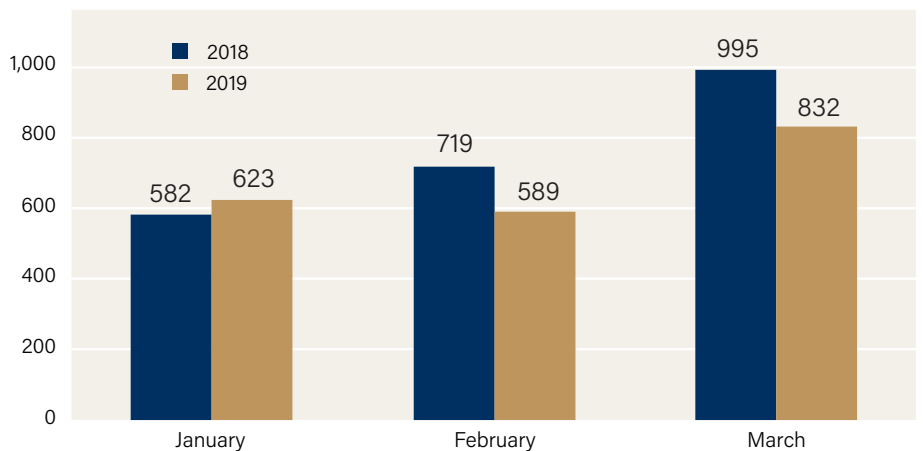
OF SOUTH CENTRAL WISCONSIN

**WE ALSO SAW SOME VERY STRANGE LISTING PATTERNS.** We can normally expect fairly consistent seasonal curves to new listings, offers, and closings throughout the year. For new listings in Dane County, the 2018 numbers fell within our average range. Not the case in 2019. We had a strong January and then February listings actually fell to *below* January levels. We can't remember a February when this has happened before. March rebounded, but even that was below expectations. The 2,044 new listings so far this year is 11 percent behind last year, and clearly not adequate to restore inventories to a more normal level.

Certainly, the weather played a role in the roller coaster start. We had polar vortexes in late January and again in February. Rain and wind made their appearance. While January offers were surprisingly robust, February started strong and then died at the end. March did much the same, with this year's early spring break leaving the market quiet towards the end of the month.

It seemed as though the market wanted to break out, but just couldn't muster up the strength. We've had many internal discussions about just what it is that's causing the inconsistent start. Beyond the wild weather, there are some interesting trends that bear examination.

### NEW DANE COUNTY LISTINGS BY MONTH



We typically see about 600 residential listings in January, 700 more in February, and close to 1,000 in March. This year, January was the best in the last three years, February was strangely low and March was below expectations.

### CAGEY BUYERS, BOLD SELLERS

Buyers, it seems, are catching on to the game that's being played these days, and they're playing it a bit differently than they were a couple years ago. After years of stampedes to compete for new listings, some buyers now seem more reluctant to pull the trigger. Some of the issue may be simple price resistance.

We think the bigger issue is a change in buyer attitude. Three years ago, there was a 'buy-it-now-or-else' mentality that led to fierce competition when a listing hit the market. Now, the attitude seems to be, 'I'm not going to fight with ten other people over a house—I'll just wait.' In other words, buyers are getting pickier.

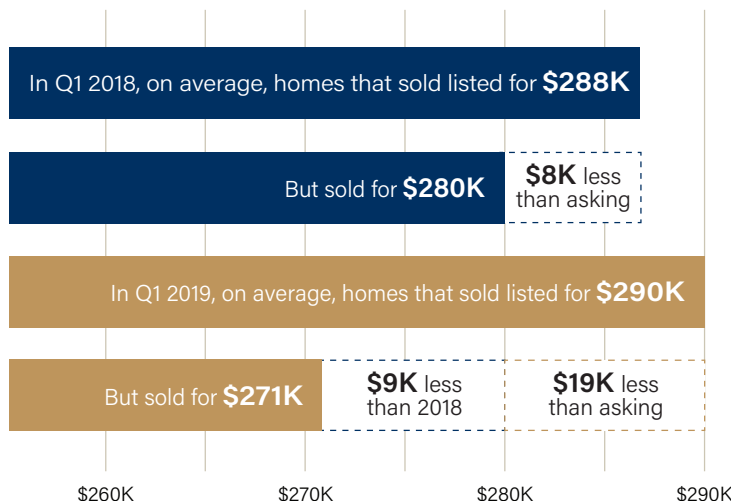
That doesn't mean multiple-offer situations have disappeared. Multiple offers when a home hits the market are still common. But unlike years past, we've also heard reports of some homes drawing surprisingly little interest in the early going.

It is still early, of course, and with nice weather finally arriving, we've noticed showings and offers have taken a big upswing recently. It may be that the spring market is arriving a bit late this year (early April offer activity is encouraging). Nonetheless, it seems clear that more buyers are picking their spots, and that means sellers will need to take notice.

Sellers, on the other hand, have fully internalized the message that inventories are tight. Sellers have clearly concluded that it's ok to price aggressively as the spring market opens. But, as we discussed above, buyers have other plans. Here are some very interesting statistics.

So far, in the first quarter of 2019, the median<sup>†</sup> list price in Dane County is up 5.5 percent from last year, rising from \$300K to \$316K. But here's where it gets interesting. We removed all the properties that *did not* receive an offer, looking only at the ones in the first quarter that actually *did* receive an accepted offer (regardless of when they were listed). In 2018, those properties had a median *list* price of \$288K and a median *sale* price of \$280K. In the first quarter of 2019 however, properties that drew an offer had a median list price of \$290K, (less than one percent over last year), and a median *sale* price of \$271K, (a decrease of 3.2 percent). The list price of homes that actually sold is only *slightly* higher than last year, and the selling price is actually *lower*.

### MEDIAN LIST PRICE VS SALE PRICE



Does this mean sale prices will actually fall this year? We doubt it. Inventories are still too tight, and there's still too much pent-up demand. Nonetheless, it's somewhat startling to see that of the listings selling early in the year, the median list price didn't really rise, and the median sale price fell from last year. This seems consistent with our observation that during the winter, buyers were out looking; but they were looking for a chance to buy with less competition and the opportunity for a better buy.

As we write this, we still expect the median price to rise as the year goes on, but we think it will rise less than previous years. Sellers, take note: while it's still a seller's market, buyers will not pay any price just because you ask for it. If you want to sell, this year you need to start paying attention.

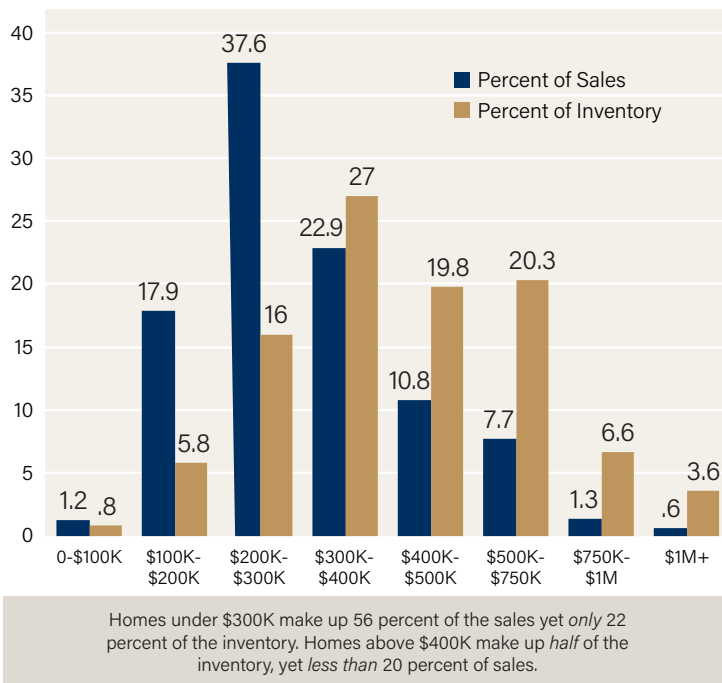
### ADVICE FOR BUYERS

It's easy to understand the frustration many buyers feel with the home-buying process today. It's no fun to fall in love with a home and then have it snatched out from under you. The beauty of real estate is that while no two parcels are alike, there are many you can love. Persist and don't lose faith. You'll eventually land the home you were meant to have. You might avoid some of the rush by looking outside the hot Madison neighborhoods. Keep in mind, there will be more listings over the next three months than at any other time of the year; it's still a good time to keep an eye on the market and be prepared. As always, have your financing ready to go, and know the limit of what you'll pay.

### LISTING MISMATCH

Here's perhaps another reason that buyers are getting pickier. It's well known that in Dane County, the most active price range is between \$200K-\$300K. In the most recent 12 months, 37 percent of all sales were within this range. But look closer at the ranges where the sales are happening. Look at the inventory available.

### DANE COUNTY SALES AND INVENTORY



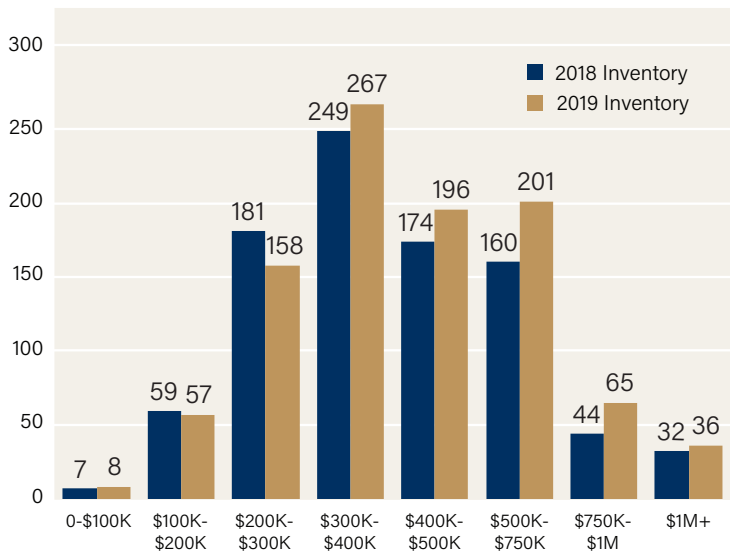
We are completely mismatched, which is why we have barely a half month of inventory<sup>†</sup> under \$300K, and 2.7 months above. Here's another factoid. For the first time, total inventories are up a bit from a year ago, especially among single-family homes. We hoped this was an encouraging sign that perhaps supply would finally start to increase toward more normal levels. But notice the chart on the next page. Yes, inventory is up, but not in the places we need it most.

Surely part of the reason for this is the fact that it's very difficult to build a new home in today's market for under \$300K. Baby-boomers looking to downsize are also contributing, but our guess is that there are some sellers who are reaching a bit farther than they should on price.

### ADVICE FOR SELLERS

It's still a seller's market, and prices will probably rise again this year. But there's a limit to how high you can price. More and more, buyers are starting to resist unlimited price wars. Maximum demand is right now, so if you're ready to pull the trigger, do it. But buyers are also looking during the off-peak seasons, which means you're not under pressure to sell now either. If you're a move-up buyer, with your current home under \$300K, you're in the sweet spot. Again, avoid the temptation to be greedy. We're seeing a return to when pricing too high and then reducing later leads to lower average sale prices. Buyers are getting smarter, and you need to stay smart too.

## CHANGE IN INVENTORY BY PRICE RANGE



All the increase in inventory is above \$300K, most of it over \$400K. Since only 20 percent of sales are above \$400K, the increase isn't really helping where it's needed most.

## INTEREST RATES

In yet another unexpected development, mortgage rates have actually been moving down since the first of the year. As recently as last October, some lenders were quoting 30-year mortgage rates at five percent. By early April, Freddie Mac was reporting rates below 4.25 percent. Potential economic

weakness, low inflation, and the realization by the Federal Reserve that they may have been hiking rates too fast, all have contributed to the about-face.

The Fed has indicated that it may not raise rates anymore for the rest of this year, but there's no way to really know how long these low rates will last. It's likely that as the spring moves on, low rates will boost demand and increase purchasing power. It will be interesting to see how the market integrates this increased power, with resistance to higher prices and the lack of inventory where it's most needed. Taken together, our guess is that all these conflicting forces have led to the erratic market we've experienced so far this year.

## WHAT'S IN STORE?

No matter how you slice it, another wild year is underway. Above all else, the thing driving Dane County's housing market is growth. We are by far the fastest growing county in the state. By most projections, it's predicted that we will add roughly 80,000 people by 2030. That's enough to fill Camp Randall stadium on a football Saturday. That's why it's so important for our leaders to come together and figure out how to provide housing for people who are going to need it. We are far from alone in needing more housing; it's a national phenomenon. But if we can't get it solved, housing will become less and less affordable for too many people.

As for this year, even with the market opening a bit later than usual, we think we'll end up much where we did the last few years, with close to 8,000 sales and a three to five percent increase in prices. Demand for new listings will be fierce, and multiple offers will be common. While buyers in particular will experience some frustration, in the long run it will be worth it. There is still no better long-term investment than a home, and the sooner you buy, the better off you'll be.

## DANE COUNTY

	Single Family			Condominiums			Total Residential		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
1st Quarter Closings*	987	1032	969	301	310	283	1288	1342	1252
Year-to-Date Closings	987	1032	969	301	310	283	1288	1342	1252
Active Inventory	820	775	851	176	206	191	996	981	1042
Months of Inventory†	1.6	1.5	1.6	1.2	1.4	1.3	1.5	1.5	1.6
12-Month Median‡	300,000	284,500	265,000	194,900	185,000	172,000	279,900	265,000	249,200

## SAUK & COLUMBIA COUNTIES

	Single Family			Condominiums			Total Residential		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
1st Quarter Closings*	248	257	261	25	40	38	273	297	299
Year-to-Date Closings	248	257	261	25	40	38	273	297	299
Active Inventory	337	358	545	81	82	89	418	440	634
Months of Inventory†	2.6	2.8	4.1	5.0	4.3	5.6	2.9	3.0	4.3
12-Month Median‡	190,500	186,750	169,900	162,750	162,000	146,125	189,000	183,000	166,000

\*Sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates between 1/1/19 and 3/31/19. †Months of Inventory represents the number of months it would take to sell the entire active inventory at the pace of sales for the most recent 12 months. A six-month inventory is considered balanced. ‡When all properties sold during the period are ranked in order of price, the median is the price of the home in the exact middle. ©2019 Stark Company Realtors. All rights reserved. The above sales figures herein are based on data supplied to the SCWMLS Corporation by its Participants. The MLS does not guarantee and is not responsible for its accuracy. Data maintained by the MLS does not reflect all real estate activity in the market. Data presented here was generated from the SCWMLS on or before 4/10/19. This is not intended to solicit existing listings.