

# The Wisconsin Housing Market One Year Later

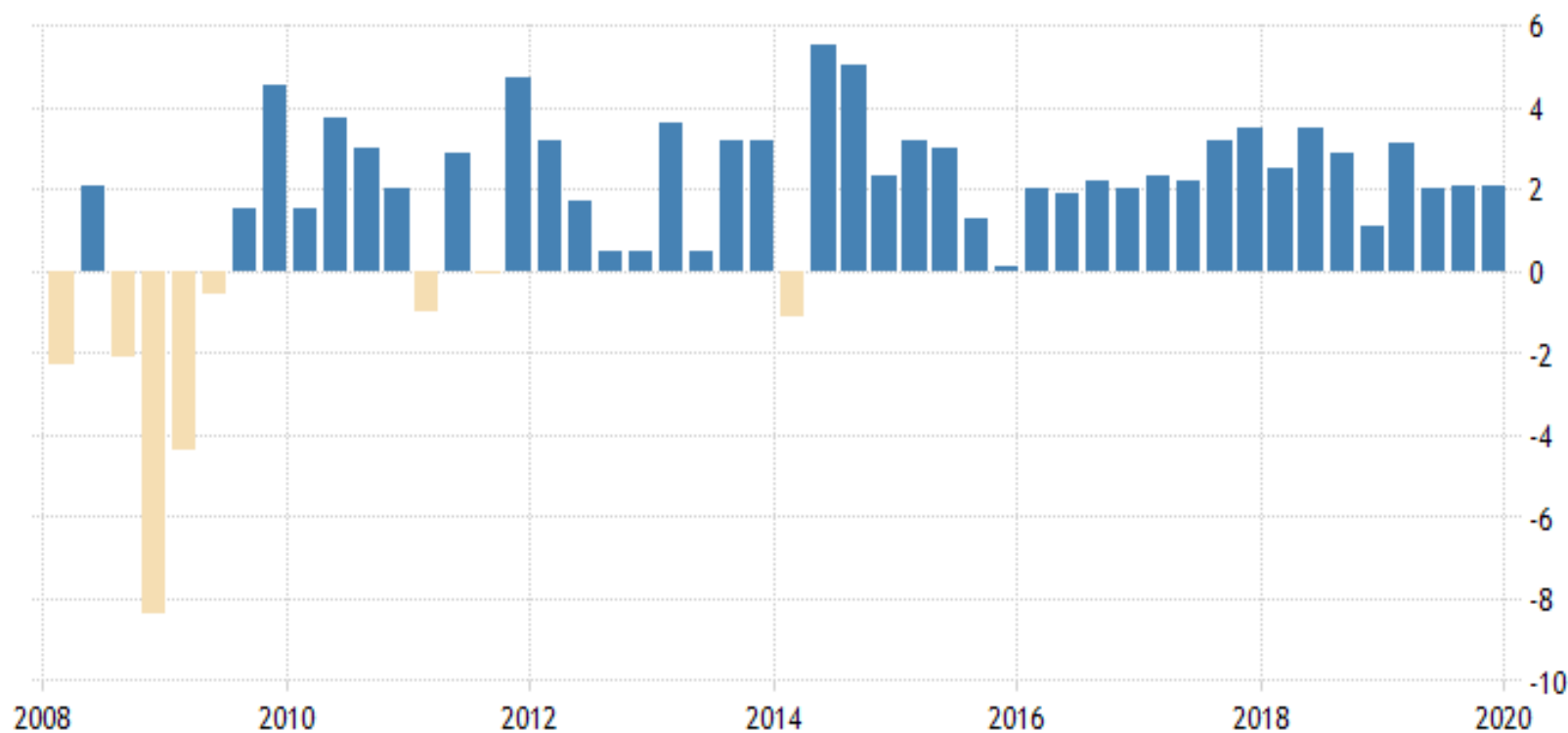
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March 15, 2021

# 2020 Started on a High Note

## *Look at Real GDP Growth*



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

*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*

# Remember this picture from last year

## 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

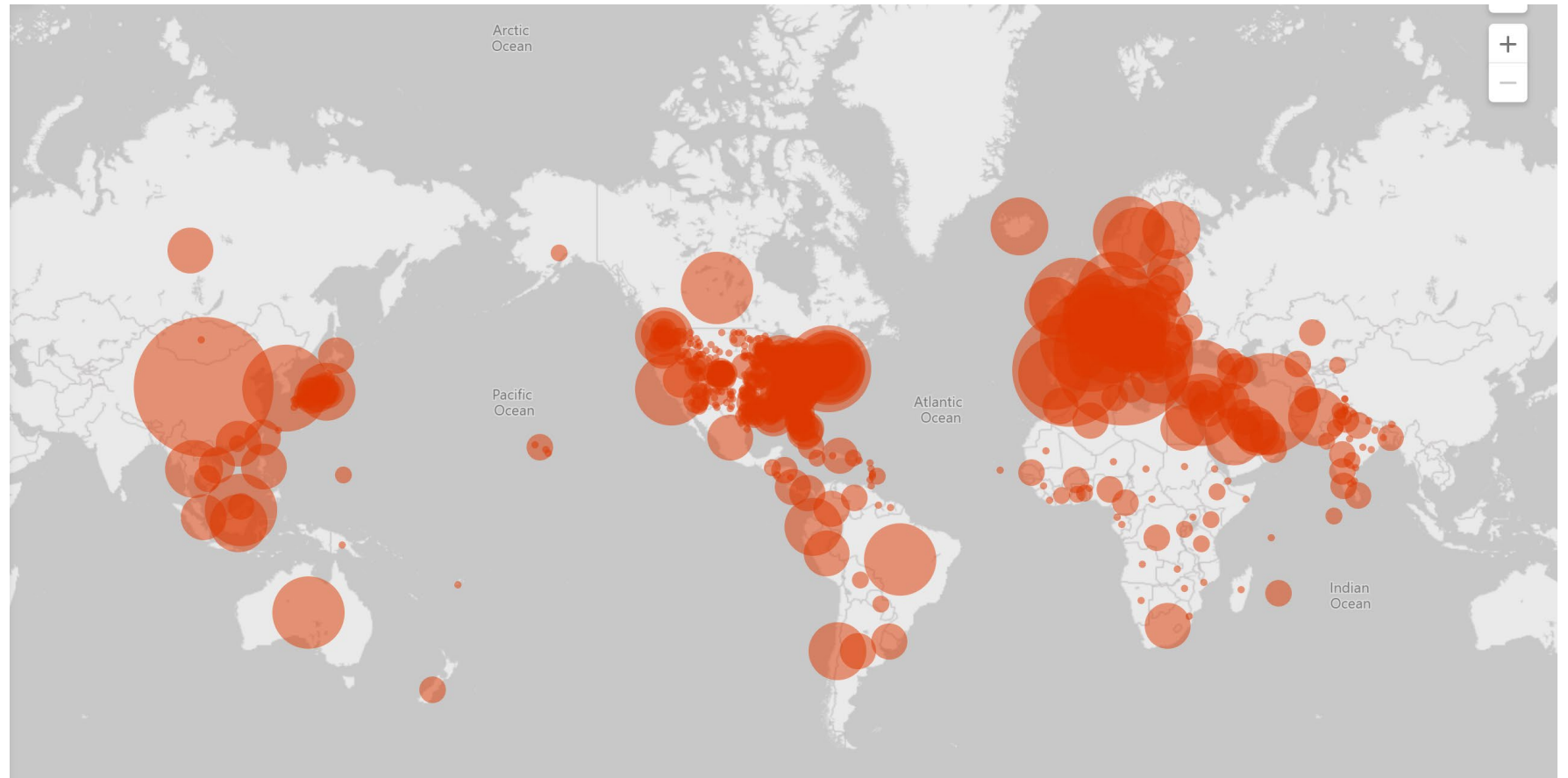
Spain 28,603

Germany 24,852

Iran 21,638

France 16,018

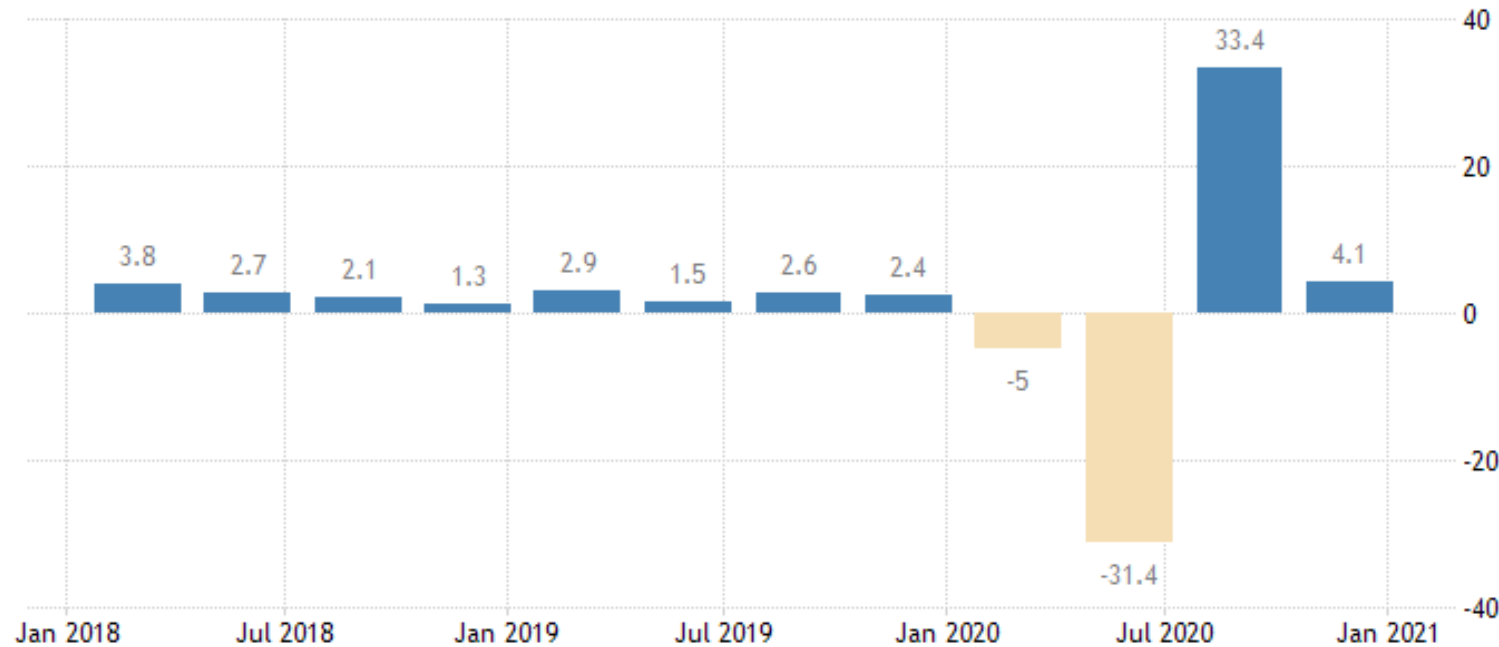
South Korea 8,897



As of 3/22/2020

Source: Microsoft Corporation

# 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*

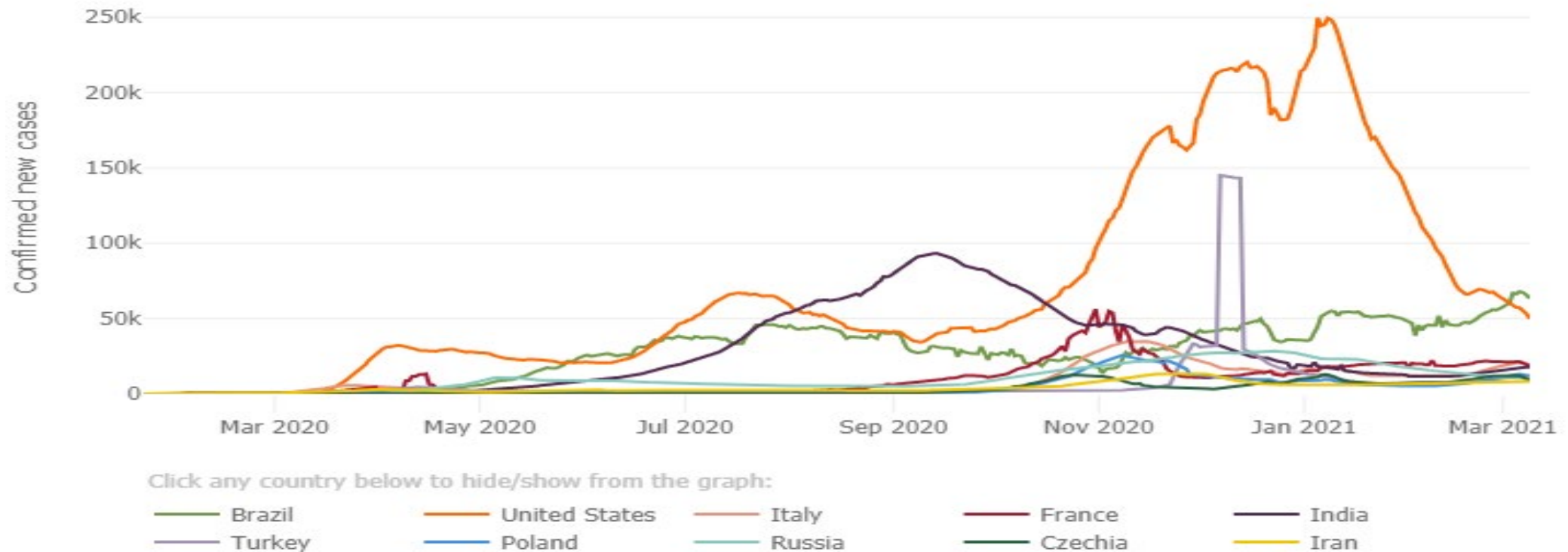
*Nowcasting of Q1:*

*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

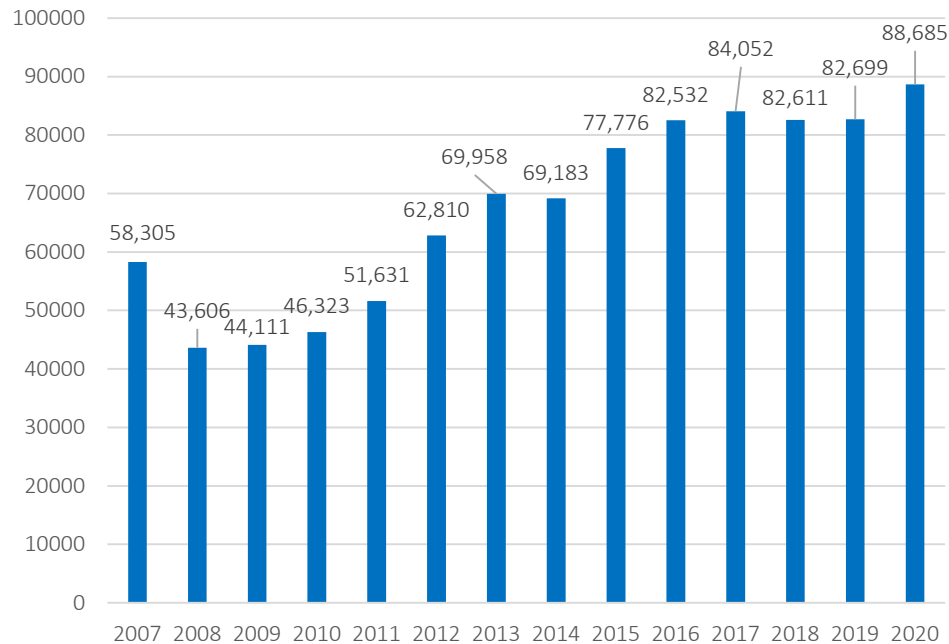
As of 3/26/2021

Even with COVID-19  
*The Wisconsin Housing Market has been  
Remarkably Strong*

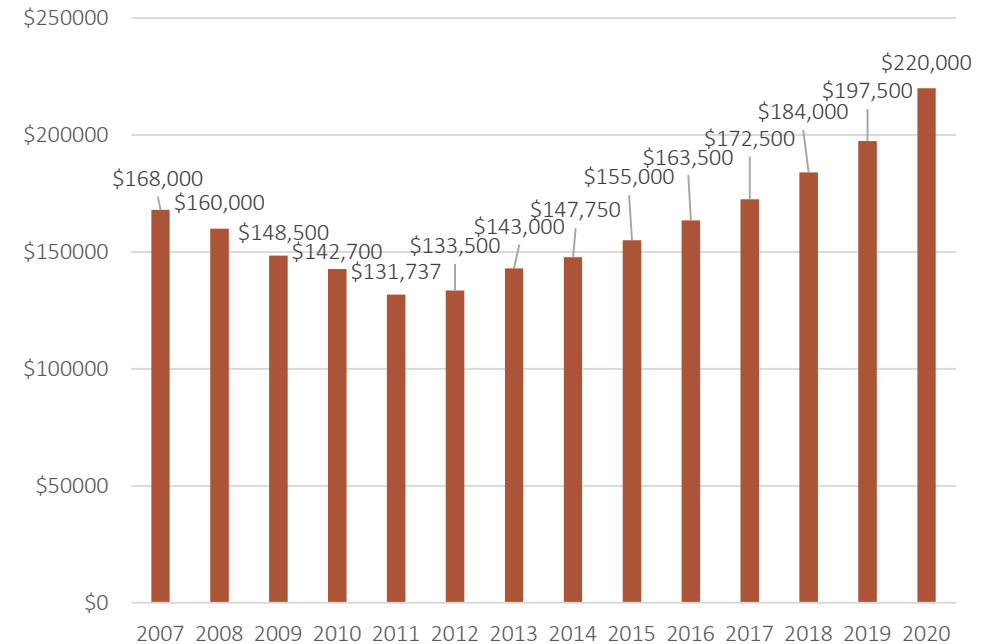
Strong Demand and Weak Supply  
*Consistent story of last two years*

# Home Sales Stable and Prices Continued to Increase

Wisconsin Existing Home Sales  
*Strongest Year on Record*

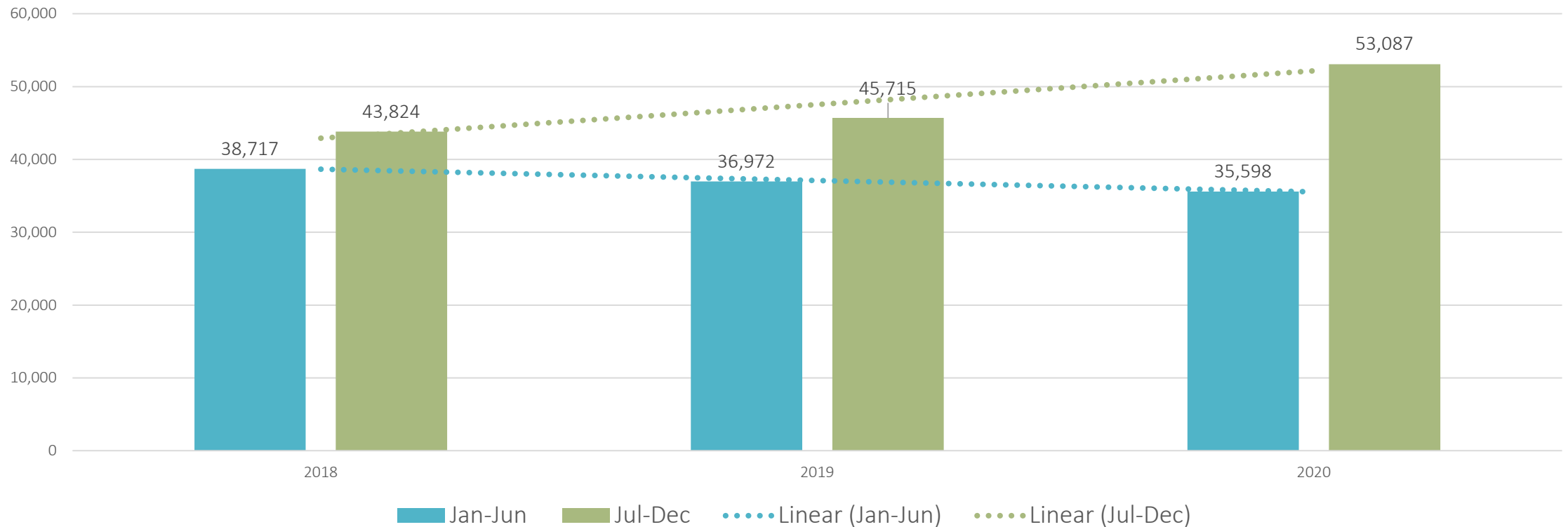


Wisconsin Annualized Median Price  
*Tight Inventories Drove Prices Appreciation*



Source: WRA

# A Tale of Two Halves for Closed Sales in Wisconsin



Source: WRA

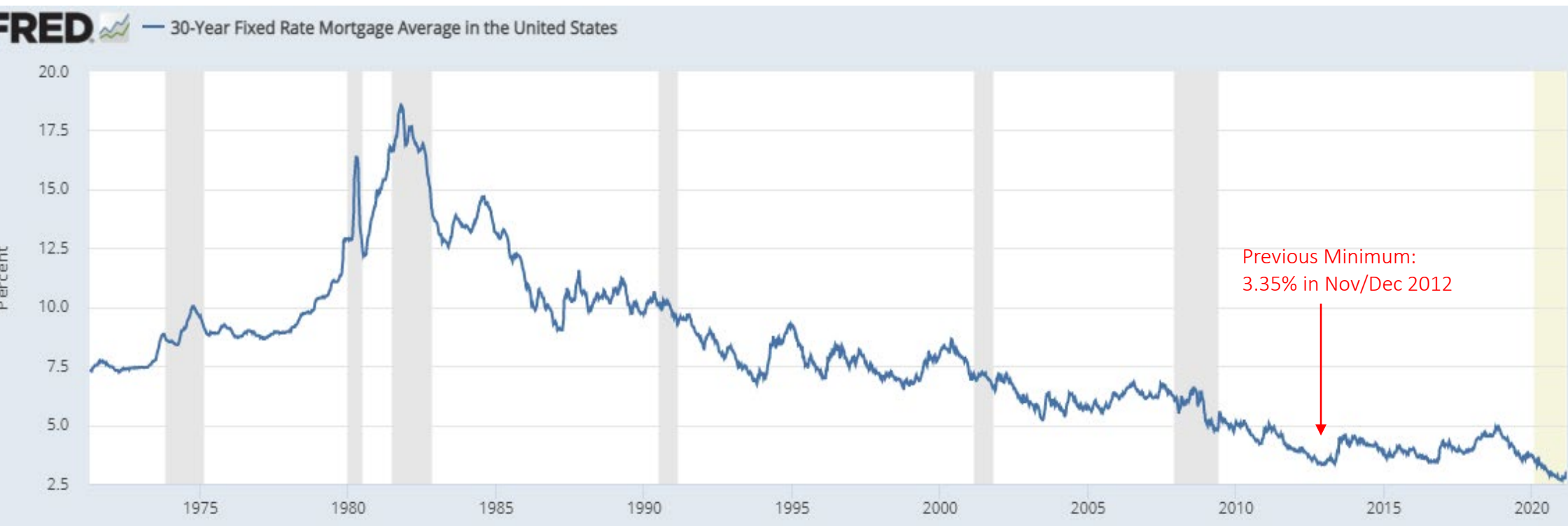


# Demand Side Picture

Economic factors – Mortgage rates, labor market, and demographics

# Mortgage rates have begun to move up

*(Following 9 straight months of new record lows)*



## Rates in 2020

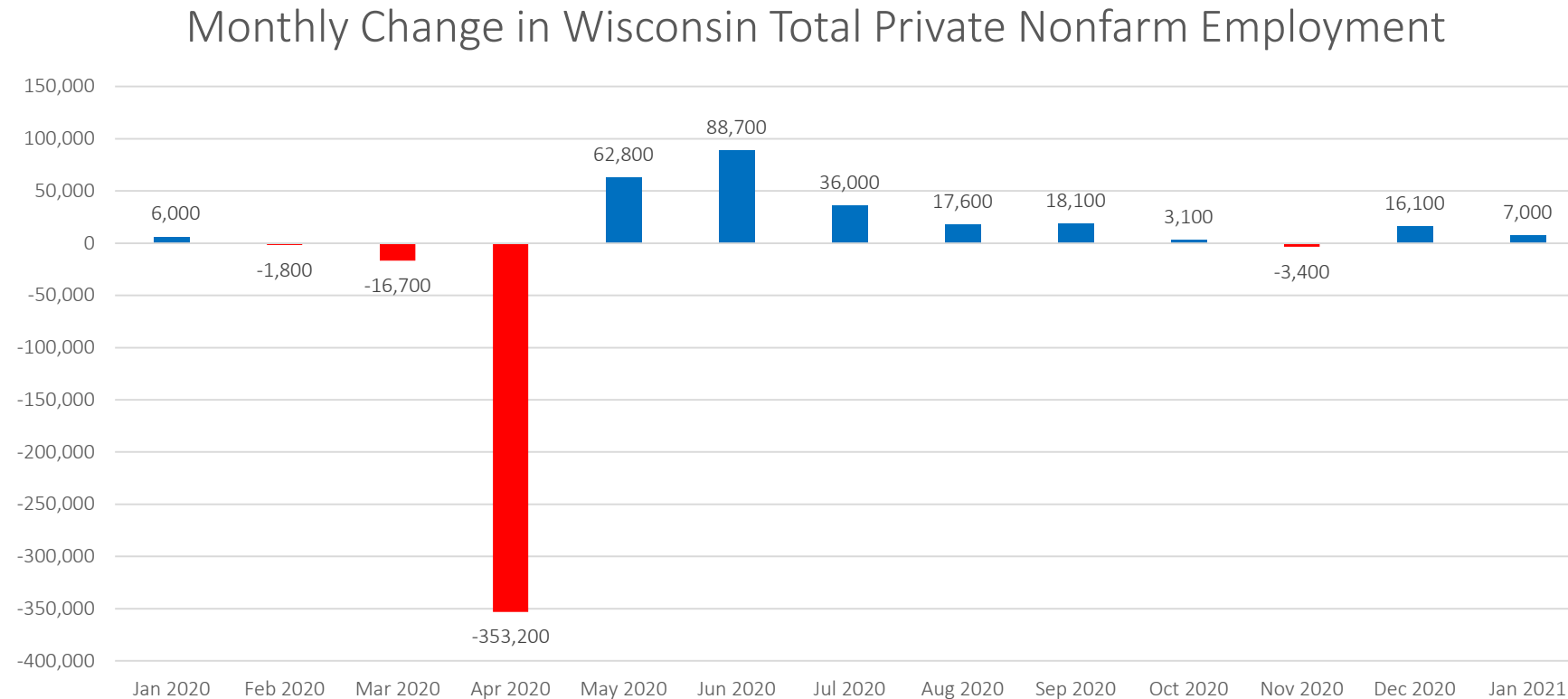
Jan: 3.62%  
Feb: 3.47%  
Mar: 3.45%  
*Apr: 3.31%*  
*May: 3.23%*  
*Jun: 3.16%*  
*Jul: 3.02%*  
*Aug: 2.94%*  
*Sep: 2.89%*  
*Oct: 2.83%*  
*Nov: 2.77%*  
*Dec: 2.68%*

## Rates in 2021

Jan: 2.74%  
Feb: 2.81%

Source: Freddie Mac

# Employment still recovering



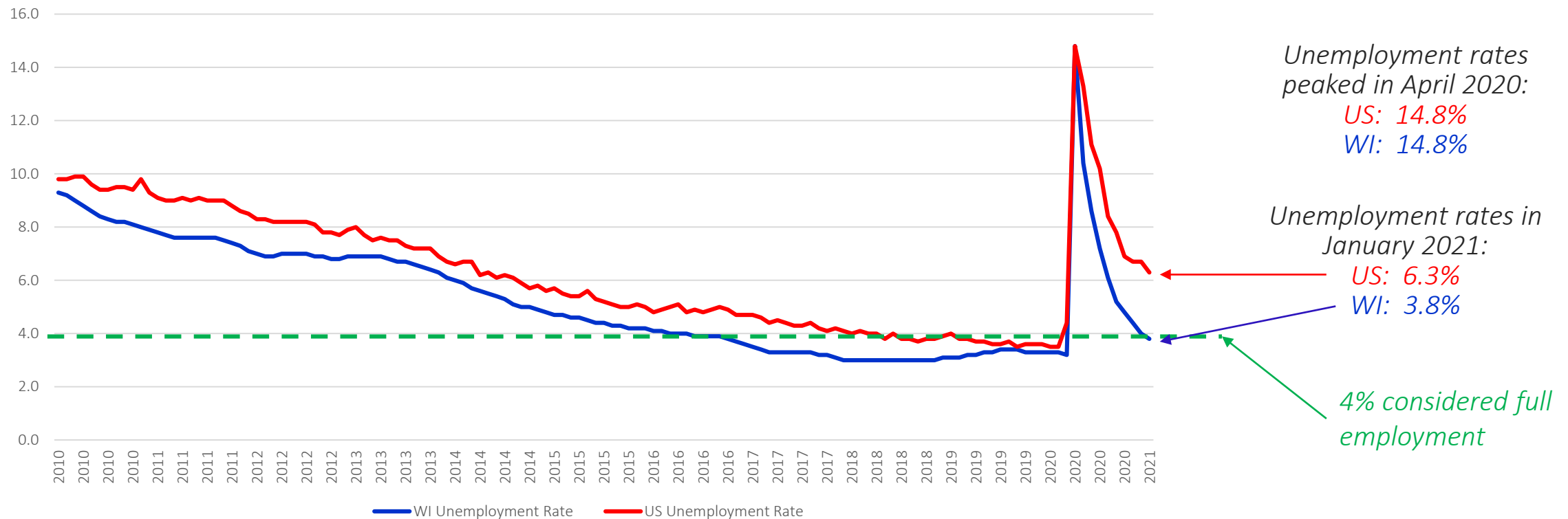
*Since dropping 353,200 jobs in April 2020, the state has added 246,000 jobs*

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

Source: Wisconsin Department of Workforce Development / US Bureau of Labor Statistics

# Wisconsin vs. US Unemployment Rate

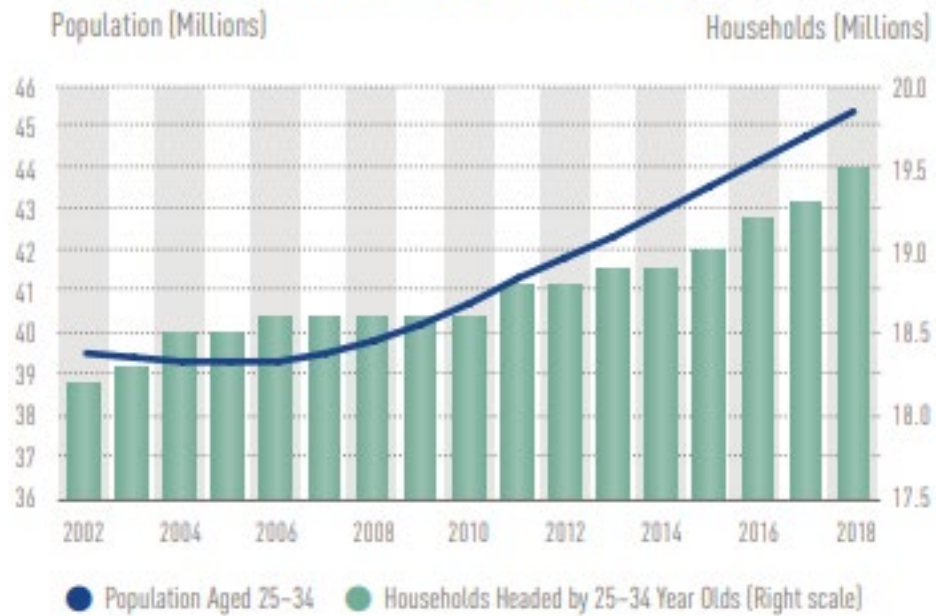
(Seasonally Adjusted data)



Source: US Bureau of Labor Statistics

# Demographics: Household Formation Increasing Demand

**The Number of Young-Adult Households Is Finally Increasing in Line with Population Growth**

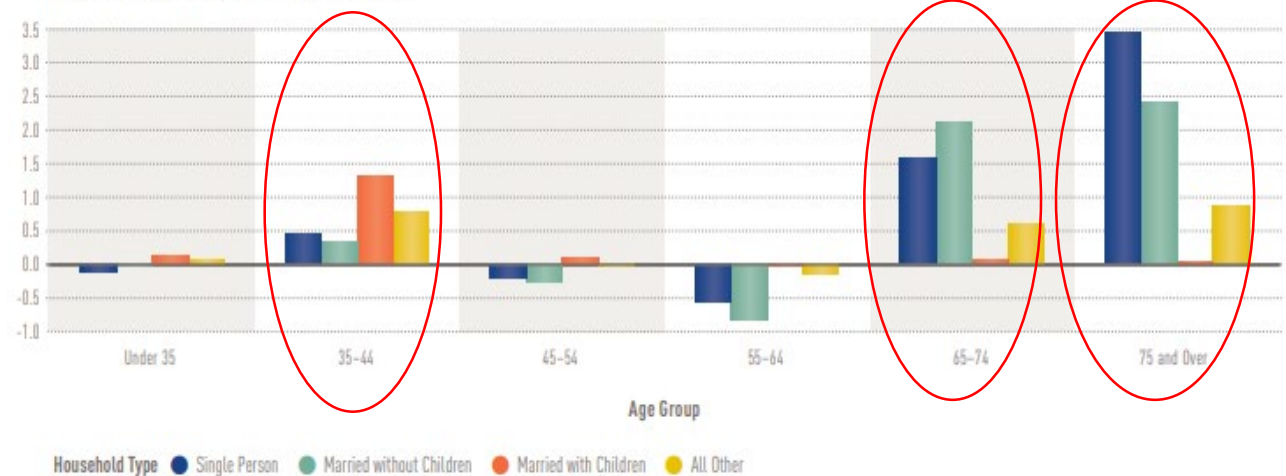


Note: Population and household estimates are three-year trailing averages.

Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys and National Population Estimates.

**Over the Next Decade, the Fastest-Growing Household Types Will Be Younger Families with Children and Older Single Persons and Empty-Nesters**

Projected Change in Households, 2018-2028 (Millions)



Note: Children are under age 18.

Source: JCHS 2018 Household Projections.

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

| Inventory by Urban Classification |                     |                     |                     |
|-----------------------------------|---------------------|---------------------|---------------------|
| <i>County type</i>                | <i>Jan<br/>2021</i> | <i>Jan<br/>2020</i> | <i>Jan<br/>2019</i> |
| Metropolitan Counties Combined    | 1.9                 | 2.9                 | 3.0                 |
| Micropolitan Counties Combined    | 2.2                 | 4.0                 | 4.4                 |
| Rural Counties Combined           | 2.7                 | 5.9                 | 6.6                 |
| All Wisconsin Counties            | 2.1                 | 3.5                 | 3.8                 |

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

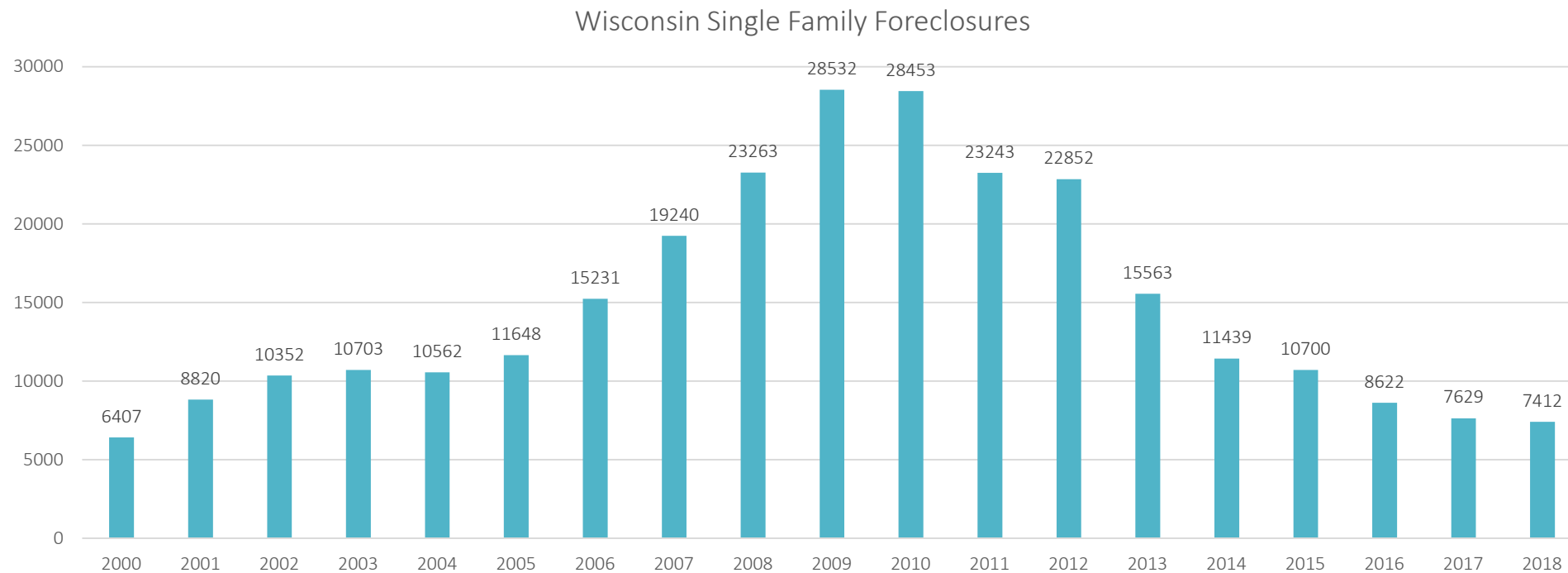
Distressed Properties

Listings of Existing homes

New Construction



# Foreclosures are at pre-recession levels



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

*Dr. Kashian  
reported  
lowest rate in  
nearly two  
decades for 1<sup>st</sup>  
half of 2019*

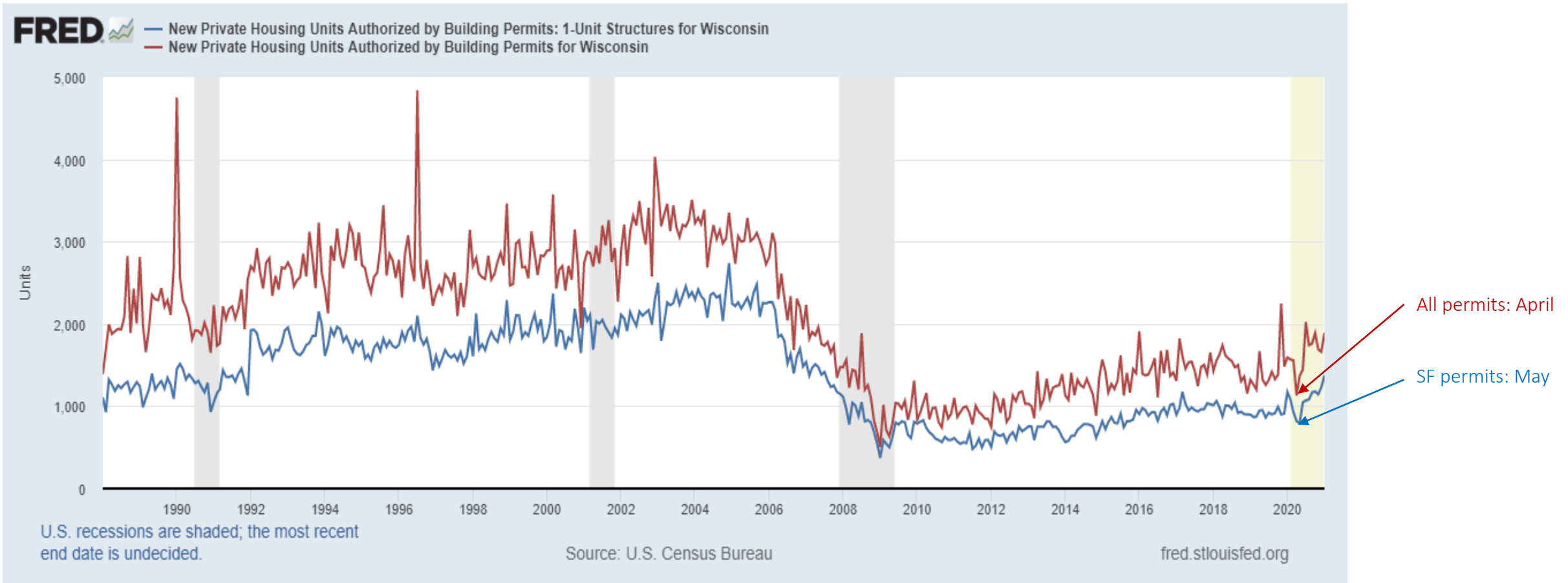
# New Listings now on par with Monthly Sales

## Summary of Wisconsin Monthly Housing Statistics (Source: WRA)

|                                | Jan 2021  | Jan 2020  | % Change |
|--------------------------------|-----------|-----------|----------|
| Unit Sales                     | 4,659     | 4,245     | +9.8%    |
| Median Price                   | \$210,000 | \$190,000 | +10.5%   |
| New Listings                   | 5,044     | 6,153     | -18.0%   |
| Total Listings                 | 15,423    | 24,007    | -35.8%   |
| Months of Inventory            | 2.1       | 3.5       | -40.0%   |
| Average Days on Market         | 91        | 108       | -15.7%   |
| WI Housing Affordability Index | 220       | 222       | -1.0%    |

# 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!