



WINTER MARKET SOURCE NEWSLETTER

Written by Stark Company Realtors CEO David Stark

► EACH YEAR AT this time we try to take stock of the year that just ended and offer our predictions for the year to come. How did we do a year ago?

The National Association of Realtors predicted that sales would increase 10-15%, and we agreed. In fact, sales in Dane County increased 7.07% for the year. A bit less than we thought, but an increase nonetheless. Additionally, in Sauk/Columbia Counties sales increased 2.99%.

As for prices, we predicted they would increase roughly 6% in 2024. In fact, the Dane County median residential price increased 7.34% for the year, just slightly hotter than we expected. Meanwhile, Sauk/Columbia prices increased 8.66%, compared to 6.63% the year before.

Finally, we predicted that the 30 year mortgage rate would settle around 6%, give or take, and for a while it looked like we would be correct. Freddie Mac reported average 30 year rates in late September at 6.12%. Then a funny thing happened. The Federal Reserve made a few cuts to its discount rate over the course of the year, as predicted. But long term rates, including mortgage rates, increased in the fourth quarter and are currently hovering around 7%.

In this edition we'll discuss what happened in 2024, why, and give you our predictions for the year to come.

► MORTGAGE RATES

When the Fed made its first rate cut in September it surprised the markets by cutting its discount rate a full 50 basis points (one half of one percent), rather than the expected quarter percent cut. You might think mortgage rates would fall even further as a result, in this case you would be wrong. Here's why:

The only rate the Fed directly controls is its discount rate. It's a very short term rate, and it has no direct influence over mortgage rates, which are longer term rates. Mortgage rates are influenced most directly by 10 year Treasury bonds, which in turn are influenced more by inflation expectations and estimates of the overall economy's strength. Long term rates also tend to rise when investors feel uncertainty about the future. The change in administrations at the federal level, along with some mixed signals from Fed Chairman Powell about the future course of rate cuts and some strong economic and inflation readings, have led to a more risk averse climate in the bond market.

In short, the bond markets are trying to adjust to a new and continuously evolving economic environment, and when things are unsettled investors tend to be cautious, leading to higher rates. Eventually, as conditions become clear, the markets should settle

down, and we believe that longer term rates will drift down once again. That stated, we reiterate in the strongest possible terms that rates will not be returning to pandemic or even pre-pandemic levels. We still believe that over the long run the 30 year mortgage rate will settle around 6% or so. We are not far from that right now, and waiting for rates to fall is a recipe for paying more in the future.

► INVENTORIES

In 2024, inventories recorded their first meaningful increase since the pandemic. We ended the year with 605 homes on the market in Dane County. This is up 30.7% from last year and up 13.3% in Sauk/Columbia. It should be noted, however, that most of the accumulation in Dane County was in condo inventory, up 106% over the course of the year to 163. To note, single family was only up 15% to 442.

Also of note; as of January 9th, 53% of the single family homes and roughly 40% of the condos on the market were new construction. To some degree this is seasonal. Many re-sellers take their homes off the market over the holidays and many more are waiting for spring to sell. Builders, by contrast, are generally going to keep their inventory on the market until it sells. But the continued shortage of used inventory is striking.

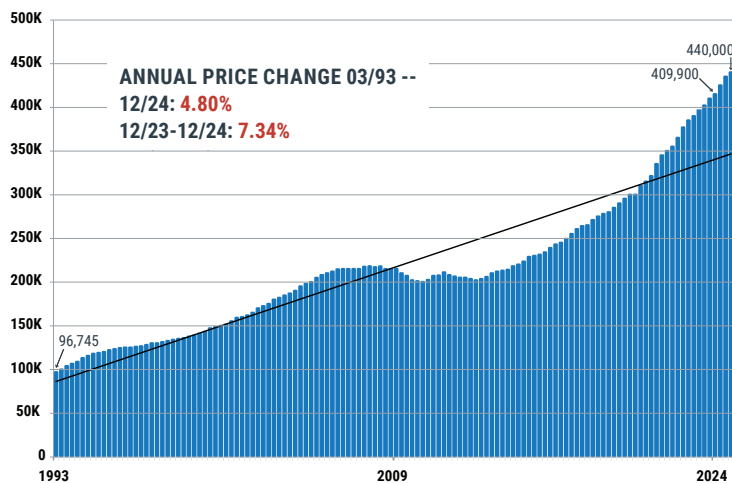
It's important to remember that inventory is always at its lowest point at the beginning of the year, and will peak sometime in October, before falling again to its annual low next year. The fact that we're starting the year with more inventory than at any time since 2020 is a positive that should not be discounted. How inventory progresses over the course of the year will go a long way to determining how 2025 will turn out.

► PRICES

As previously mentioned, the 12 month median price in Dane County increased by 7.34% last year for single family and condos combined. Single family accounted for most of that, up 9.2% for the year, while condos were up 2.8%. This caps a remarkable four year stretch where the median price has risen almost 40% total, or 8.7% per year compounded. Sauk/Columbia prices are up by a virtually identical percentage. This raises two concerns. First, is housing becoming unaffordable, and second, will prices start to fall at some point?

The first question is somewhat subjective, dependent on the needs and capacities of each buyer. Collectively we believe the answer is no, at least not yet. There is no denying that housing costs more today than it did a few years ago, but buyers are continuing to compete for the available housing. That implies, by definition, that

DANE COUNTY MEDIAN PRICE CHANGE, 1993-2024



buyers can afford it. They may prefer to pay less, but in today's market there is usually another buyer willing to pay it if they don't.

As for the second question, the answer for now is certainly no. There is simply too much demand in relation to the available supply to allow prices to fall. The pace of increase could decline, and we hope that it does. We've already seen a slight decrease in the size of overbids, which is a positive sign. But that doesn't mean prices are falling. Until we get a lot more inventory than we currently have, prices will continue to rise.

► THE FUTURE

So now, here are our fearless predictions for the next year. We expect mortgage rates to drift a bit lower over the course of 2025. But, regardless of what the Fed does, we don't see the 30 year rate falling below 6%, and it may not even get that low. Inventories will take another moderate step up, perhaps another 10-15%, with most of the increase in single family. Transactions will creep up as well, but by less than we forecasted last year, perhaps 5%. And finally, prices will continue to increase, probably by 5-6%.

► ADVICE FOR BUYERS & SELLERS

ADVICE FOR BUYERS

Another competitive year awaits you, so our usual advice remains the same. Do your homework now with a good buyer's agent and get prequalified for your mortgage. Set your parameters and objectives then stick to them. The competition will increase as the year progresses, and prices will increase the most during the second quarter of the year. So, if you can get in early, you might pay a little less. That said, expect competition and be ready to act quickly, especially if you're looking in an active neighborhood with low inventories. Also, bear in mind that there's a lot of new construction out there, especially in outlying areas. You might pay a little more, but you'll have a better chance to get what you want. If you're looking under \$300,000, condos will be your most plentiful option.

We'll submit another report card a year from now. Our market still has a way to go to return to what might be described as "normal." But with our region's continued strong population growth, the long term trend for housing remains positive.

► NEIGHBORHOOD ANALYSIS

Our annual neighborhood analysis is nearby. We remind you that all the numbers are only for single family homes, due to the fact that condo inventory tends to be more concentrated in a few locations and can distort the picture in those areas. A few high level observations:

- Total sales were down 4.4% on the East Side of Madison and up 9.6% on the West Side. They were up 3.7% in Madison overall, and 7.9% in all of Dane County. Sun Prairie, Verona, Waunakee, Oregon, Cottage Grove and DeForest all had sales increases of 20% or more. Sales were down slightly in Stoughton, Mount Horeb, Baraboo and Portage. Overall, this suggests buyers moving farther out to find better value.
- Median prices were up roughly 7% on both the East and West sides of Madison. They were up double digit percentages in Verona, Oregon, Cottage Grove, McFarland, DeForest, Baraboo and Portage. Shorewood Hill's median topped \$1 million for the first time and was among those with the largest percentage increase at 28.2%. Remember that in neighborhoods with a small number of sales, changes in the median can say more about the mix of houses that sold than it does about actual overall price movements.
- Months of inventory were generally higher outside Madison than in it. Many of those municipalities also have a majority of the County's new construction, which can sometimes stay on the market longer.

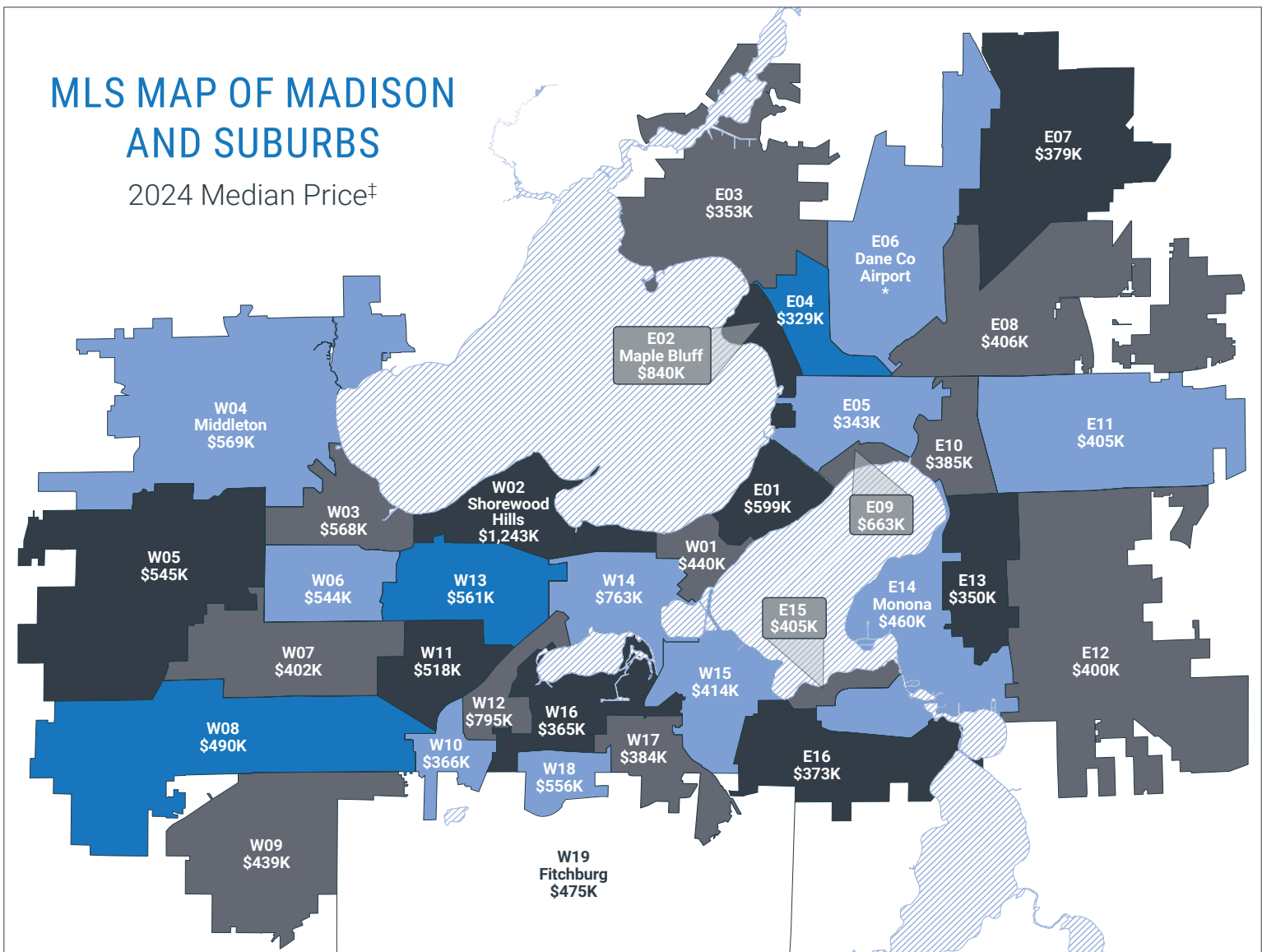
Remember, inventories are at their lowest point now, so the inventory picture will improve as the year goes on. Neighborhoods with low inventories and a high number of sales are in very high demand, so be alert if you want to buy there. The listings that come up will go quickly.

ADVICE FOR SELLERS

We still have a seller's market, despite the increase in inventories. With much of the inventory currently made up of new construction, conditions remain very favorable for you in most neighborhoods. While we expect price increases to be a bit more moderate this year, the selling season when prices increase the most is coming up, so you'll probably have the best outcome this spring and summer. We've written about the rate "lock in" effect before, and we're sure this is what's holding some of you back. Just remember: Mortgage rates are not coming down any time soon, if ever. Does this mean you'll never move again? Of course not. Most homeowners will move eventually regardless of rates. So, if you'd rather be living somewhere else, you owe it to yourself to at least see how the math works out in today's market. With the equity you've already built up, the rate you currently have may not be as valuable as you think it is.

MLS MAP OF MADISON AND SUBURBS

2024 Median Price†



East Madison	2024 # Sold	Current Inventory	Months of Inventory†	% Change to Median	West Madison	2024 # Sold	Current Inventory	Months of Inventory†	% Change to Median	Other	2024 # Sold	Current Inventory	Months of Inventory†	Median Price	% Change to Median
E01	39	4	1.2	14.3	W01	3	1	4.0	*	Baraboo	137	10	0.9	305,000	17.3
E02	15	1	0.8	14.3	W02	24	0	0.0	28.2	Cottage Grove	75	17	2.7	485,000	11.4
E03	93	6	0.8	3.2	W03	44	1	0.3	0.6	DeForest	163	21	1.6	469,900	17.5
E04	65	1	0.2	7.8	W04	172	26	1.8	5.9	Fitchburg**	290	25	1.0	474,900	4.5
E05	89	3	0.4	0.7	W05	307	34	1.3	5.2	Maple Bluff*	15	1	0.8	840,000	14.3
E06	0	1	-	-	W06	44	0	0.0	14.9	McFarland	113	15	1.6	491,000	16.9
E07	39	0	0.0	5.1	W07	8	1	1.5	5.7	Middleton**	172	26	1.8	569,250	5.9
E08	112	17	1.8	15.5	W08	155	6	0.5	-3.2	Monona*	61	3	0.6	460,000	6.2
E09	24	0	0.0	10.0	W09	156	4	0.3	5.3	Mt. Horeb	74	16	2.6	452,500	5.2
E10	41	1	0.3	16.7	W10	21	0	0.0	8.2	Oregon	160	19	1.4	507,400	10.3
E11	177	12	0.8	1.3	W11	55	0	0.0	6.2	Portage	116	12	1.2	245,500	11.6
E12	105	9	1.0	0.9	W12	39	2	0.6	24.7	Shorewood Hills**	24	0	0.0	1,242,500	28.2
E13	61	3	0.6	7.4	W13	77	2	0.3	5.0	Stoughton	175	26	1.8	402,000	4.5
E14	61	3	0.6	6.2	W14	56	2	0.4	8.2	Sun Prairie	422	27	0.8	445,000	6
E15	11	1	1.1	-4.7	W15	14	0	0.0	29.4	Verona	170	16	1.1	561,924	17.1
E16	18	1	0.7	8.3	W16	10	0	0.0	-6.4	Waunakee	235	29	1.5	610,000	3.4
					W17	2	0	0.0	31.9	Dane County total median price for 2024 was \$475,000					
					W18	8	0	0.0	6.0	Sauk County total median price for 2024 was \$319,950					
					W19	290	25	1.0	4.5	Columbia County total median price for 2024 was \$318,999					
All East 950 63 0.8 7.3					All West 1,485 104 0.8 5.1					*Included in total median price for East Madison					
East Madison's total median price for 2024 was \$394,250					West Madison's total median price for 2024 was \$515,000					**Included in total median price for West Madison					

Charts in this publication represent sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates on or before December 31, 2024. Data for all years was pulled between the 6th-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. ©2025 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 1/09/25. This is not intended to solicit existing listings.



DStark@StarkHomes.com
web ▶ DStark.StarkHomes.com
608-256-9018



David Stark
▶ *President*

DANE COUNTY REAL ESTATE AT-A- GLANCE

QUARTER 4 – 2024

NEWSLETTER – WINTER 2025

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605

ACTIVE INVENTORY



1.2

MONTHS OF INVENTORY

We start the year with more inventory than any of the last three years.
We should see it increase seasonally over the next nine months.



\$440K

12 MONTH MEDIAN PRICE



6,330

YEAR-TO-DATE CLOSINGS

Most price increases occur in the second quarter. We think
increases will be more moderate this year.