SUMMER MARKET SOURCE NEWSLETTER

Written by Stark Company Realtors CEO David Stark

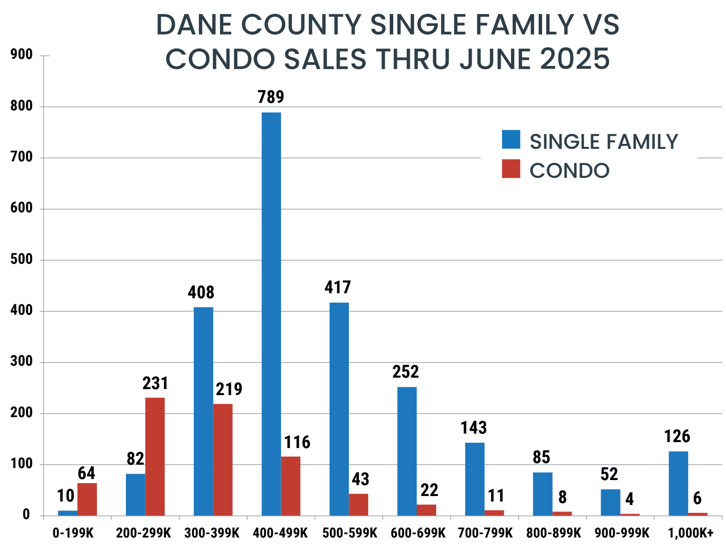
WITH SO MUCH HAPPENING in the South Central Wisconsin housing market right now, it's hard to know where to begin. There are major shifts underway in inventory, pricing, and overall sales activity. We believe it's important for our readers to understand these shifts, because it's already starting to influence the decisions our clients have to make regarding pricing and negotiating strategies. We hasten to add at the outset that in no way do we see these changes as negative. In fact, they are positive in the long run, and are necessary steps to bring us back to a more balanced and orderly housing market. But change brings inherent uncertainty, so good, real-time data and advice is a must in order to navigate this market successfully.

In some respects, the market seems to be decelerating a tad. Total residential sales in Dane County are up only 1% in the second quarter and 3% for the year, but June closings were actually down 4.6% from June of last year, and even down from May of this year, which is unusual. June accepted offers were also down a bit from May, and are roughly even with 2024, year to date. But the more interesting changes are occurring in inventory and pricing trends, and that's where we'll focus most of our attention.

▶ INVENTORIES

No metric has defined the post-pandemic housing market more vividly than low inventories. As our regular readers know, our inventory problems have been brewing since the end of the 2007-2011 recession, but were exacerbated to acute levels during the pandemic. Since that time, buyers and sellers have consistently endured negotiations with multiple offers, overbids, and double digit price increases. While it's too early to say that those days are behind us, we're finally starting to see real progress. That progress begins with rising inventories.

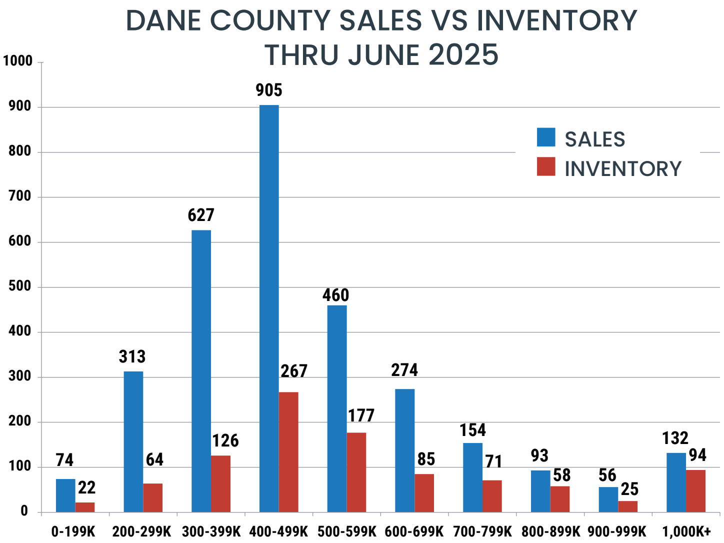
For a milestone, on Monday, June 30, Dane County had over 1,000 residential listings (single family and condo combined) on the market for the first time since May of 2020. Not surprisingly, spring of 2020 was the peak of the pandemic panic, when inventories were falling at a time when they should have been rising. For comparison's sake, there were virtually always over 1,000 listings on the market at any one time for most of 2019, and it was rare to ever fall below that in all the years before, going back to well before the recession. We forget that if 6 months of inventory represents a balanced market, it would require over 3,000 listings on the market. We've lived for so long with such restricted inventories that it's hard to remember what a normal market feels like. Clearly,

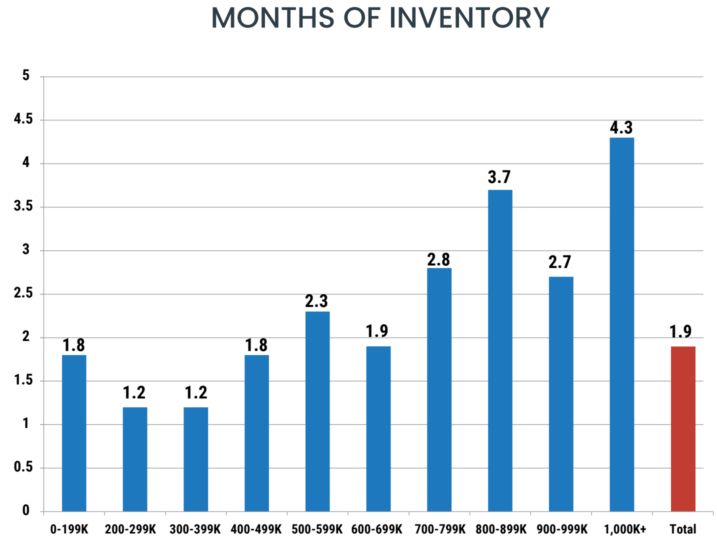


we're still a long way from 4 months of inventory, let alone 6. But for the first time in five years it feels like we're finally on our way, and that in and of itself is something to celebrate. (Note: We dipped back down to 955 listings on July 7th, but that's normal for the first Monday post 4th of July. As of this writing on July 11th, we're already back up to 1,075!)

With this increase, we're back up to just under 2 months of inventory for residential sales as a whole. However, as always, this varies quite a bit by price range, with lower price ranges somewhat tighter than higher ones. Shown are some charts illustrating how sales and inventories relate to one another. Some interesting observations:

- For all residential sales in Dane County, 62% are below $500,000 and 77% are below $600,000. That said, only 12.5% are below $300,000 and only 2% are below $200,000.
- On the whole, inventory is more balanced across price ranges than it has been in recent times. 66% of inventory is below $600,000 compared to 77% of the sales. This is helped, however, by above-average inventories of 2.3 months in the $500,000 to $600,000 price range. We have only 1.2 months of inventory between $200,000 and $400,000.
- The differences between single family and condos are also striking. 76% of all sales under $300,000 are condos. It's therefore not surprising that the tightest inventories on the market are single family listings under $400,000, with less than a month of inventory between $200,000 and $400,000. Condo inventories are a bit more ample in those same price ranges. The fact





remains that finding single family homes under $300,000 in Dane County has become virtually impossible. There are more single family sales in the $300,000 to $400,000 range, but the competition is still fierce.

- Over $500,000 inventories are becoming reasonably ample for both single family and condos. Sellers in these price ranges need to be aware, as the possibility that it will take weeks or months to sell is becoming more common.

As we said previously, the fact that inventories are rising is on the whole a very welcome development. In a "normal" market, as we've historically defined it, we'd be seeing 2-3 months of inventory in the lower price ranges and 5-6 or more in the upper ranges. We're still a long way from that, but we're on our way and that's a great thing.

LISTINGS

One of our primary lamentations over the last few years has been the relative shortage of new listings. While much attention has been paid, and rightly so, to inventory levels, it's our belief that the more important factor holding back the housing market has been the number of new listings. When inventories are short and demand is high, virtually every new listing that comes on the market sells, usually fairly quickly. Sales are therefore limited to the number of new listings made available. Furthermore, inventories can't accumulate since homes move off the market as rapidly as they come on. With no inventory accumulation, buyers are forced to pounce quickly on each new listing the moment it hits. This leads to competitive bidding, overbids, and rising prices. Until the number of new listings increases, it will be hard to bring the market back into balance.

That's why it's great news to see the number of new listings starting to increase. The number of new residential listings in Dane County is up 6.1% for the year, and up 7% in the second quarter. Better yet, new listings in June were up 14% over June of 2024, and were even up 4.4% over this May, which is highly unusual; usually new listings peak in April or May and start to trail off in June. To be sure, we're still not where we need to be. For example, we had 5,310 new listings in the first six months of 2019, compared to 4,277 so far this year. The current trend is up, and slowly accelerating to boot, so that's progress.

The reasons for the listing shortage have been discussed at length, with the sudden increase in mortgage rates in 2022 most often cited as the primary culprit, "locking" many sellers into low mortgage rates taken out sometime in the previous 10 years. There's clearly truth to this. We've been predicting that life will eventually overtake many potential sellers, forcing them to move whether they like the

ADVICE FOR BUYERS AND SELLERS

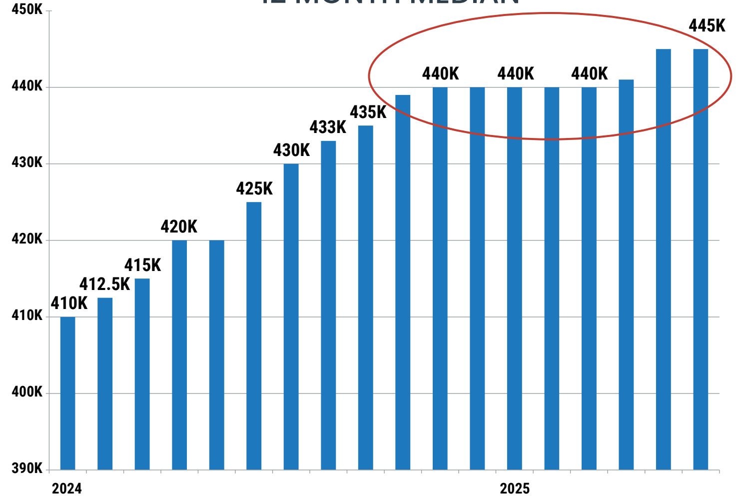
BUYERS

The worm is finally starting to turn in your direction. After years of scarce inventory and frenzied bidding wars, the market is starting to look more orderly. What you will encounter, however, depends heavily on what segment of the market you're trying to access. This includes neighborhood, price range, and type of property. You might find yourself in a bidding war, or you might have the field to yourself. Either way, continue to set your parameters before you start looking, and stick with them. The balance of 2025 presents a great buying opportunity as inventories will continue to increase through to October or November, and competition is generally less intense than the spring. If you do find yourself in competition, simply stay rational about what you're willing to pay, and if you don't win, move on to the next one.

current rates or not. This is starting to happen, and it's showing up in the listing numbers. It's a trend we think will continue to accelerate over the next few months and years.

While many are looking to new construction as the ultimate solution to the listing and inventory problem, we think re-sellers are the more important factor. We've noticed that at virtually any point during the year, there are between 300 and 350 new construction homes on the market. Essentially all of the increase in inventories over the course of this year has been re-sellers, not new construction. While new construction provides an important baseline of inventory and is part of the long term supply solution, it will be virtually impossible to build enough homes fast enough to increase inventories all by themselves. We'll need the number of re-sellers to continue to increase in order to fully bring the market back into balance.

12 MONTH MEDIAN



PRICES

With inventories finally rising, price increases are moderating. This does not mean prices are falling, nor will they, at least not any time soon. But the pace of increases has notably slowed down. As you'll notice in the chart above, the 12 month median price increased steadily throughout 2024 until around October, when it leveled off at $440,000. There it stayed for six months, before rising to $445,000 in May and staying at that median in June. There has not been a time of similar extended price stability in recent memory. In fact, since December of 2019 through December of 2024, the 12 month median price in Dane County increased an average of 8.3% per year. For the 12 months ended June 30, it's increased only 4.7%, which is very close to the 30 year average. Even more striking, for the first 6 months of 2025, the median has only increased 1.1%.

We think this is a critical development, and is the culmination of all the other trends we've discussed up to now. Many factors are at play. The accumulation of inventory is finally allowing buyers to be a bit more picky, and reducing the intensity of competitive bidding and the size of overbids. This is clear in the data. In June, the average overbid in Dane County was $1,441, or 0.3%. Just last year, the average June overbid was just under $12,000. As recently as 2022, the average June overbid was over $20,000. The current average overbid has been less than any of the four previous years every month so far this year.

Are buyers reaching a point where they're resisting paying higher prices? Probably so. There are limits to what any buyer can afford, and as inventories increase, they can be more deliberate in their search. We must reiterate that this does not mean prices are falling. Our inventories are still low by historical standards, and our region continues to grow, fueling continued demand for housing. But as inventories grow, price increases will level out. That's what we're seeing now.

SUMMARY

Our readers know that we are always guided by the economic certainty that markets seek equilibrium over time. The last five years have been a period of disequilibrium, and it was only a matter of time before our housing market started to return to balance. That process finally appears to be underway. We expect continued increases in inventory, and moderating price increases as a result. It will make for a more orderly and accessible housing market for both buyers and sellers in the long run, but it will require some adjustments in expectations on the part of us all as we go through it. We firmly believe it will be worth it. We've got a way to go yet, but we're making progress. Perhaps, by this time next year we'll be talking about a "normal" housing market.

SELLERS

If you think you've missed the window of opportunity to sell for a good price, you haven't. We do not expect prices generally to fall from their current levels, and we still have a seller's market. The intensity of the market is clearly shifting, and that means you have to approach it a little differently than the past few years. Most importantly, do not expect that you can trot your home out at any price and expect it to sell in a couple days. In fact, if your home is over $500,000 or so, you should probably prepare for it to take a few weeks or more to get an offer. Even below that price range you can sit if you try to be too aggressive. We expect average marketing times to continue to extend through this year and into next, although it will vary greatly depending on your individual circumstances. We also expect less in the way of overbids and price increases for the balance of the year, particularly as compared to previous years. But with patience and planning, you should still get a good result.

Stark
Real People. Real Success.

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

David Stark
Chief Executive Officer

DANE COUNTY
REAL ESTATE AT-A-GLANCE

QUARTER 2 - 2025
NEWSLETTER - SUMMER
ISSUE 3 | VOLUME 20

989
ACTIVE INVENTORY

1.9
MONTHS OF INVENTORY

Definite increase in inventories. We expect this trend to continue. Sellers are slowly coming out of the woodwork and we expect continued moderate increases.

$445K
12 MONTH MEDIAN PRICE

3,088
YEAR-TO-DATE CLOSINGS

Price increases have slowed. There will be some further upward movement, but less than the last few years. Despite the appearance of more activity three months ago, it has not materialized. Activity is fairly flat.