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## DARE WE SAY... RECORD-BREAKING YEAR?

In our second quarter edition of *Market Source Newsletter*, we predicted that if present trends continue, 2015 could be one of the best years for Dane County.

Here's the updated prediction: if present trends continue, 2015 will be **THE BEST** year for residential sales in Dane County history.

The 3,986 Dane County home sales reported to the MLS so far this year are up more than 16 percent from 2014. This puts us on pace to eclipse the previous record set in 2005.

## REAL ESTATE MARKET SOURCE

OF SOUTH CENTRAL WISCONSIN

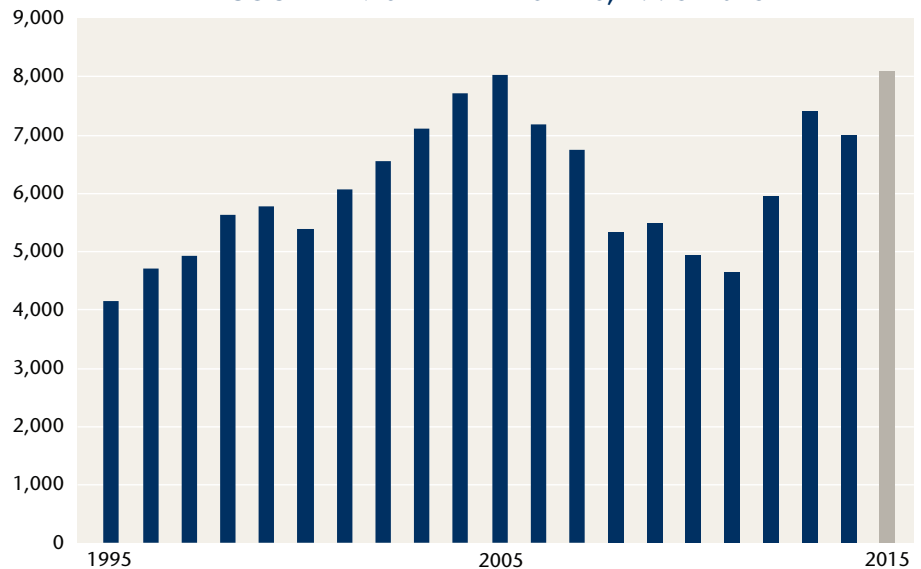
**WHILE IT'S TAKEN 10 YEARS TO GET HERE**, it looks like we're about to return to real growth in housing sales. The Sauk/Columbia market, while not as eye-popping as Dane, has still posted a respectable 4.6 percent increase over last year.

For Dane County, the most action seems to be in single family housing. Look at this series of facts:

- Single family sales are up 22 percent for the quarter and 20 percent for the year.
- Homes currently for sale—or inventories—are down almost 27 percent from this time last year.
- Months of inventory<sup>†</sup> continues to fall, now at only 3.2 months—a very low number for midsummer—versus 4.6 months in 2014. (See graph, *Dane County's Months of Inventory*.)

The inevitable result? Home prices are on the rise with the 12-month median<sup>‡</sup> up nearly seven percent from June of 2014. In Dane County at least, the market isn't just good, it's *hot*.

### DANE COUNTY RESIDENTIAL SALES, 1995-2015



Adjusted for the seasonality of home sales, the current pace predicts 2015 to finish at 8,093. The current record is 8,040 set in 2005.

### WHAT THE HECK IS GOING ON?

Basically, all the influences we identified three months ago are still in play. Inventories remain historically low despite record demand. New construction is improving, but not yet at a pace sufficient to fill the gap. Interest rates are still low with the Greek drama overseas keeping investors in bonds and the Federal Reserve on the sidelines. The U.S. economy continues to grow, with solid jobs numbers each month.

Perhaps the most underappreciated factor driving our local housing market is the incredible population growth we're seeing right here in Dane County. In an excellent article by Karen Rivedal in the July 5, 2015 *Wisconsin State Journal* she quotes Matt Wachter, a housing initiatives specialist for the City of Madison. Wachter notes that our area's growth continued even during the recession, and in the last five years has increased from a long-term rate of about one percent annually to "more like 1.5 to two percent."

*That's a huge growth rate.* It's being driven not just by Epic, but by a burgeoning tech and entrepreneurial sector that's attracting Millennials, and others, to our region. While many of the newcomers are renting, fueling an apartment construction boom, there is inevitable spillover into housing. This trend is likely to accelerate over the next few years as the Millennials age, marry and start families. (Go to [starkhomes.com](http://starkhomes.com) for the August 2014 issue for an in-depth discussion of Millennials, apartments and the homeownership rate in our market.)

Of course, every market presents its challenges, and this one is no different.

## WHICH COMES FIRST, THE SALE OR THE BUY?

Homeowners wanting to take advantage of this hot market are facing a consistent dilemma. Should they buy first, or sell first?

Five years ago, bloated inventories made this an easy choice. It was a buyer's market, and selling a home was uncertain. For that reason, most sellers opted to sell first, and then look for something to buy. As buyers, they were confident they'd have plenty to choose from and would be in a strong negotiating position with an already-accepted offer on their current home.

Today's lean inventories present the opposite challenge. Sellers now fear the possibility of an interim move. By putting their home on the market first, it's likely to sell before they find something to buy.

Depending on your circumstances, this may not be an easy call. At the basic level, if you're not bothered by the prospect of two moves, then selling first—or at least getting your house on the market—is always the better option. Being able to buy without a contingency on a home sale puts you in a stronger bargaining position. It also gives you greater flexibility when a quicker closing is needed. To minimize the chance of moving twice, getting timely updates on new homes hitting the market is essential along with a solid strategy on how to approach competitive negotiations.

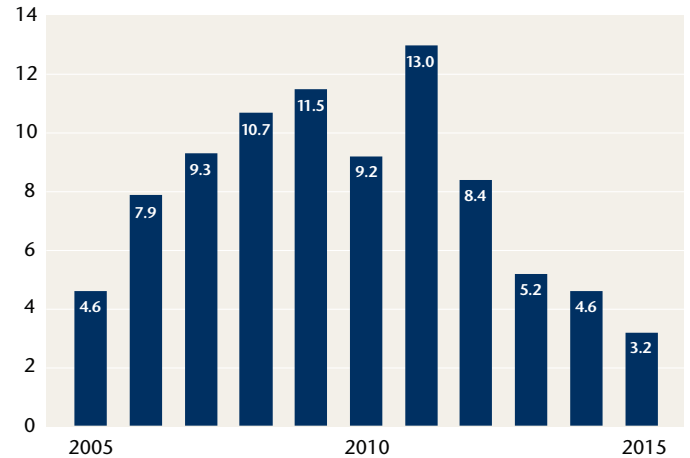
If the possibility of moving twice just doesn't work, then you can certainly buy first and sell later. With our strong seller's market in most parts of Dane County, if you do it right, there's a good chance you'll sell quickly and all will be well. But you might have to be a bit more conservative when pricing your home. Spending the money to get the house in top shape—right from the beginning—will also be important. Homes not presented well may languish and could end up taking a hit on price.

Finally, if you buy before selling, you don't want to buy a house that requires absolute top dollar from the sale of your current home in order to afford it. Leave a little wiggle room so you're not too tight on the selling end.

You can always own two homes for a while too, but your ability to do that depends entirely on your personal financial situation.

In the end, today's strong market makes both buying first or selling first a possibility. Whichever you choose, good professional advice is essential. If you make the right decisions along the way, it should all work out.

### DANE COUNTY'S MONTHS OF INVENTORY



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. Each year is measured in June, which is considered the 'busy season.' A six-month inventory is considered balanced.

## LOCAL EFFECTS OF THE GREEK DRAMA

As we write this edition, it appears that the European Union has succeeded in reaching an agreement with Greece to bail them out of their severe debt crisis, hopefully keeping Greece in the Euro.

Why do we care?

Financial markets have been volatile over the past few weeks as the Greek drama has played itself out. During the darkest moments, a fair

### ADVICE FOR BUYERS

The spring market is past, and in theory, the summer market is a bit more relaxed. This year, not so far. Through June, the average number of showings per offer written has fallen to an all-time low of 5.97. This means buyers are committing far more quickly. You're going to have to do the same if you want to be successful. (See newsletter section, *Which Comes First, the Sale or the Buy?*)

In a competitive market, it's not just your offer price that counts. If your offer is full of contingencies, especially one for the sale of your existing house, you'll find yourself in a very weak negotiating position. You may even lose out on the house you want.

But price still does count. So far this year, offers over the asking price have been very common. Don't let your ego get the best of you; you're not a bad negotiator because you pay more than full price. If you don't get the house you want, you've got nothing. With prices and mortgage rates on the rise, today's overbid may be tomorrow's bargain.

### ADVICE FOR SELLERS

If you read the *Advice to Buyers*, you know many homes are receiving offers over the asking price. You may be thinking you have plenty of room to price on the high side. Interestingly, what we're hearing from our best agents is that the strongest strategy is to price your home right—at the point where overbids are likely. This brings competition and creates an auction environment that can work to your advantage.

By contrast, reaching for extra money in your asking price runs the risk of getting passed over, ultimately having to drop your price and then selling for less than you might have. So, picking the right price is trickier than it seems. Get good strategic advice. While demand will cool a bit over summer, inventories remain tight, so you still have time. (Go to [starkhomes.com](http://starkhomes.com) for the previous *Market Source Newsletter* to read about the hazards of overpricing as it relates to appraisals.)

And finally, don't forget, real estate is hyper-local. Not every neighborhood sells at the same pace. Be sure you know the dynamics in yours.

amount of money flowed into bonds, pushing interest rates lower.

If the crisis is indeed settled, it might pave the way for rates to rebound. In late January, the 10-year bond—which is the major influence on mortgage rates—was all the way down at 1.64 percent. During the first week of July, it rose to 2.19 percent. Less than a week later, the bond rose again to almost 2.45 percent.

The uncertainty created by Greece, China, and even Puerto Rico have caused the Federal Reserve to remain cautious in their intent to raise interest rates further. Nonetheless, on July 10, 2015, Fed Chair Janet Yellen reiterated the Fed’s feeling “that it will be appropriate at some point later this year to take the first step to raise the federal funds rate and thus begin normalizing monetary policy.”

Chair Yellen went on to say that economic conditions remain “uncertain” and that unforeseen developments could still delay or accelerate the process. It seems clear that the Fed remains on a course to start pushing rates up, and the increase in bond rates suggests that the market is anticipating such a move.

Homebuyers should anticipate it too, as we don’t know how much longer today’s ultra low rates will last.

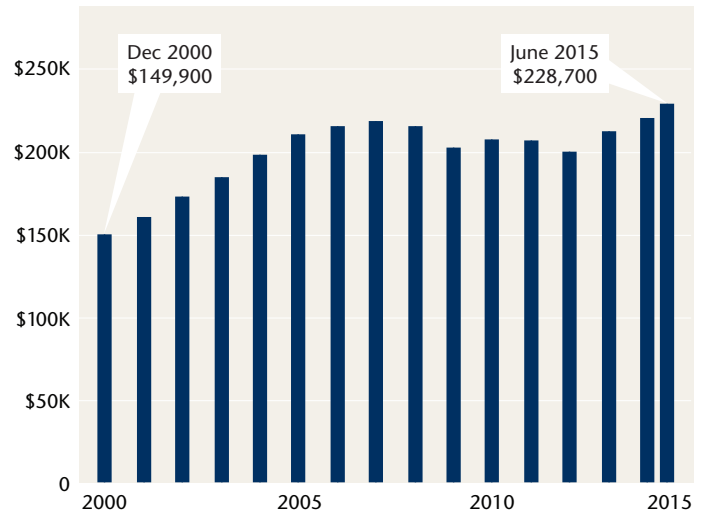
## THE RISE OF PRICES

The 6.9 percent year-over-year price increase in Dane County is the largest we’ve seen in some time. We foreshadowed this possibility in our last edition of *Market Source Newsletter*, and expressed our feeling that we were not concerned about it yet. We’re still not... yet. Our 12-month median only recently surpassed the previous high set in 2007.

We’re still well in line with the fundamentals. And we expect that when the Federal Reserve finally does start raising interest rates, it will have a moderating effect on prices. We’ll take the attitude, for now, that rising prices are better than falling prices... and welcome. It’s yet another reason for buyers to act sooner rather than later.

What will the market look like once the summer ends and school starts? Will this hot market get even hotter? As always, we’ll keep an eye on the data and have an update for you in next quarter’s *Market Source Newsletter*.

### DANE COUNTY RESIDENTIAL MEDIAN PRICE‡



In 2007 the Dane County median price rose to \$218,000—the peak before the recession. Dane County surpassed that number in September of 2014 and ended second quarter of 2015 with a median price of \$228,700.

DANE COUNTY									
	Single Family			Condominiums			Total Residential		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
2nd Quarter Closings*	2172	1776	1950	558	555	560	2730	2331	2510
Year-to-Date Closings	3171	2633	2826	815	792	837	3986	3425	3663
Active Inventory	1530	2053	2073	470	672	830	2000	2725	2903
Months of Inventory†	3.1	4.5	4.8	3.5	4.9	6.6	3.2	4.6	5.2
12-Month Median‡	245,000	230,000	220,000	155,000	155,000	147,900	228,700	214,000	205,900

SAUK & COLUMBIA COUNTIES									
	Single Family			Condominiums			Total Residential		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
2nd Quarter Closings*	460	418	416	48	72	43	508	490	459
Year-to-Date Closings	679	625	632	75	96	66	754	721	698
Active Inventory	958	1170	1218	194	191	207	1152	1361	1425
Months of Inventory†	8.4	10.5	11.5	13.9	12.1	17.3	9.0	10.7	12.1
12-Month Median‡	155,000	142,750	134,000	135,000	143,500	136,500	152,500	143,000	134,500

\*Sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates between 4/1/15 and 6/30/15. Data for all years is pulled between the 9th-10th of the month following the end of quarter. †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. ©2015 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 07/10/15.