

The Wisconsin Housing Market in a World of Tight Inventories: What Comes Next?”

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Professor of Economics

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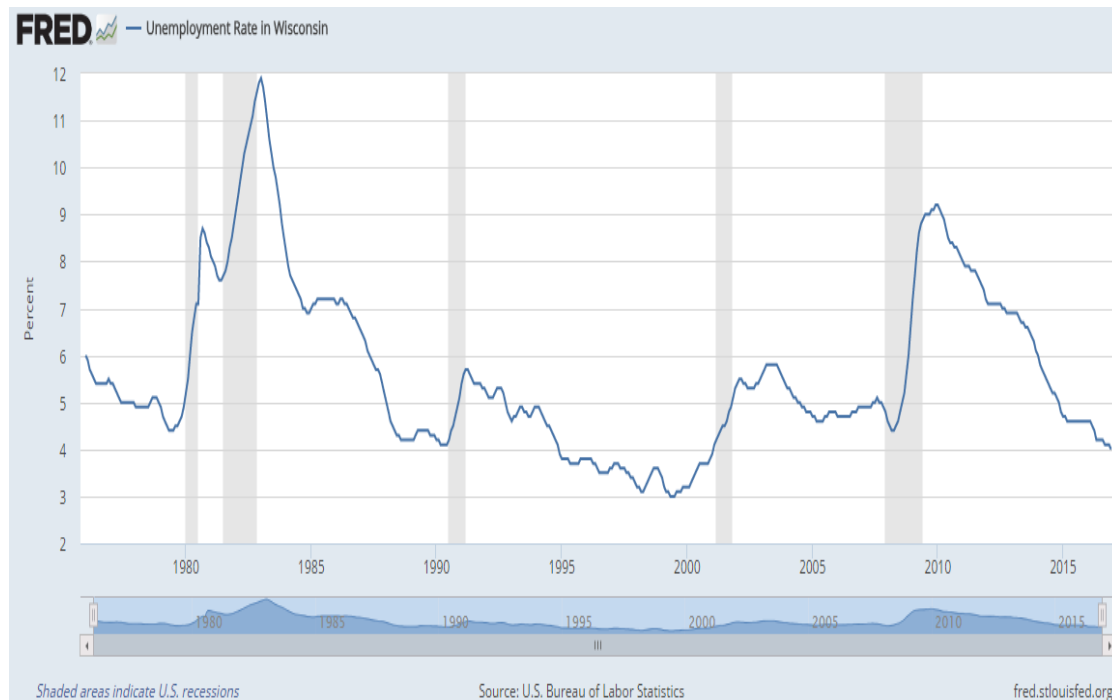
The Wisconsin Picture

The Economy and the Housing Market

Wisconsin Economy

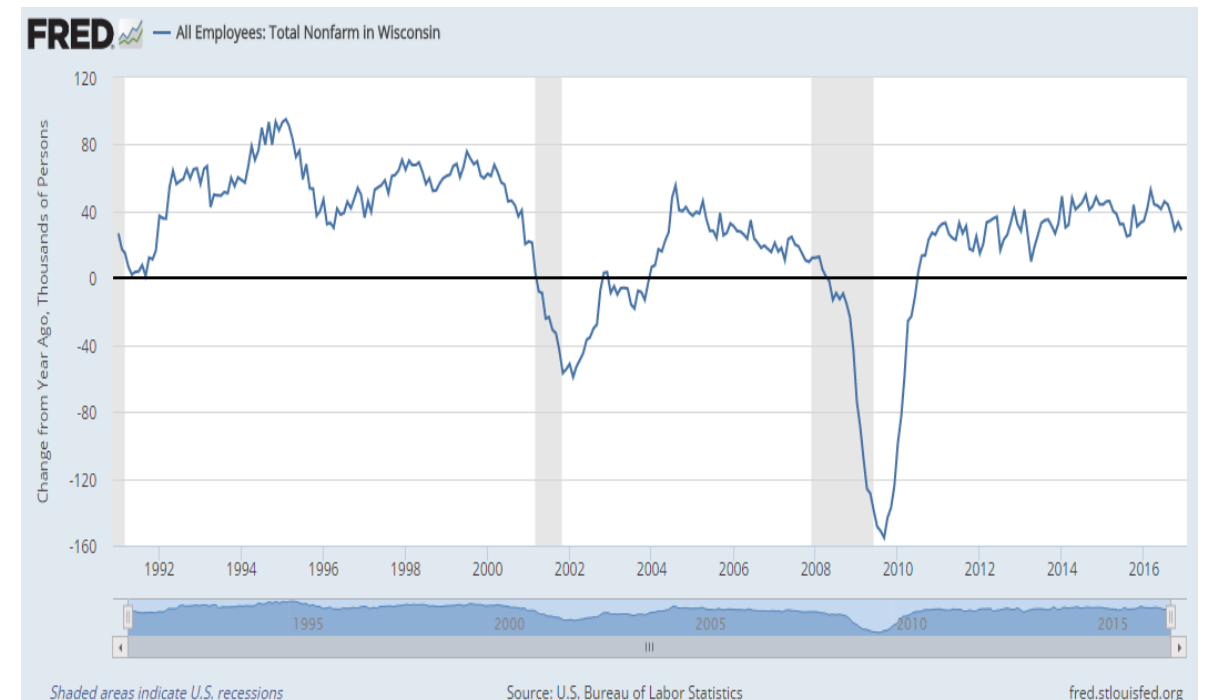
WI UNEMPLOYMENT RATE (4% IN 12/16)

(DOWN FROM 4.6% IN 12/15; DOWN FROM 8.9% IN 6/09)



NONFARM EMPLOYMENT

(+28.7K SINCE 12/15; +197.6K SINCE RECESSION ENDED)



Solid Economic Growth Fueled Housing Market to Record Levels

Strong demand fundamentals with significant supply constraints

2016 Year End Release: Good News and Bad News



Wisconsin Monthly Housing Statistics Report - December 2016

Provided by the Wisconsin REALTORS® Association

Report Criteria: Reflecting data through: December 2016 | State: WI | Type: Residential

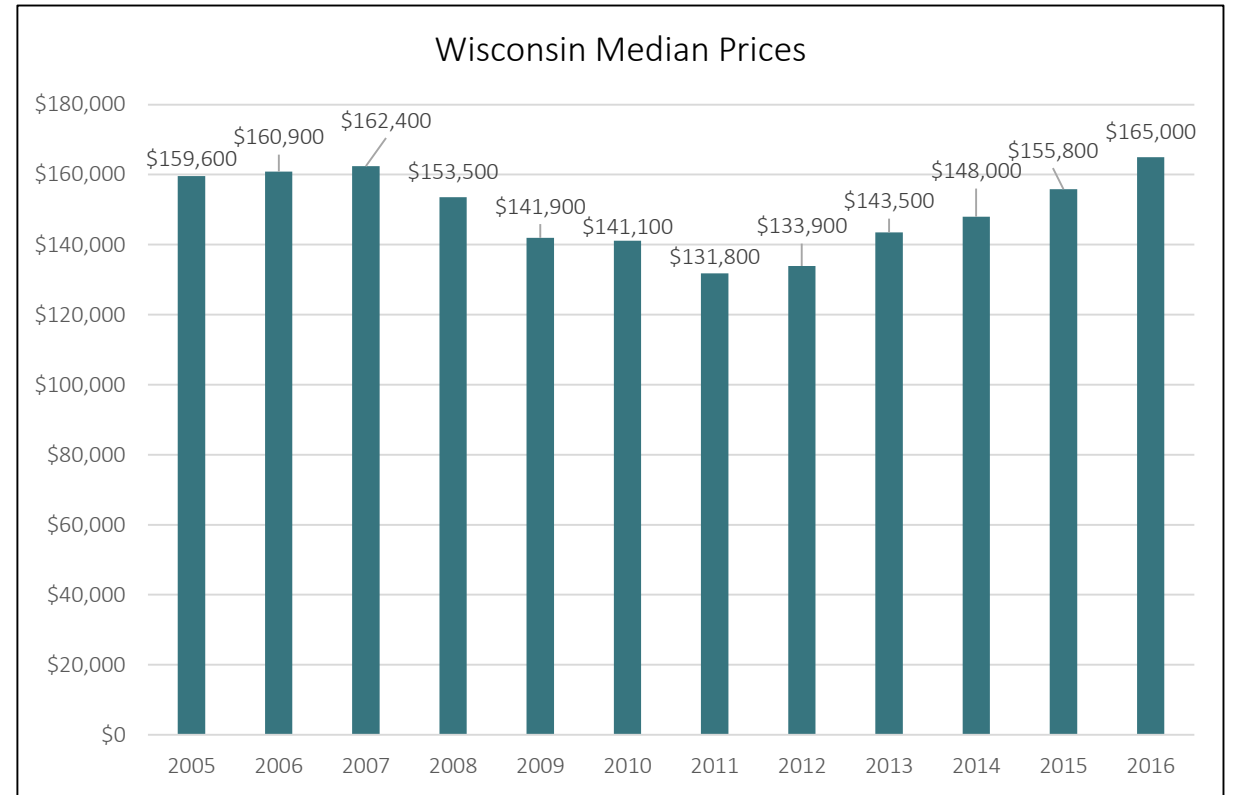
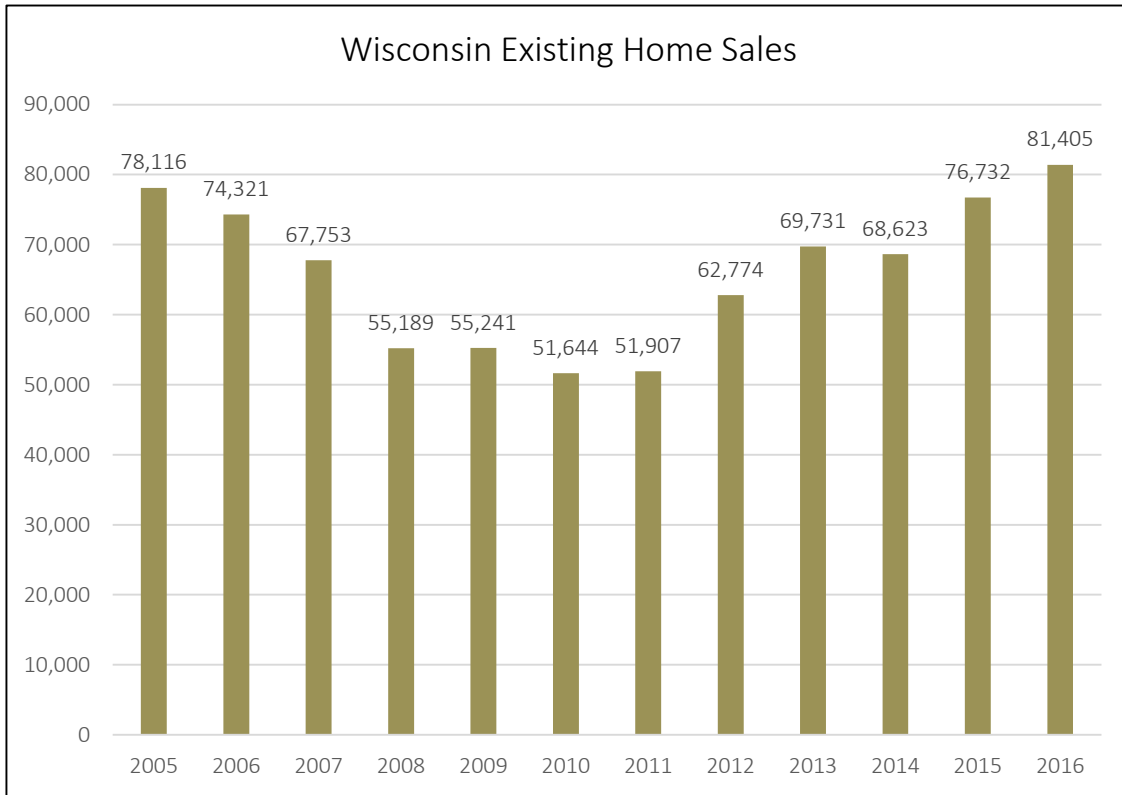
Wisconsin - Statewide

Wisconsin	12/2015	12/2016	% Change	YTD 2015	YTD 2016	YTD % Change
New Listings	4,307	3,520	-18.3%	115,532	108,605	-6.0%
Closed Sales	5,363	5,584	+4.1%	76,742	81,405	+6.1%
Median Sales Price	149,900	161,000	+7.4%	155,800	165,000	+5.9%
Months Supply of Inventory	6.3	4.9	-22.2%			
Inventory of Homes for Sale	40,163	33,560	-16.4%			

Inventory of homes for sale includes residential single family, duplex, condo, and townhouse properties.

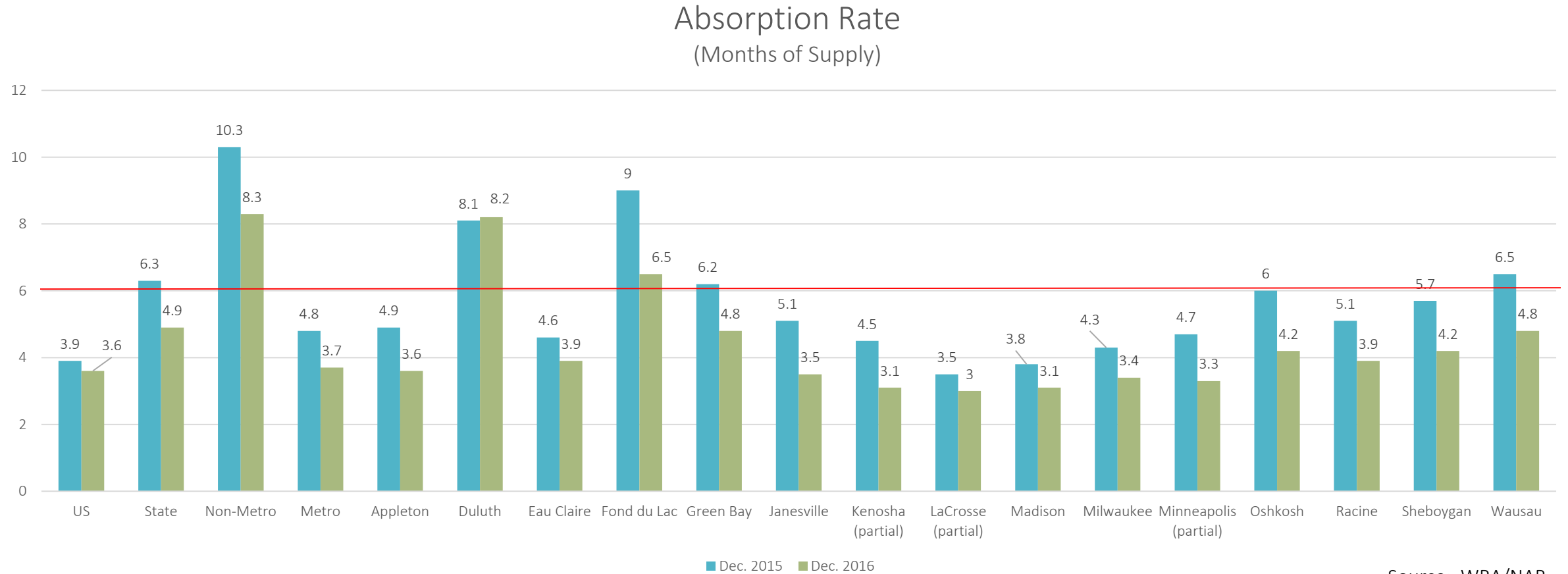
Source: WRA

Longer Perspective on Sales and Prices



Source: WRA

Inventory has tightened almost everywhere



Source: WRA/NAR

Let's Focus on Supply Side:

Three Important Sources of Supply

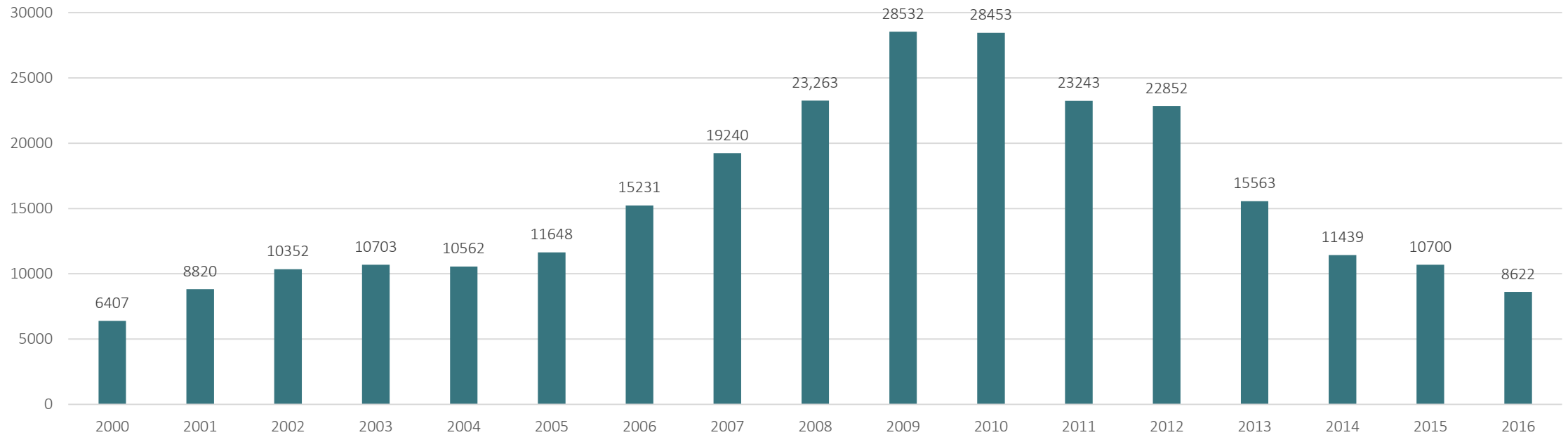
Distressed Properties

New Listings of Existing homes

New Construction

Foreclosures are at pre-recession levels

Wisconsin Foreclosures
(Unique Cases by Year)



Source: Dr. Russ Kashian;
University of Wisconsin - Whitewater

New Listings Continue to Fall



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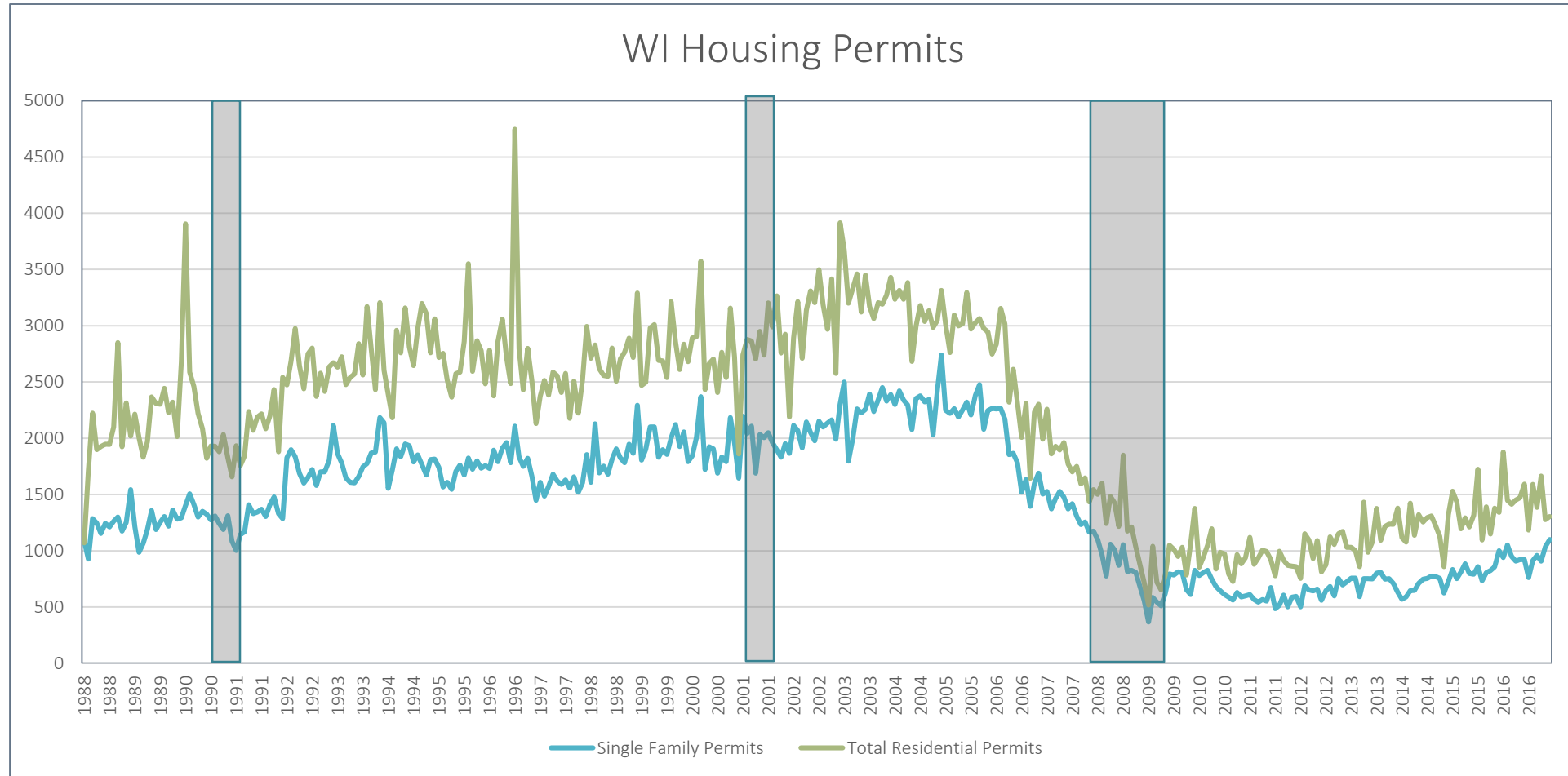
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New Residential Construction in WI

(New Private Housing Units Authorized by Building Permits)



Source: US Census Bureau
Federal Reserve Bank of St. Louis

Theories As To Why Inventories Have Shrunk?

- **Fallout from recession led to higher rental conversion**

There was a shift toward SF rental housing in aftermath of recession

Current evidence:

But this may be changing: "... fewer homeowners are renting out their homes to delay selling them, down to 35% in 2014 from 39% in 2013, according to Redfin, a real-estate brokerage."

<http://time.com/money/3681300/housing-market-trade-up/>

- **Decision to "Age in Place" replaced "trade-up"**

Current evidence:

Both Gen X'ers and Boomers are selling now

"Gen X is the largest generation of sellers at 25 percent, followed closely by Older Boomers at 24 percent"

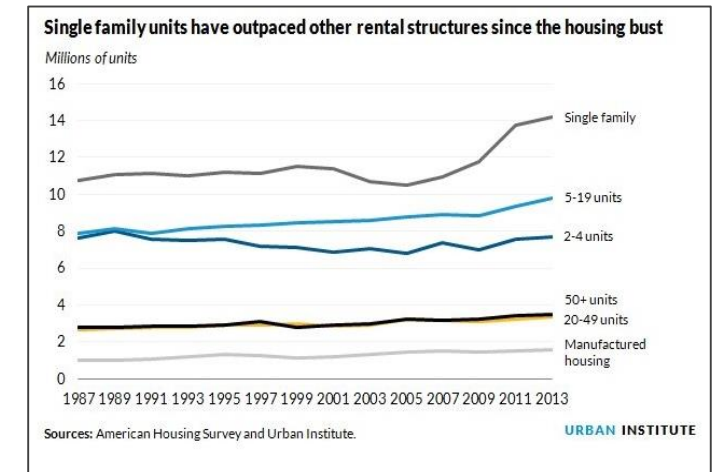
(Source: NAR 2016 Home Buyer and Seller Generational Report)

- **Millennial Issue (Preferences vs. Finances)**

Current evidence:

"At 35 percent, buyers 35 years and younger continue to be the largest generational group of home buyers with a median age of 30 years old."

(Source: NAR 2016 Home Buyer and Seller Generational Report)



My Thoughts

- Inventory problem will eventually improve as:
 - *Median prices rise and sellers see financial opportunities*
 - *New construction continues to improve*
 - *Trade-up activity increases*
- Big question is when?
 - *My expectations:*
 - *Likely slow improvement in 2017 on inventory as prices increase*
 - *If not, then sales may suffer.*
 - *More sustained growth in 2018/2019 assuming economic continues to grow*