SUMMER MARKET SOURCE NEWSLETTER

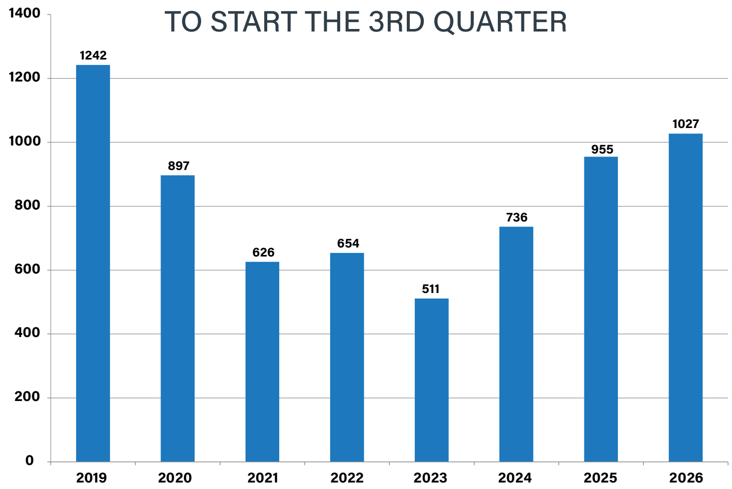
Written by Stark Company Realtors CEO David Stark

THREE MONTHS AGO, the main story was that of a promising start to the housing market that was derailed by a "Black Swan," the beginning of the Iran war. At the time, the watchword was "uncertainty." The war caused uncertainty in the financial markets, drove up oil prices, fanned inflation fears, and caused mortgage rates to rise. There was a noticeable slowdown in activity. But, as we said at the time, events were moving so fast that we didn't know what the situation would be three days ahead, let alone three months.

We are now three months further along, and the picture is looking brighter. Total Dane County residential closings were up 8.4% in the second quarter compared to last year, and are up 6.5% year to date. June was a particularly active month, with Dane County closings up 19% from June of last year. What's nice about this is that it's happening without any assistance from mortgage rates (more on those later). The 30-year mortgage rate has stayed very close to 6.5% throughout the second quarter, but pace seemed to accelerate consistently as time passed. Activity was a bit more subdued in Sauk/Columbia, actually down 3.3% for the year, but given the headwinds we thought we'd be facing, that's still pretty good.

Why is this happening? There are a number of reasons, which we'll delve into. But the overarching reason, we think, is that both buyers and sellers are coming to accept the reality that mortgage rates in the 6% range are here to stay, and at some point you simply have to move on with your life. This is healthy, and what we thought would happen. While the market has still not returned to its pre-pandemic state, it's moving in the right direction. And frankly, given the fact that mortgage rates are likely to stay in their current range more or less indefinitely, the way the market will rebalance itself is by gradually adapting to the current environment. It will take time, but we have no doubt that we'll get there.

DANE COUNTY INVENTORY
TO START THE 3RD QUARTER

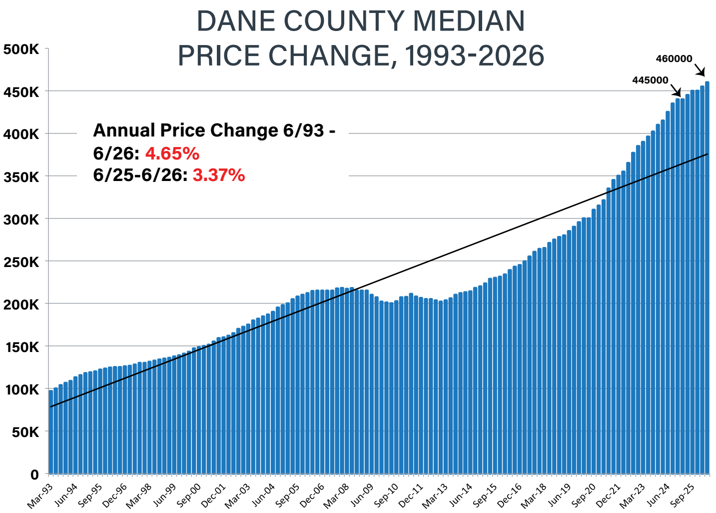


Listings & Inventory

As our readers know, our current inventory levels, still low by historical standards, were brought on by a combination of Federal Reserve policy choices (more on that later) and then supercharged by the response to the pandemic in 2020 and 2021. Since inventories hit their low point in 2022 and 2023, we've seen slow improvement each year.

That stated, the improvement this year continues to be slow. Three months ago, we were concerned that the improvement was coming to an end. At the end of the first quarter, total residential inventories were only up 6%, and single family inventory was actually down by 3.6% compared to last year. Since then, single family inventories have improved somewhat, and are now up 5% from a year ago with condo inventories up 15.5% from last year.

More important, we think, is that the pace of new listings has continued to accelerate. New listings through June are up 7.9% from last year, and were up roughly 6% the year before that. Why is this considered more important? While inventories have improved, they're still extremely low by historical standards. But with more new listings coming on the market, buyers have more homes to buy. The reason sales are up this year is that new listings are up by virtually the same amount. Inventories are still low enough that



the majority of homes listed sell, many still very quickly, some with overbids, although these are becoming less common. The increase in sales also explains why inventory growth has slowed. Both buying and selling activity have improved this year, and as buyers come to the market in greater numbers, inventory is struggling to accumulate, even with more new listings. New listings are simply selling too quickly for inventory to accumulate.

One more positive factoid on the inventory front. Many analysts and policy makers are now focused on building new housing as the way to solve the housing crunch. We're all for building as much new housing as we can, as it can only help on the margin. But the primary reason prices have been rising so quickly for the last few years is that the amount of inventory on hand is too low, and it's simply not possible to build new housing fast enough at scale to meaningfully move the needle on the number of homes a buyer has to choose from. Right now in Dane County, new construction accounts for 17% of sales year to date and 27% of the inventory. It's too expensive for builders to build inventory they can't sell quickly, so looking for them to build inventory by themselves is not realistic.

So what's the good news? All the increase in inventory this year has been resellers. In fact, new construction inventory is actually down by 15% this year, from 333 a year ago to 282. This means resellers are leading the way in building inventory, and putting their homes up for sale in increasing numbers. That's the only way we're going to get inventories up and the market balanced.

Prices

Because our inventories remain relatively limited, upward pressure on prices will continue. This is borne out in the data. So far this year, the Dane County 12-month median price for all residential sales (single family and condo combined) has risen 3.37%, from $445,000 a year ago to $460,000. The single family median taken alone has risen by 3.90%. Interestingly, the 12-month condo median has fallen a hair over the past year, from $320,000 to $315,000, or a drop of 1.56%.

We don't read too much into the slight decline in the condo median. Practically speaking, it means condo prices have been essentially flat over the past year. It's also important to remember that a median is the middle price of all condos sold over the 12-month period when they are ranked in order from least to most expensive. It doesn't tell you anything about the price of any one property, but it does tell you where the center of gravity is for the market as a whole. It is also less prone to distortion from outlier sales, particularly at the high end of the market, which is why we prefer the median to the average. But with that stated, it is interesting to note that the center of gravity in condo sales has stayed quite level over the past year.

The reason, we think, is that condo inventories have increased more over the past two years than single family inventories have. Since bottoming out in 2023, condo inventories have risen 240%, from 79 listings in July of 2023 to 269 today. Single family, by comparison, has risen only 75%, from 432 to 758. We currently have 2.3 months of condo inventory on the market, compared to 1.8 months of single family. In other words, the condo market is, right now, more balanced than single family, and as a result, prices are more stable.

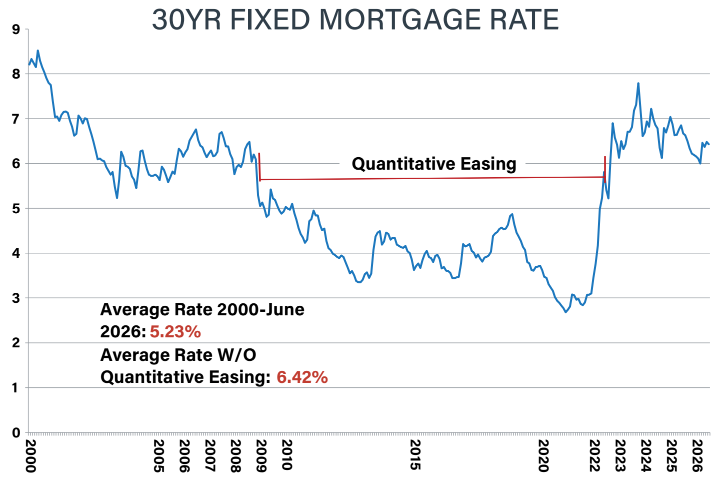
Even this discussion misses the bigger picture. Overall, as inventories slowly rebuild, price increases are slowing. Prices are not falling here, as they apparently are in some markets around the country, particularly in some sun belt states that became overheated during the pandemic (Florida, Texas and others). But if you go all the way back 33 years, to June of 1993, Dane County

Buyers

The steady increase in inventories is great news for you. It's allowing you to approach the market in a more orderly fashion, and making it less likely that you'll find yourself in heavy competition for every home you see. Average overbids have come down considerably, which gives you more control as you negotiate. Another bonus: inventories will continue to rise for the next three months, so the landscape will be even better as the year progresses. We are still not in what would be considered a buyer's market, particularly in single family homes, so how much competition you'll face, and how much you'll be able to negotiate, will be very dependent on the particular home you're looking at. But there are more listings arriving every day, and conditions are clearly easing. Getting a home you love and that you feel good about buying is getting easier.

prices have risen at an annual average of 4.65%. Over the past year, they've risen 3.37%. From June of 2020, when the pandemic began, through June of 2025, prices rose an average of 8.17% per year. We're also seeing it in the size of overbids. So far in 2026, the average overbid has been just $556, compared to $3,377 last year. As recently as a couple years ago, overbids were averaging over $20,000 per sale.

This is good news for the markets. Even as activity increases, prices are leveling off. Slowly building inventories, coupled with steady mortgage rates, have created a more balanced market and are providing more buyers with increased opportunities to get a home.



Mortgage Rates, the Federal Reserve, and a New Sheriff in Town

As we mentioned earlier, mortgage rates have remained remarkably stable this year, despite the shock of the Iran conflict. Much ink has been spilled in the past few months attempting to explain why oil prices, inflation, and interest rates are not reacting more strongly. However, our regular readers should know by now that we believe the most significant influence on mortgage rates, and by extension the housing market, has been Federal Reserve policy, in particular the policy first introduced back in 2009 called quantitative easing. This is the Fed intervening directly in bond and mortgage markets by buying treasury bonds and mortgage backed securities, creating extra demand for those instruments and driving down interest rates.

This policy was welcome back in 2009 when the financial markets were in crisis. The problem was that the Fed more or less kept the policy in place continuously through the 2010's, and then doubled down on it in 2020 in response to the pandemic. The result was mortgage rates that were way too low for way too long, resulting in overheated housing demand and sucking away all our available inventory. This led directly to the imbalances we have today.

This is why the elevation of Kevin Warsh as the new Chairman of the Federal Reserve may be the most significant event, and perhaps the most helpful one, since the last recession. Warsh has been a vocal critic of Fed policy in the past, particularly quantitative easing and its effects on financial markets. He has already set up a number of task forces to analyze various aspects of Fed operations, including quantitative easing. We do not think he will reverse the policy quickly, as that would also be very disruptive to the financial markets. But we do think over time he will allow the Fed balance sheet to shrink, which will slowly undo the damage QE caused.

The other interesting aspect to watch as the Warsh era begins is how the committee handles rate policy. Because Warsh is a Trump appointee, many pundits have assumed he will move to cut short term rates, but we don't think that's likely. Most of his statements, both before and since his appointment, have indicated that keeping prices stable is his primary concern, which means he is more likely to keep rates higher until he is satisfied that inflation is under control. Recent minutes from Fed meetings suggest that a rate increase could be more likely than a rate cut. We strongly caution our readers that a firm monetary policy would not be a bad thing for housing. In fact, it might be just what we need. Mortgage rates are more influenced by long term expectations of inflation. If the Fed shows resolve in keeping inflation under control, mortgage rates will likely stay stable as well, and could even decline with time.

For all these reasons, we are approaching the Warsh era with cautious optimism. He appears to be someone who will keep the markets calm and steady, which is just what we need to allow mortgage rates to settle in where they should be. And frankly, they're pretty much there now.

Sellers

With less than 2 months of inventory on the market, we're still in a mild seller's market. That means that for most sellers, particularly in the major Madison and Dane County markets, your chances of selling fairly quickly are still quite strong. That said, it's no longer a foregone conclusion. After years of expecting every home to sell with multiple offers on the first weekend, it can be an adjustment for some to have to wait a few weeks or more to get an offer. But remember, that used to be the norm for all but the last few years, so it's nothing to be concerned about. It does mean that you need to be a bit more conservative with pricing. Overbids are declining, and you can be passed over if you're not competitive. But let's face it; if you've owned your home for any length of time, you've probably done very well when it comes to appreciation. Buyers don't have to reach like they did a couple years ago, so you'll need to meet them where they are, and where they can afford to be. Don't overshoot, and you should be fine.

Charts in this publication represent sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates on or before June 30, 2026. 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. 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 06/08/26. This is not intended to solicit existing listings.

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DANE COUNTY Real Estate At-A-Glance

QUARTER 2 - 2026

Newsletter - Summer

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1,027 Active Inventory
7.5% from previous year

$460K Median Price
3.4% from previous year
(12-month rolling)

3,289 Closings
6.5% from previous year

1.9 Months of Inventory
5.5% from previous year

WE EXPECT HOME sales to remain steady over the next six months. This is a fairly conservative call, given the improvement in the second quarter as the war keeps a lid on things. Rates have barely budged since April, and the trend now seems to be to stay level. The median sale price has seen moderate increases, as expected. Price increases should continue for a couple more months. Inventories have experienced a better increase in the last three months. We have another quarter of increases to look forward to before the winter. New listings have been a minor bright spot, with more listing activity this year than last.

**All home photos are of properties sold by Stark Company Realtors®*