

The Wisconsin Housing Market

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Economy and Housing Markets are Simultaneously Linked

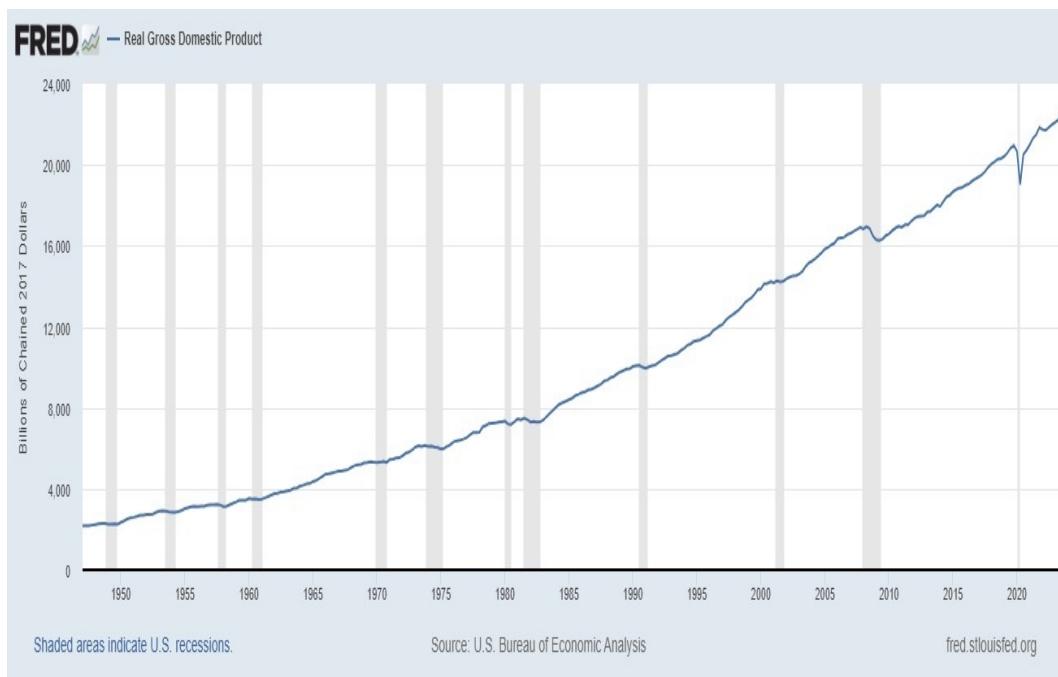


Source: https://www.builderonline.com/money/economics/housing-market-is-main-driver-for-the-u-s-economy_o

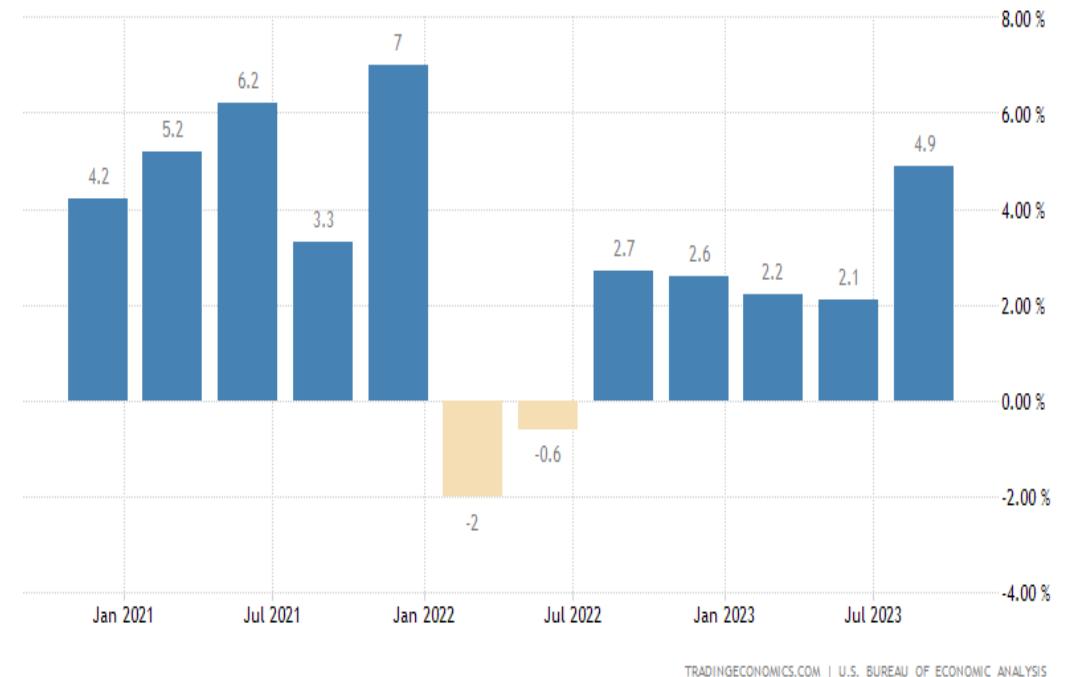
Focus on the Economy First

Surprisingly Robust Growth?

REAL GROSS DOMESTIC PRODUCT (GDP)



QUARTERLY GROWTH IN REAL GDP



Source: US Bureau of Economic Analysis

Is a Recession on the Horizon?

There are some warning signs

Consumer Confidence Has Slipped

CONSUMERS SPENDING BUT CONSUMER CONFIDENCE HAS FALLEN



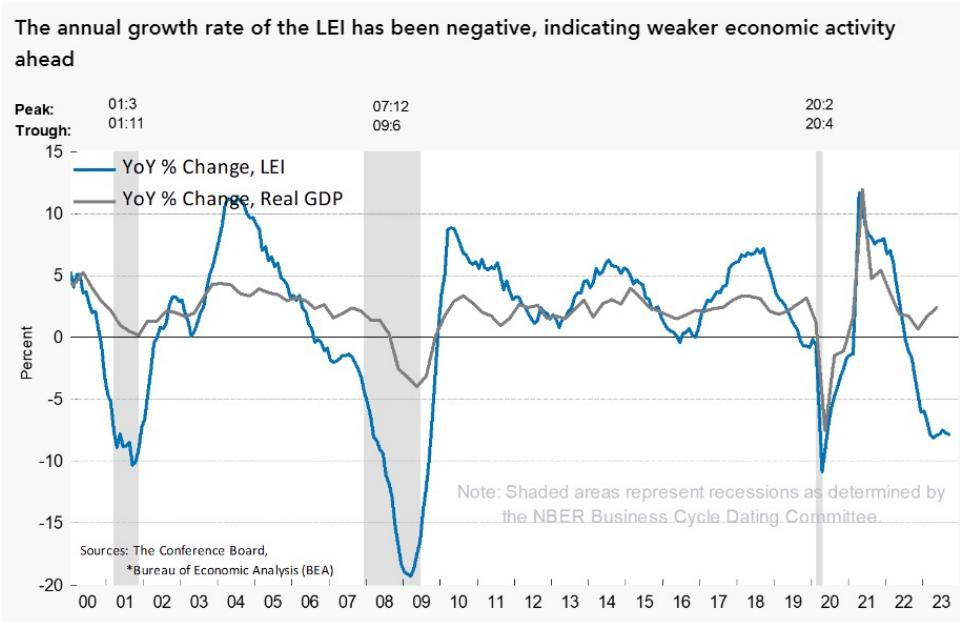
ONGOING CONSUMER CONCERNs ABOUT FUTURE



Source: The Conference Board

Economic Indicators

PERSISTENT SIGNALS FROM LEADING ECONOMIC INDICATOR



INTERPRETATION

- LEI is comprised of 10 variables that tend to change ahead of the general economy
 - Includes 3 financial components and 7 non-financial components*
 - LEI has been falling since April 2022*
- Still, the Coincidental and Lagging Indices have both been rising

Source: *The Conference Board*

Economic Forecasters Less Pessimistic through Q1 2024

Risk of a Negative Quarter (%) Survey Means

QUARTERLY DATA: PREVIOUS NEW

2023:Q3	45.2	21.7
2023:Q4	41.9	34.4
2024:Q1	39.3	37.6
2024:Q2	31.8	35.4
2024:Q3	N.A.	34.4

Source: Philadelphia Federal Reserve Bank
Survey of Professional Forecasters (from August 2023)

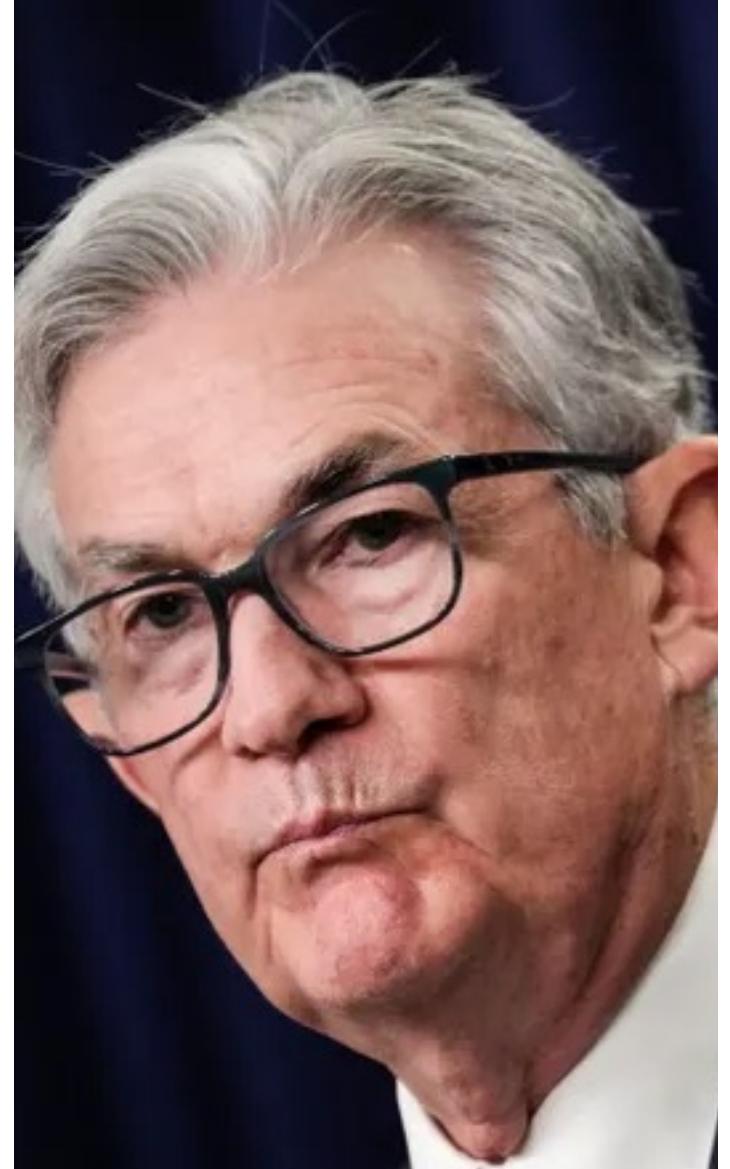
Recession Defined

According to National Bureau of Economic Research (NBER) Business Cycle Dating Committee, a recession is:

“A significant decline in economic activity that is spread across the economy and that lasts more than a few months.”

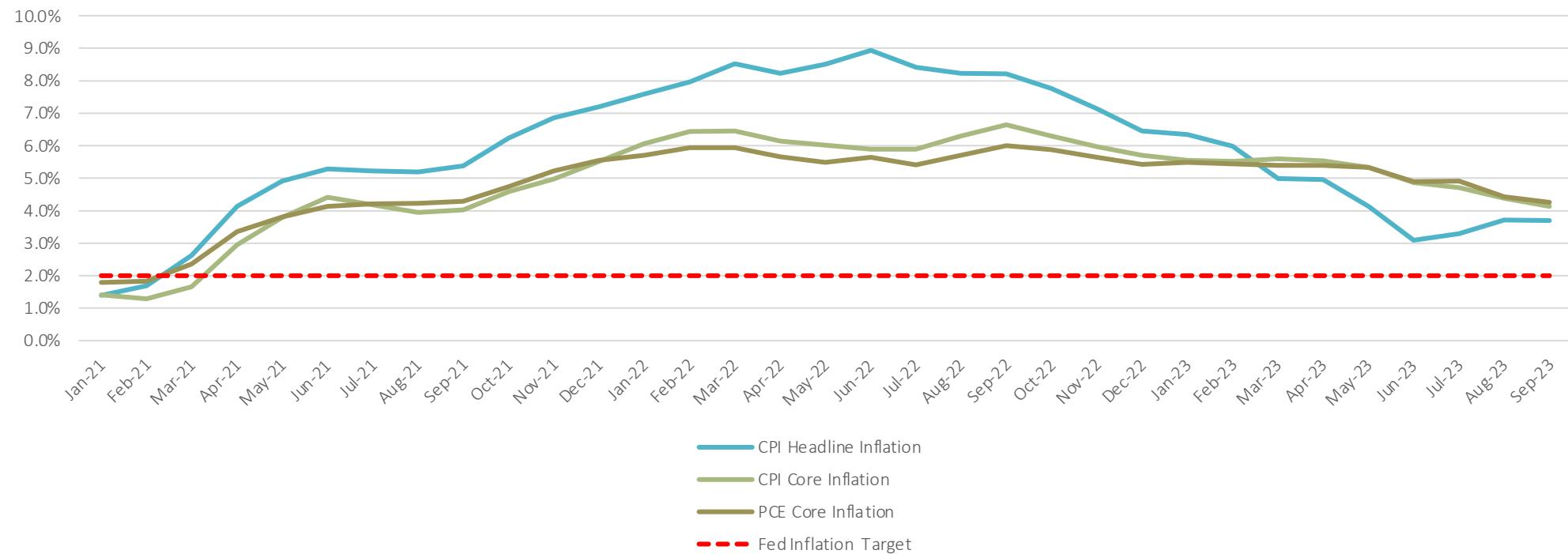
Elusive Soft Landing?

*Fed has paused its SR rate increases
for now as we continue to see progress
on inflation*



Continued Progress on Inflation

Measures of US Annualized Inflation



Source: US Bureau of Labor Statistics

The Wisconsin Housing Market

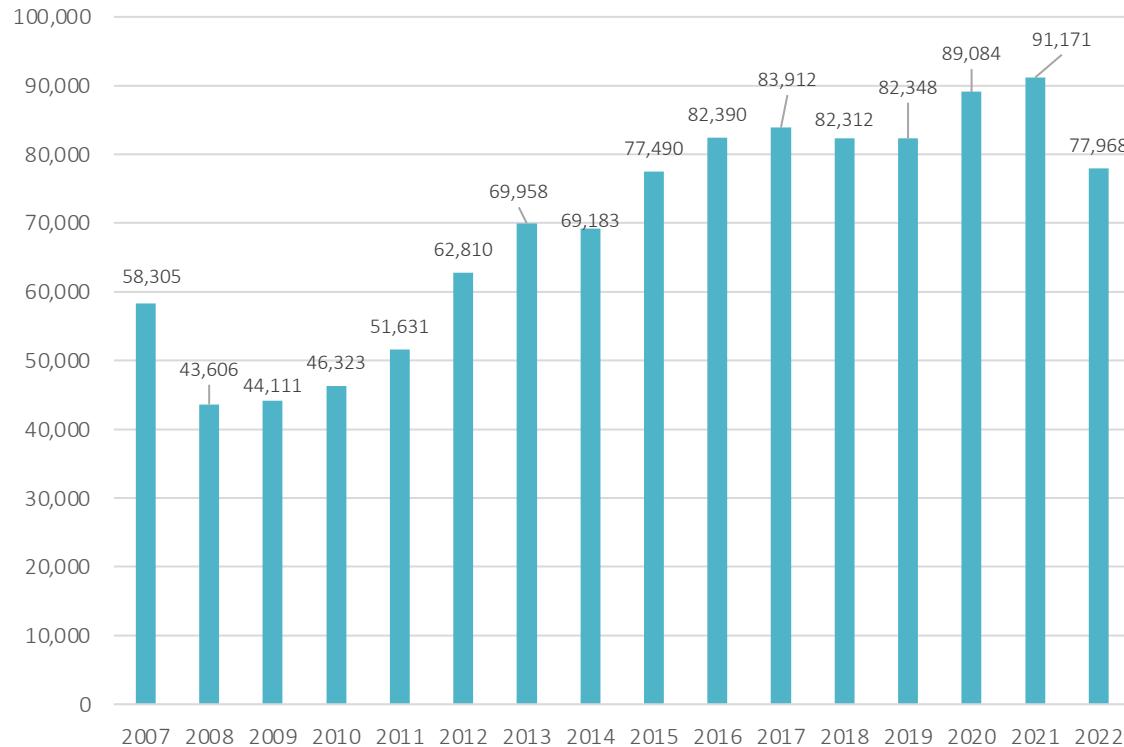
Significant Unmet Demand in a Very Tight Market



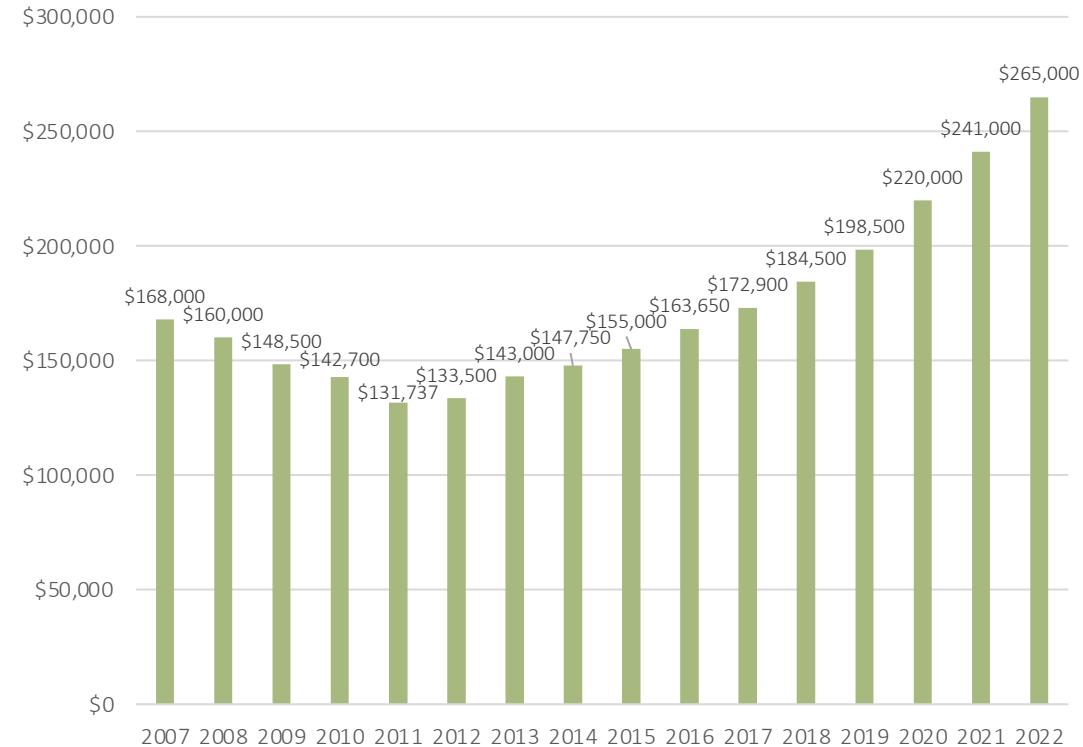
Source: REALTOR Magazine: September 4, 2020

Continuing Last Year's Pattern: Sales Down and Prices Up in 2023

Wisconsin Existing Home Sales

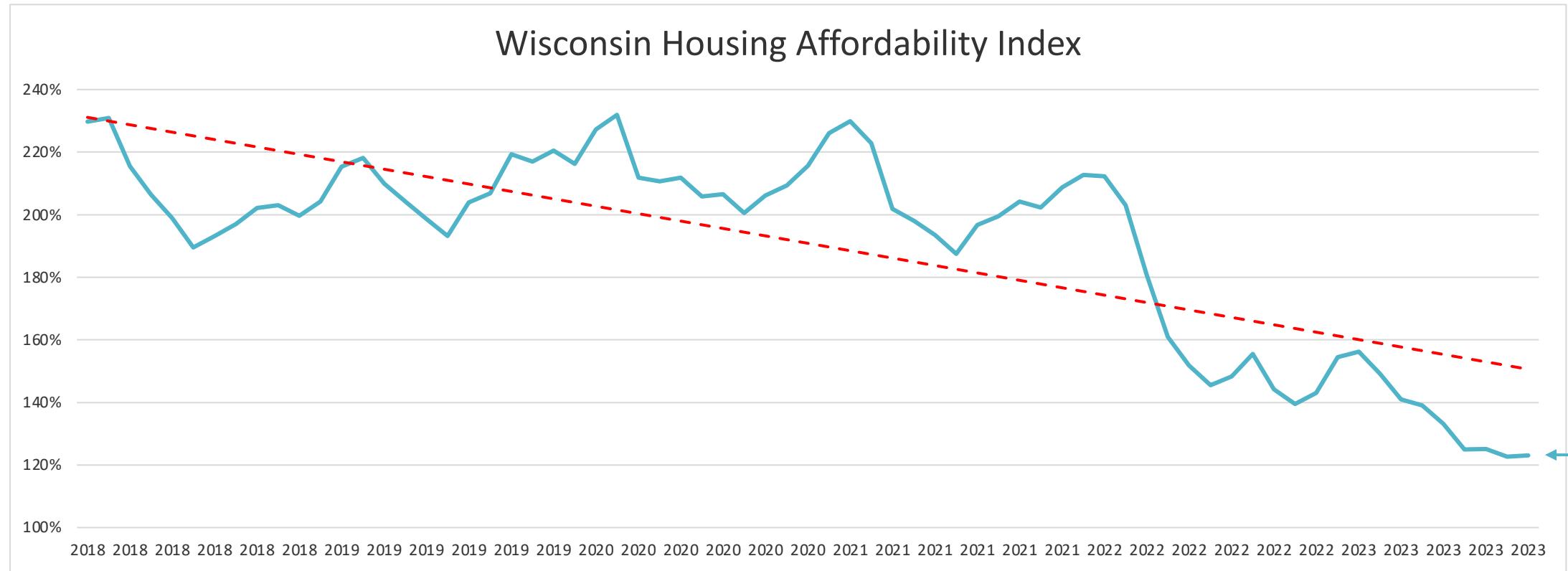


Wisconsin Annualized Median Home Price



Source: WRA

Sliding Affordability



Source: Computed by WRA

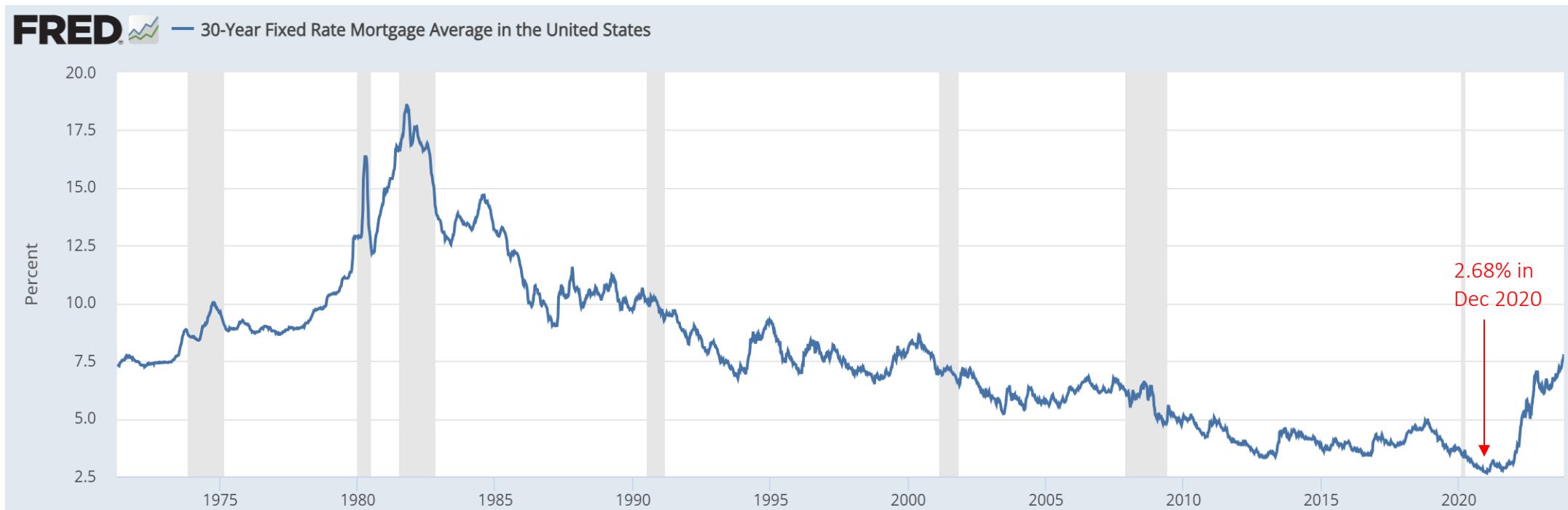
The Economics Behind these Trends

Focus on Demand and then Supply

Softening Demand Pressure

Look at mortgage rates, labor market and demographics

Dominant Influence is Sharp Increase in Mortgage Rates

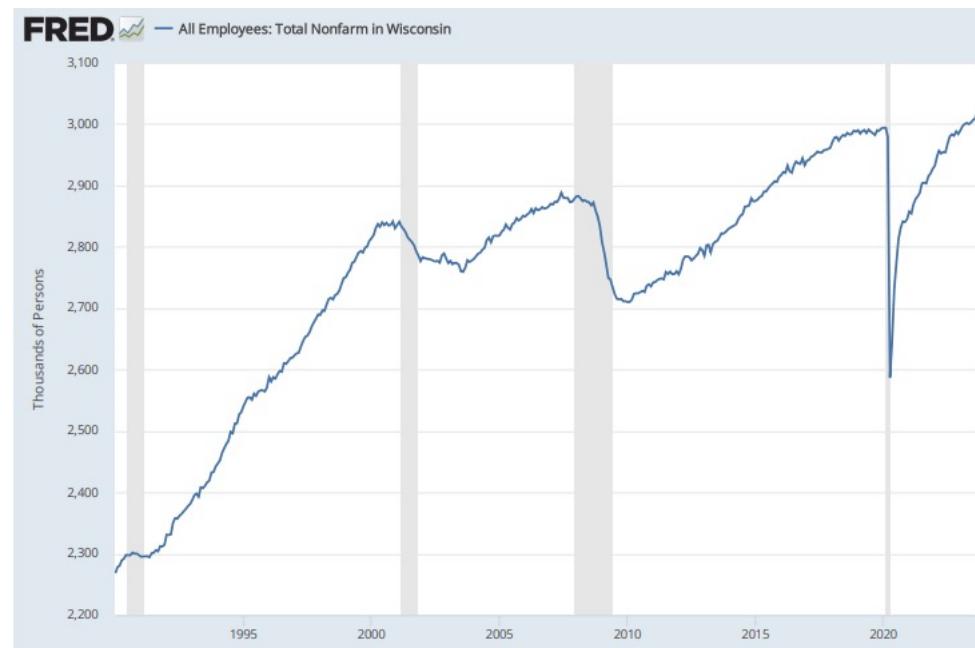


Shaded areas are recessions

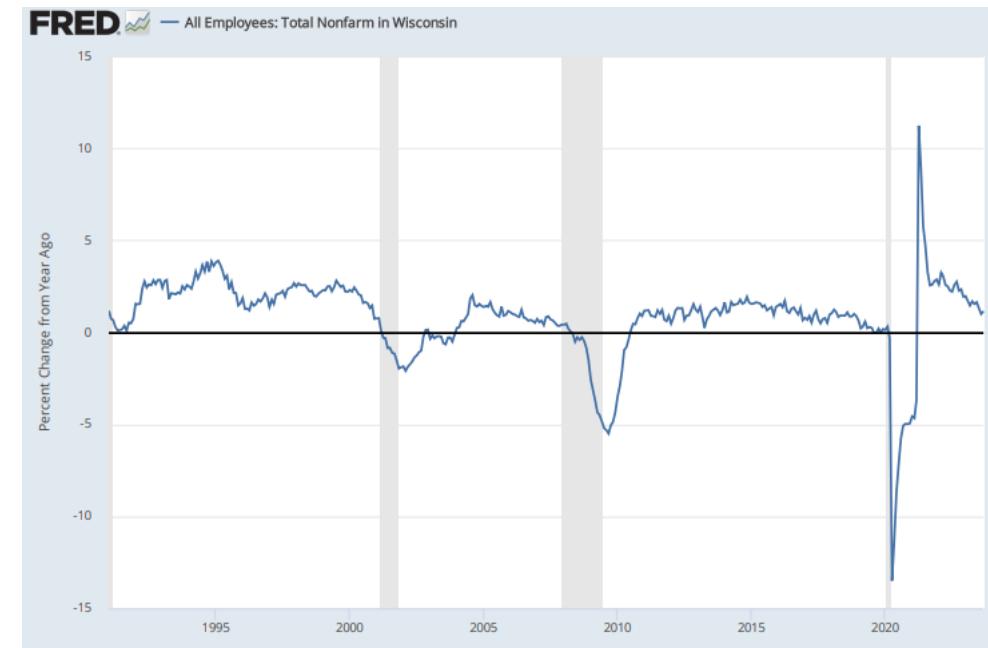
Source: Freddie Mac

Labor Market Remains Strong: WI Employment Now Above Feb 2020

WI NONFARM EMPLOYMENT (LEVELS)



WI NONFARM EMPLOYMENT (YOY % CHANGE)



September
Nonfarm
Employment up
34.5k from
September 2022

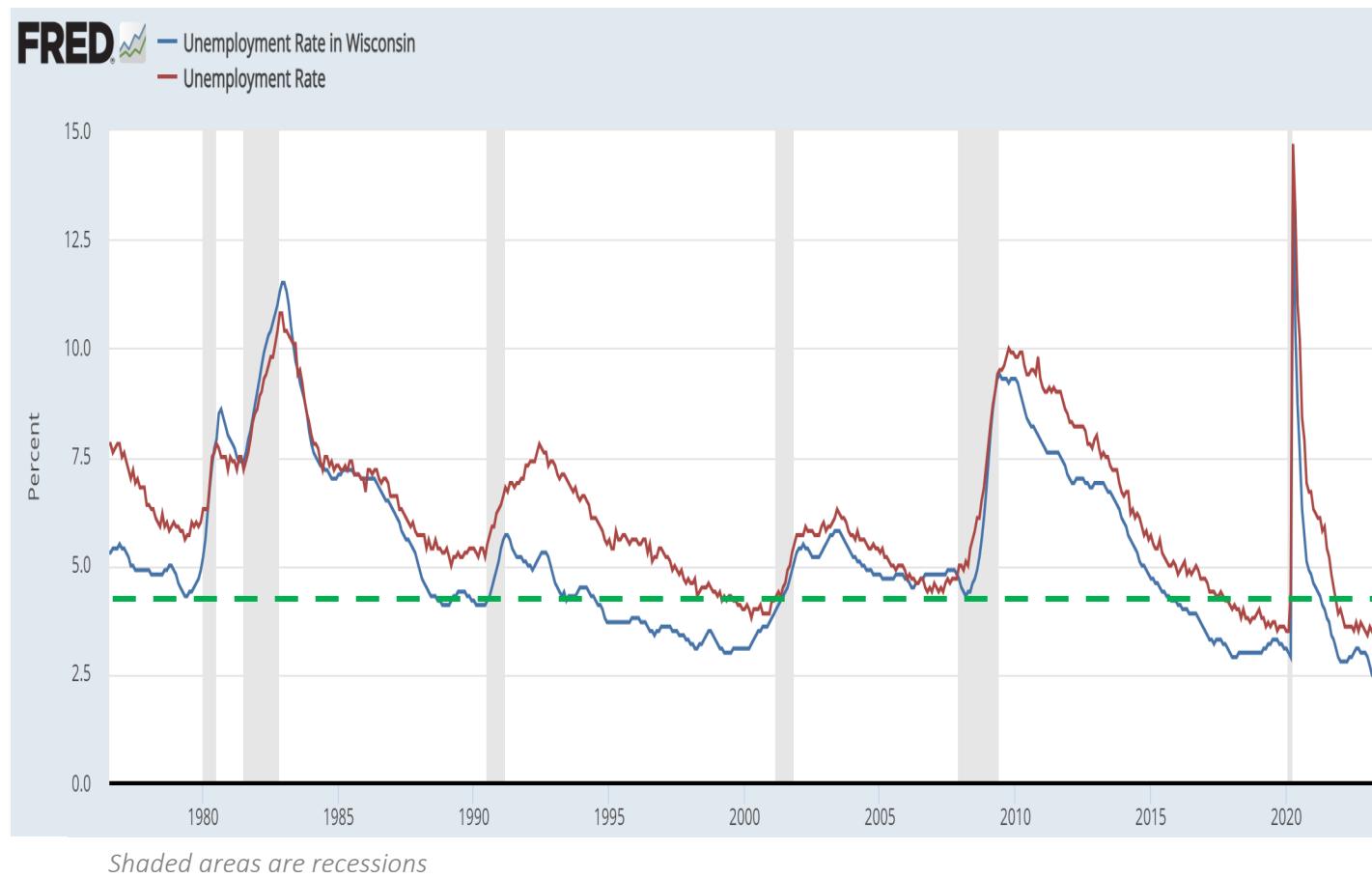
Annual % change
Sept. 2023: 1.15%

Annual % change
Sept. 2022: 2.75%

Source: US Bureau of Economic Analysis

Shaded areas are recessions

Wisconsin vs. US Unemployment Rate



Unemployment rates peaked in April 2020:

US: 14.7%

WI: 14.1%

Unemployment rates in September 2023:

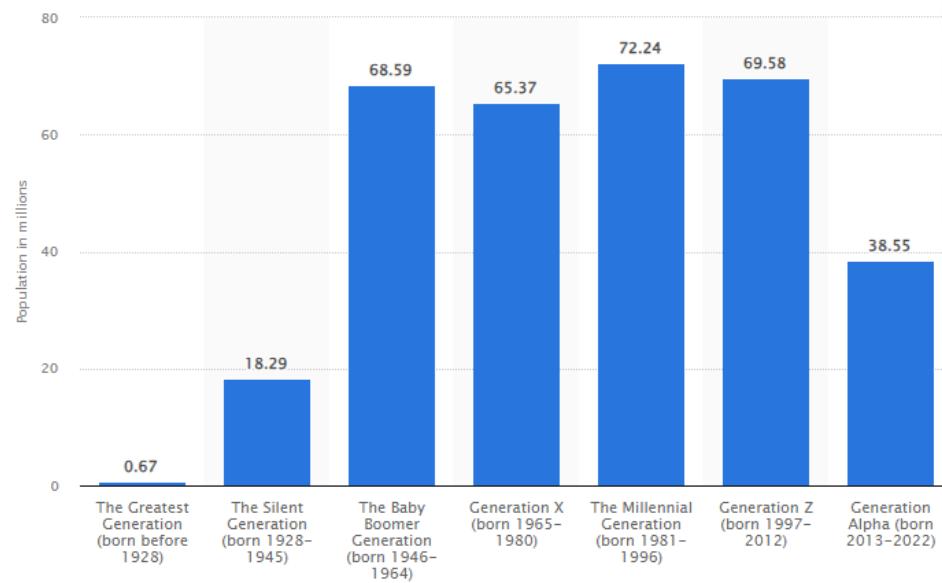
US: 3.8%

WI: 3.1%

4% considered full employment

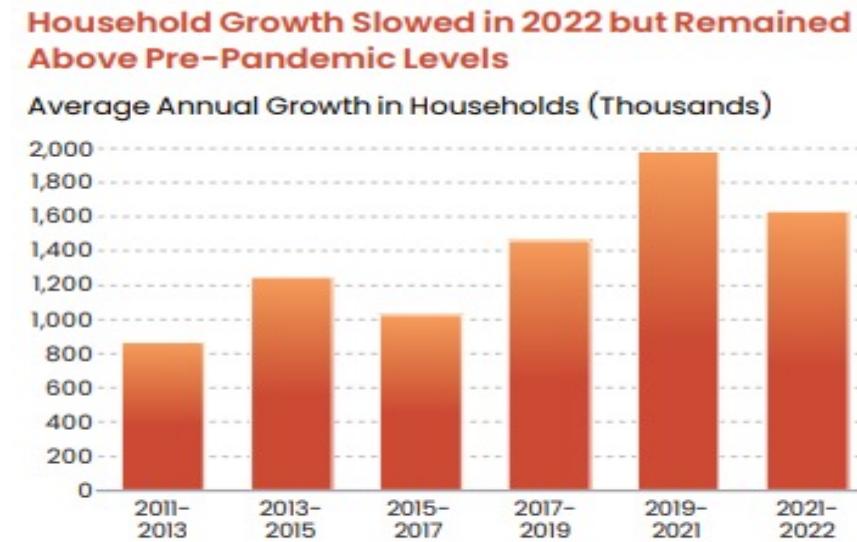
Demographics: Trends support continued solid demand

CONTINUED GENERATIONAL SHIFT



Source: U.S. Census

CONTINUED GROWTH IN HOUSEHOLDS

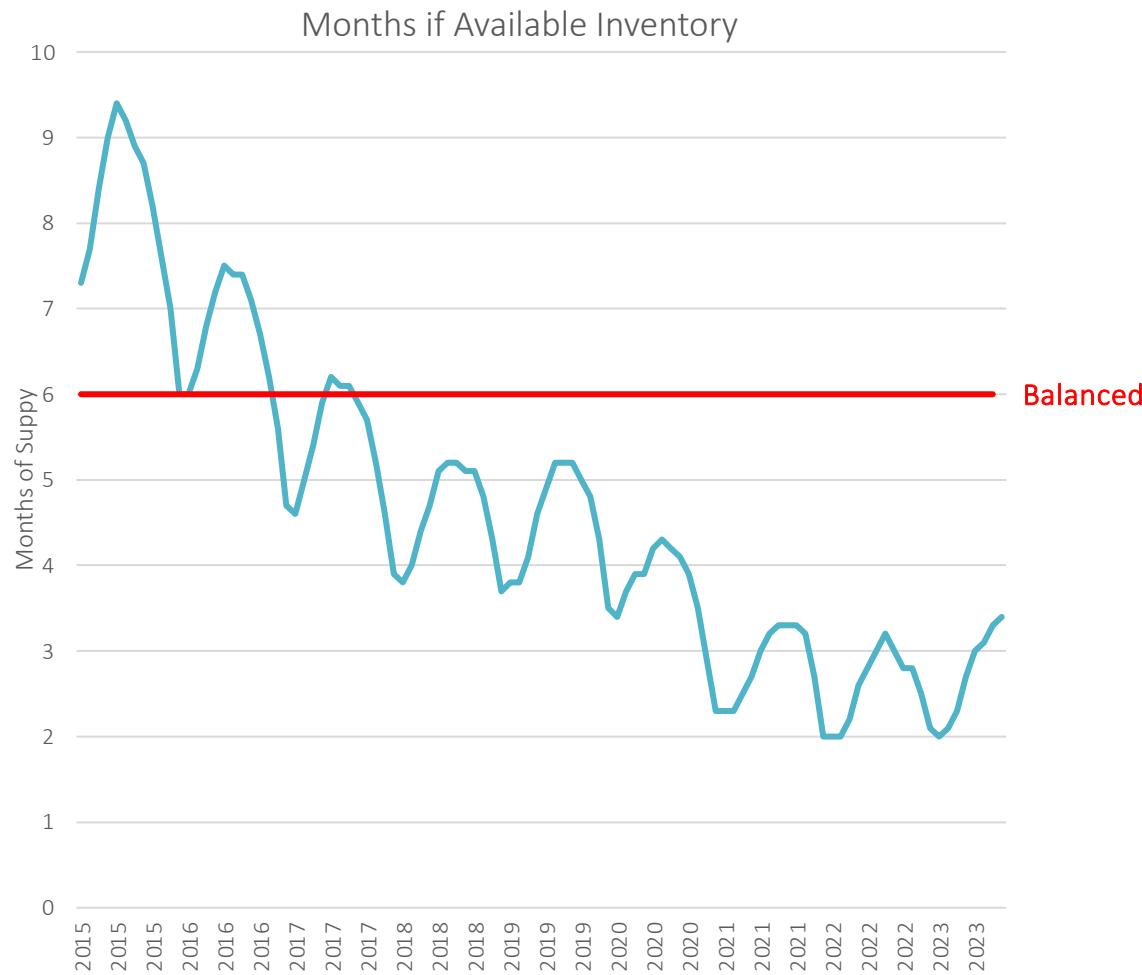


Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

Source: 2023 State of Nations Housing – Joint Center for Housing Studies

Very Tight Supply of Housing

Supply Challenges: Some relief but still very tight



Source: WRA

County type	Inventory by Urban Classification				
	Sept 2023	Sept 2022	Sept 2021	Sept 2020	Sept 2019
Metropolitan Counties Combined	3.0	2.4	3.0	3.5	4.2
Micropolitan Counties Combined	3.4	3.5	3.4	4.1	5.8
Rural Counties Combined	4.8	3.8	4.0	5.6	9.0
All Wisconsin Counties	3.3	2.6	3.2	3.9	5.1

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.

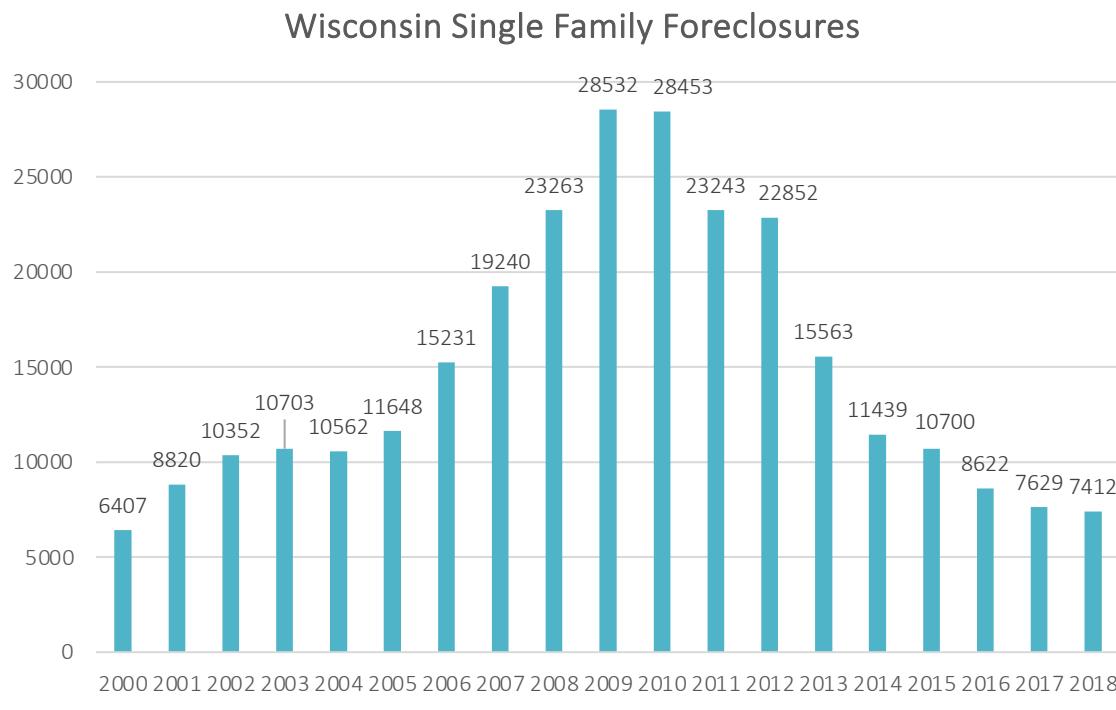
Three Important Sources of Supply

Distressed Properties

Listings of Existing homes

New Construction

WI Foreclosures Stabilize at Low Levels



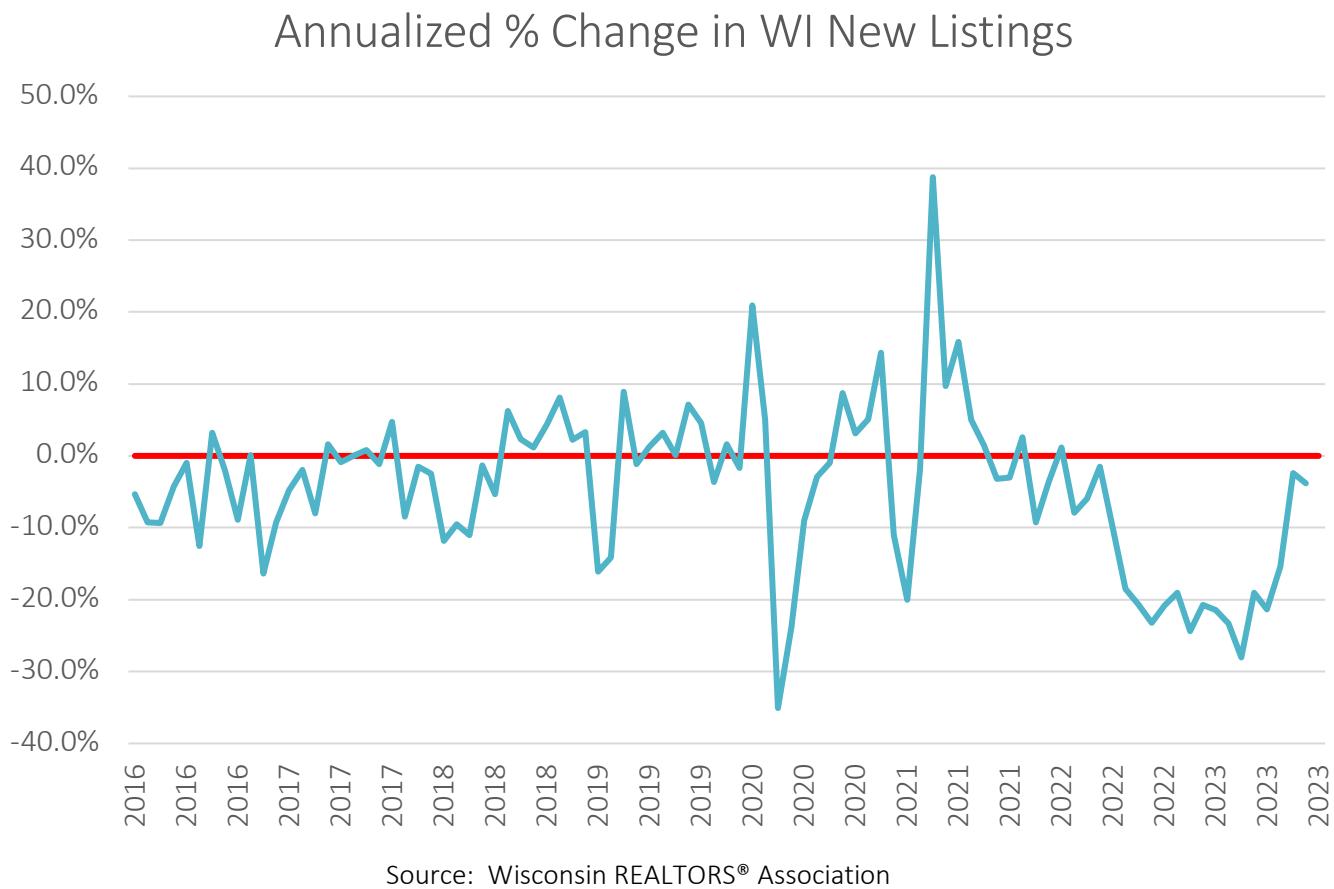
Source: Dr. Russ Kashian
University of Wisconsin - Whitewater

Region	Foreclosures – Jan to June	% change from year earlier
US 2023	185,580	+12.1%
US 2022	165,581	+152.8%
US 2021	65,082	-60.7%
WI 2023	1,735	-4.4%
WI 2022	1,815	+60.5%
WI 2021	1,134	-35.7%



Source: ATTOM Midyear 2021, 2022 and 2023 US Foreclosure Market Reports

New Listings Leveling Off



New Residential Construction Remains Flat

(Seasonally Adjusted New 1-unit Private Housing Units Authorized by Building Permits)



Wisconsin Builders

Association reports:

- 2023 Jan-Jun Single-Family Permits down 6.9% (relative to Jan-Jun 2022)

Challenge: Tightest markets are at lower price ranges.

- Under \$350k: 2.6-3.1 months of supply
- \$350k and over: 3.8-5.9 months of supply

Overall State Housing Picture

Summary of Wisconsin Housing Statistics						
	Monthly			Year-to-Date		
	Sep 2023	Sep 2022	% Change	Sep 2023	Sep 2022	% Change
Unit Sales	6,205	7,602	-18.4%	47,927	61,179	-21.7%
Median Price	\$295,000	\$270,000	+9.3%	\$289,000	\$265,000	+9.1%
New Listings	7,082	7,363	-3.8%	x	x	x
Total Listings	18,275	19,685	-7.2%	x	x	x
Months of Inventory	3.3	2.8	+17.9%	x	x	x
Average Days on Market	64	66	-3.0%	x	x	x
WI Housing Affordability Index	123	144	-14.6%	x	x	x

Source: Wisconsin REALTORS® Association

What does the future hold?



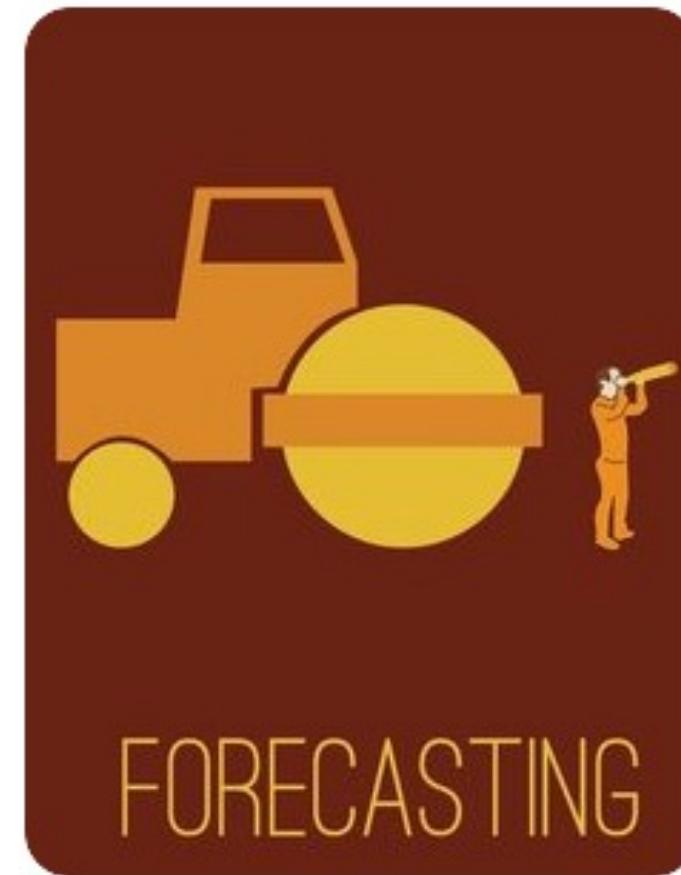
The Forecasting Challenge

“Economic forecasters assume everything, except responsibility.”

Unknown Author

“If Trivial Pursuit were designed by economists, it would have 100 questions and 3,000 answers.”

Ronald Reagan



My Forecasts for the Next Year

LAST YEAR'S PREDICTIONS

Mixed Bag!

By September 2023

- ✓ • Inflation will be below 7%
- ✗ • Mortgage rates will fall to less than 7%
- ✓ • Inventory will improve, but the housing market will remain a seller's market with less than 6 months of supply
- ✓ • Sales will fall below YTD 2022 levels
- ✗ • State unemployment will increase to rate above 4%

- YTD median home prices will be up less than 9%
- YTD sales will be within 5% of 2023 YTD levels
- Mortgage rates will fall below 7%
- Inventory will continue to improve, but WI will still be in a seller's market
- The US will have at least one negative quarter of GDP growth

THIS YEAR'S PREDICTIONS

By September 2024

Thank you!