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IT'S ABOUT MORE THAN JUST MONEY

Wow. It's hard to imagine how a market could change so dramatically in the span of five years. But that's what we have in the South Central Wisconsin housing market. We've undergone a complete one-eighty; from sellers wondering if they will ever sell, to buyers wondering if they'll ever buy.

How did this happen? It starts with the lowest inventories we've seen in years, maybe *ever*. In this edition, we'll address some of the common concerns keeping sellers from listing their homes. We'll also give advice to frustrated buyers on how to shop with low inventory during high demand.

REAL ESTATE MARKET SOURCE

OF SOUTH CENTRAL WISCONSIN

THE YEAR IS OFF TO A SOLID START. When comparing closings for the first quarter of 2016 to the same quarter last year, the difference doesn't appear all that dramatic. Dane County closings are up slightly, roughly three percent from last year's near record pace. Closings in Sauk and Columbia counties are up a robust 18 percent, albeit on a much smaller base.

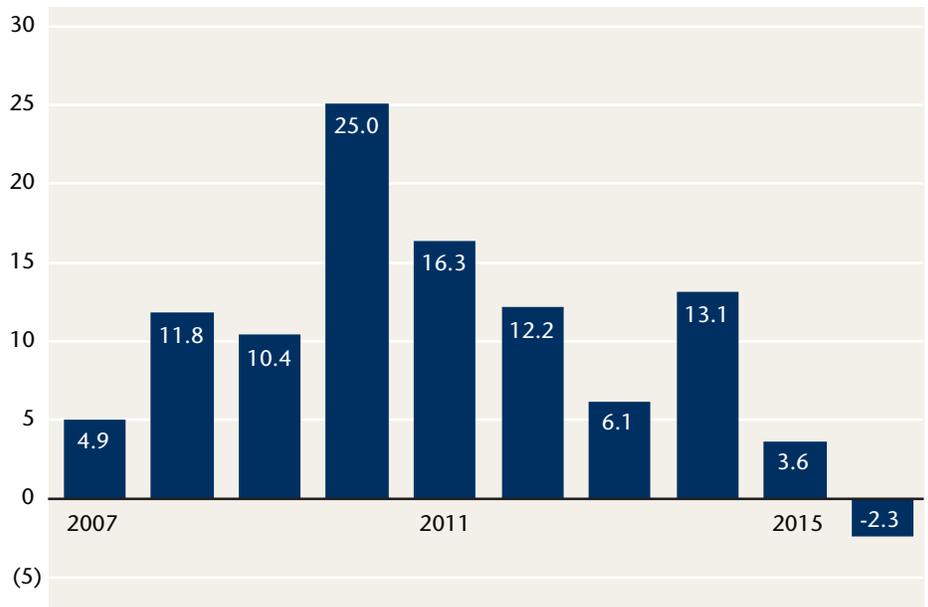
But that's not where the story lies.

For the first time in recent memory, total residential inventories in Dane County are *down* more than two percent from the end of 2015. They're down almost 27 percent from this time a year ago. In January they were down less, *only* 22 percent from the previous year. In other words, inventories are continuing to decline, even as we head into the spring market.

Normally, inventories *build* during the first quarter in anticipation of the spring selling season. Last year, they rose a modest three percent from the end of December through March. In 2014, inventories rose more than 13 percent, which is more typical. Back in 2013, they rose six percent, which we described at the time as "surprisingly small."

But look at 2016. An actual decrease? This is new territory.

PERCENTAGE CHANGE IN INVENTORY FROM DECEMBER TO APRIL



Historically, inventories build during the first quarter of the year as seen in this snapshot of recent years. A *decrease* in inventory from January to April is virtually unheard of in our housing market.

Just think back to 2011, which now (thankfully) seems like ages ago. We were swimming in unsold inventory, with nearly 11 months worth sitting on the market. Just three months later, unsold inventory rose to an even more frightening 13 months worth.

Now, we have barely two months of inventory available, and it continues to fall. Why this has happened is a subject of debate in the real estate industry. To one degree or another, most markets around the country are experiencing the same thing, and theories abound.

Part of the equation is certainly new construction. New construction, while healthier since the recession, still has not reached the levels necessary to meet demand. Increased regulatory burdens placed on the industry in the aftermath of the recession may be part of the reason (developers now face very high regulatory hurdles when trying to obtain financing for a new development or condo project). There has been virtually no new condo development in years, while easier-to-finance apartment projects are everywhere. Some have speculated that investors bought large numbers of properties during and after the recession that are now rented and not being put back on the market. While this is difficult to confirm, our sense is that while there was some of this type of investing here, it's not the primary reason Dane County is short of inventory.

Undoubtedly all these causes are contributors. But if there's one thing we hear consistently from potential sellers, it's this: "I'm afraid to put my house on the market. I'm afraid I won't find something I want to buy in time." As a result, many sellers are postponing listing, looking to move during the summer and assuming a quick sale will be likely.

We've undergone a complete one-eighty; from sellers wondering if they will ever sell, to buyers wondering if they'll ever buy.

We hope this means we'll be seeing more new properties listed as the year progresses. But for now, it's safe to say that we've never seen an inventory shortage like this. It's becoming increasingly common for homes to receive anywhere from two to ten offers the day they're listed. Buyers have resigned themselves to the fact that they may have to submit offers on three or four homes, maybe more, before they finally get one. Overbids in relation to list price are common, and often the very best offer a buyer can submit still isn't enough.

There's no disagreement about what we need: more inventory. Interestingly enough, there's a paradox here. Normally, high demand draws out supply. So far that hasn't happened, at least not to the extent it needs to. And when demand is high and supply is low, prices normally rise. One would think that this, by itself, would be a powerful motivator for sellers to put their homes on the market. But if money were the only

salient motivator, we'd be seeing for sale signs popping up all over the place. We're not. Instead we are seeing—and feeling—hesitation. We know the decision to list your house is much deeper than just the dollar.

While the current market brings its own unique set of stresses, they pale in comparison to the real financial stresses we endured during the recession. We'll take our current stresses over those of the recession any time. Today's buying and selling process may be frustrating, but most people are ultimately getting a good outcome. But that doesn't make the concerns of today's market any less real to those buyers and sellers who have to work with them. And when it comes down to it, that's why we're here: to help you manage the frustrations so you understand the situation you're faced with—whether buying or selling. This, plus setting realistic expectations helps you make the best decision to get you where you want to go—on time and in one piece—as smoothly and successfully as possible.

So, we're here to help. Below is a compilation of some of the concerns we are hearing from both buyers and sellers, along with preliminary advice on how to move forward. There are no silver bullets, of course. Often the solution involves getting help, accepting the market on its own terms, and managing it.

It can be done. With a little courage and good decision making, it can even be fun. We hope you find this useful, and if you do want to move, maybe it will motivate you to get out there and do it. In the month of May, go to StarkHomes.com for more detailed advice on how to successfully buy or sell during this spring and summer market. On our home page, we will take a deeper dive into the top concerns we are hearing from clients.

ADVICE FOR SELLERS

The idea of selling overwhelms me. Where do I start, especially if my home isn't ready to sell?

Feeling overwhelmed means you need a plan. Start by getting clear on what works for you (and your family). Get professional advice on what needs to happen, what can wait and the pitfalls to avoid. Clarity leads to decisiveness. Take it step by step. Don't try to do it all at once.

Should I sell first or buy first?

If possible, sell first, then buy. You will be in a much stronger position to win on the buying side and you won't have to worry about owning two homes. Negotiate some flexibility with your buyer for time to search.

How do I know the right price for my home?

While you have pricing power, you don't want to get carried away. Price too high and you'll be passed over. Underestimate the market and money is left on the table. Here, we recommend advice from a knowledgeable Realtor.

How do I keep from moving twice if my house sells faster than I can buy?

You have negotiating power. When you market your home, ask for an extended closing date or rent-back options. Then price your home and negotiate offers according to what's most important to you. Ask your Realtor for temporary housing options in case you need them.

How do I negotiate the best offer on my house?

Start by knowing what is most important to you. Do you need a specific price, no sales contingencies, or is an extended closing date the key? Negotiating an offer is about much more than just price.

How do I ensure my house is seen by all the eager buyers?

Getting your home on the Multiple Listing Service (MLS) puts your property on more than 50 websites locally and nationwide. More than 80 percent of buyers* shop via these sites and/or a trusted Realtor to see listings first. We can help you here.

ADVICE FOR BUYERS

With homes selling this fast, should I just wait to buy?

With both mortgage rates and prices likely to rise, you'll never buy for less than you will right now. Don't let the seller's market discourage you. Accept that you might lose out on a few homes, but keep going. Eventually you'll get there.

How do I stay out of bidding wars and make my offer competitive? Will I have to overpay to get the house I really want?

Have realistic expectations as you may well be competing for a house. Compelling offers have a strong mortgage pre-approval, no sales contingency and will match a seller's preferred move date. The house still has to appraise. A buyer's agent can help you avoid overpaying.

How do I know if the house has an offer, so I'm not wasting time?

Some local sites, including ours, will display the latest status on all MLS listings. A Realtor can monitor this information for you, or you can create an account with MyStarkHomes. MyStarkHomes allows us to share the most up-to-date offer status as a "private" website.

Is building a good idea?

New construction is seeing real uptick today, and we recommend giving it strong consideration. It's not as daunting as it might first seem. With the proper plan and guidance, building can help you get the home you want, in the area you want, on the time table you want.

How can I be one of the first to see new homes as they come on the market? Should I drop everything to see it as fast as I can?

You have to be ready to move fast. Have website notifications set to alert you when homes enter the market in areas and price ranges you want. This is where having a Realtor looking out for you is invaluable. Be prepared to see it quickly, as the Open House may be too late.

I have heard people are making offers on homes 'sight unseen.' Is this true? Will I have to do that to buy a house?

Some buyers have been making offers on properties sight unseen, but it's not that common, and we don't recommend it. Usually you can get a chance to see it first. Again, be prepared with your financing, eliminate contingencies and be ready to make a quick decision.

DANE COUNTY

	Single Family			Condominiums			Total Residential		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
1st Quarter Closings*	1019	989	841	266	254	235	1285	1243	1076
Year-to-Date Closings	1019	989	841	266	254	235	1285	1243	1076
Active Inventory	1062	1430	1773	335	476	694	1397	1906	2467
Months of Inventory†	2.0	3.1	3.7	2.4	3.5	5.1	2.1	3.2	4.0
12-Month Median‡	250,000	240,000	227,950	157,000	155,000	153,500	234,000	223,400	213,000

SAUK & COLUMBIA COUNTIES

	Single Family			Condominiums			Total Residential		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
1st Quarter Closings*	264	218	209	26	27	24	290	245	233
Year-to-Date Closings	264	218	209	26	27	24	290	245	233
Active Inventory	683	853	993	151	168	211	834	1021	1204
Months of Inventory†	5.2	7.7	8.9	11.1	10.5	15.9	5.8	8.1	9.6
12-Month Median‡	162,112	150,000	139,250	152,750	140,000	143,500	161,950	148,920	139,900

*Sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates between 1/1/16 and 3/31/16. Data for all years was pulled between the 8th-10th of the month following the end of the 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. ©2016 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 4/10/16. *Source: 2015 National Association of Realtors Home Buyer and Seller Generational Trends.