The Wisconsin Housing Market
One Year Later

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Professor of Economics

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2020 Started on a High Note

Look at Real GDP Growth

Longest expansion in US history
Typical postwar recession 11.1 months
Great Recession-18 months
Avg. postwar expansion 58.4 months
previous three were 92, 120 and 73 months

The last one set a new record at 128 months

SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS
COVID-19 Tracker

TOTAL CONFIRMED CASES

335,403

- Active cases: 223,156
- Recovered cases: 97,636
- Fatal cases: 14,611

Global: 335,403

- China (mainland): 81,054
- Italy: 59,138
- United States: 33,382
- Spain: 28,603
- Germany: 24,852
- Iran: 21,638
- France: 16,018
- South Korea: 8,897

Source: Microsoft Corporation

As of 3/22/2020
Recession officially began in March 2020
(End-date TBD)

Massive decline in second quarter due to economic shutdown in April and May

Annualized Quarterly 2020:
Q1: -5%
Q2: -31.4%
Q3: +33.4%
Q4: +4.1

Nowcasting of Q1:
NY Fed (+8.6%)
Atlanta Fed (+8.4%)

My expectation: Recession likely ended in late summer.
Thankfully the pandemic has slowed dramatically since January

Source: Johns Hopkins University, Coronavirus Resource Center

As of 3/26/2021
Even with COVID-19

The Wisconsin Housing Market has been Remarkably Strong

Strong Demand and Weak Supply

Consistent story of last two years
Home Sales Stable and Prices Continued to Increase

Source: WRA
A Tale of Two Halves for Closed Sales in Wisconsin

Source: WRA
Demand Side Picture

Economic factors – Mortgage rates, labor market, and demographics
Mortgage rates have begun to move up
(Following 9 straight months of new record lows)

Source: Freddie Mac
Employment still recovering

Since dropping 353,200 jobs in April 2020, the state has added 246,000 jobs

In January 2021, WI has 125,700 fewer jobs than January 2020

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<tbody>
<tr>
<td>6,000</td>
<td>-1,800</td>
<td>-16,700</td>
<td>-353,200</td>
<td>62,800</td>
<td>88,700</td>
<td>36,000</td>
<td>17,600</td>
<td>18,100</td>
<td>3,100</td>
<td>16,100</td>
<td>7,000</td>
<td>0</td>
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Wisconsin vs. US Unemployment Rate
(Seasonally Adjusted data)

Unemployment rates peaked in April 2020:
US: 14.8%
WI: 14.8%

Unemployment rates in January 2021:
US: 6.3%
WI: 3.8%

4% considered full employment

Demographics: Household Formation
Increasing Demand

Source: 2019 State of Nations Housing – Joint Center for Housing Studies
Supply Side Picture

Very tight supply in nearly all markets
Supply Challenges: Inventory continues to tighten in all areas

<table>
<thead>
<tr>
<th>County type</th>
<th>Jan 2021</th>
<th>Jan 2020</th>
<th>Jan 2019</th>
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<tbody>
<tr>
<td>Metropolitan Counties Combined</td>
<td>1.9</td>
<td>2.9</td>
<td>3.0</td>
</tr>
<tr>
<td>Micropolitan Counties Combined</td>
<td>2.2</td>
<td>4.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Rural Counties Combined</td>
<td>2.7</td>
<td>5.9</td>
<td>6.6</td>
</tr>
<tr>
<td>All Wisconsin Counties</td>
<td>2.1</td>
<td>3.5</td>
<td>3.8</td>
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</table>

Metropolitan counties include: Brown, Calumet, Chippewa, Columbia, Dane, Douglas, Eau Claire, Fond du Lac, Green, Iowa, Kenosha, Kewaunee, La Crosse, Marathon, Milwaukee, Oconto, Ozaukee, Outagamie, Pierce, Racine, Rock, Sheboygan, St. Croix, Washington, Waukesha, and Winnebago.

Micropolitan counties include: Dodge, Dunn, Florence, Grant, Jefferson, Lincoln, Manitowoc, Marinette, Menominee, Portage, Sauk, Shawano, Walworth and Wood.

Rural counties include: Adams, Ashland, Barron, Bayfield, Buffalo, Burnett, Clark, Crawford, Door, Forest, Green Lake, Iron, Jackson, Juneau, Lafayette, Langlade, Marquette, Monroe, Oneida, Pepin, Polk, Price, Rusk, Richland, Sawyer, Taylor, Trempealeau, Vernon, Vilas, Washburn, Waupaca and Waushara.

Source: WRA
Three Important Sources of Supply

Distressed Properties
Listings of Existing homes
New Construction
Foreclosures are at pre-recession levels

Dr. Kashian reported lowest rate in nearly two decades for 1st half of 2019
New Listings now on par with Monthly Sales

<table>
<thead>
<tr>
<th>Summary of Wisconsin Monthly Housing Statistics</th>
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<td><em>(Source: WRA)</em></td>
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<thead>
<tr>
<th></th>
<th>Jan 2021</th>
<th>Jan 2020</th>
<th>% Change</th>
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</thead>
<tbody>
<tr>
<td>Unit Sales</td>
<td>4,659</td>
<td>4,245</td>
<td>+9.8%</td>
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<tr>
<td>Median Price</td>
<td>$210,000</td>
<td>$190,000</td>
<td>+10.5%</td>
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<tr>
<td>New Listings</td>
<td>5,044</td>
<td>6,153</td>
<td>-18.0%</td>
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<tr>
<td>Total Listings</td>
<td>15,423</td>
<td>24,007</td>
<td>-35.8%</td>
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<tr>
<td>Months of Inventory</td>
<td>2.1</td>
<td>3.5</td>
<td>-40.0%</td>
</tr>
<tr>
<td>Average Days on Market</td>
<td>91</td>
<td>108</td>
<td>-15.7%</td>
</tr>
<tr>
<td>WI Housing Affordability Index</td>
<td>220</td>
<td>222</td>
<td>-1.0%</td>
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</table>
New Residential Construction Bounced Back

(New Private Housing Units Authorized by Building Permits)

Source: US Census Bureau
Federal Reserve Bank of St. Louis
What does the future hold?
Economic expansion and housing market growth

**ECONOMIC EXPANSION UNDERWAY**

Vaccinations and prospect of herd immunity will fuel the economic expansion

Economy has been expanding since last summer and will continue to grow

Fed committed to low interest rate environment, but this may be challenging as inflationary pressures intensify over next couple of years

**HOUSING MARKET IMPACTS**

Limited supply will increasingly hamper sales, especially during peak months

Improving new construction market will help but we need significant growth in existing home supply

Demand should remain strong

Demographic drivers and relatively low mortgage rates will drive demand

Strong demand and limited supply means that home price appreciation unlikely to moderate in 2021

Affordability will decline
Thank you!