

# The Wisconsin Housing Market

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# Economy and Housing Markets are Simultaneously Linked

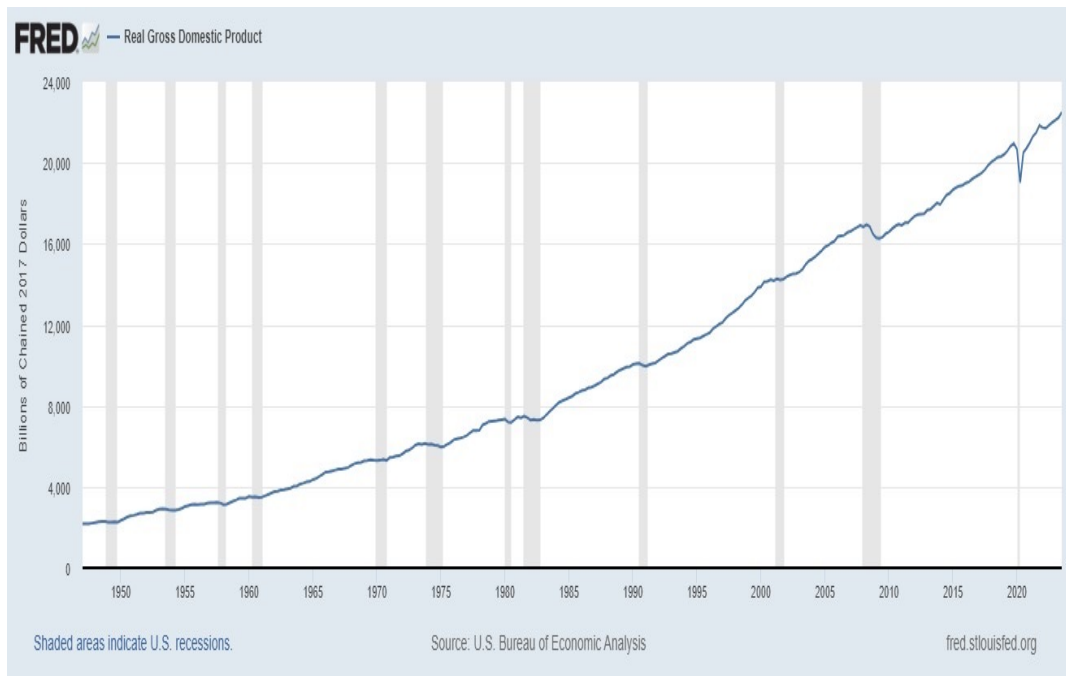


Source: [https://www.builderonline.com/money/economics/housing-market-is-main-driver-for-the-u-s-economy\\_o](https://www.builderonline.com/money/economics/housing-market-is-main-driver-for-the-u-s-economy_o)

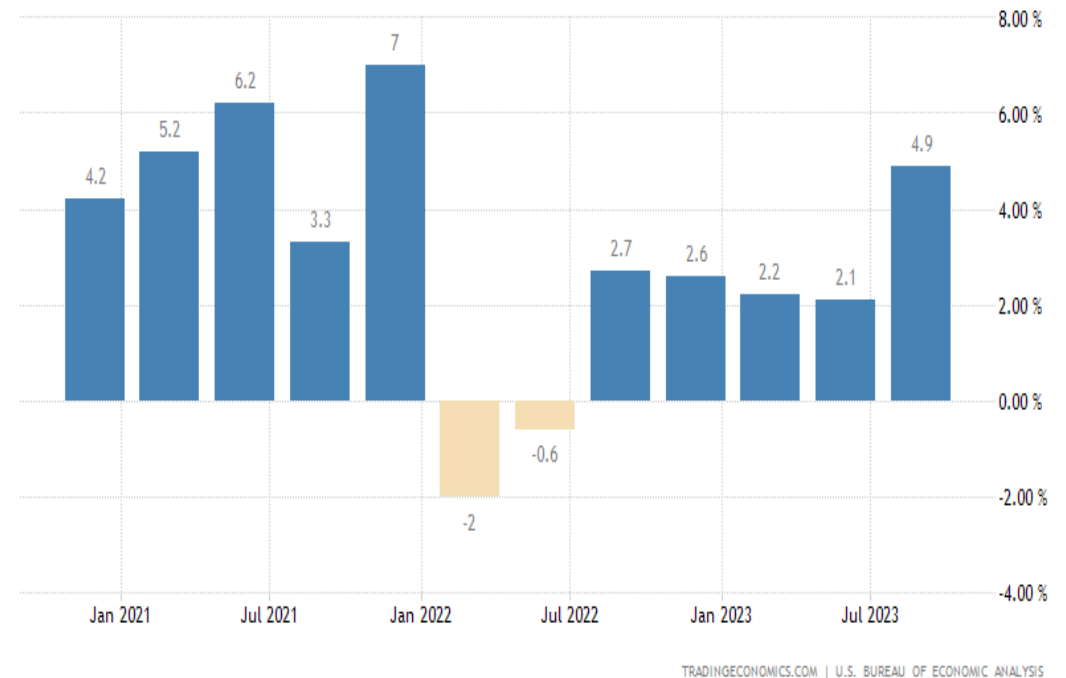
# Focus on the Economy First

# 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

**Consumer Confidence Index®**



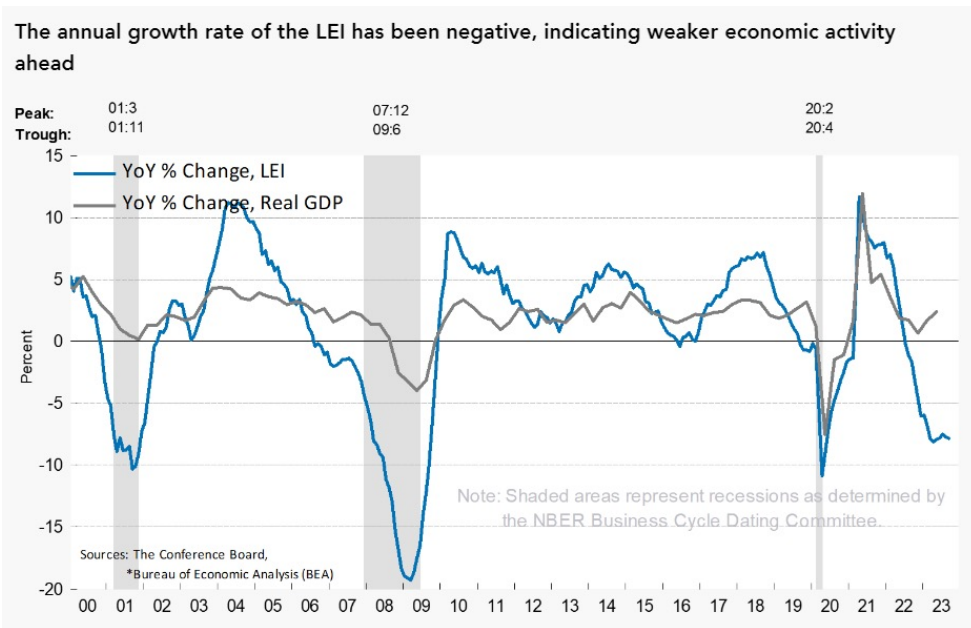
**Present Situation and Expectations Index**



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.”*

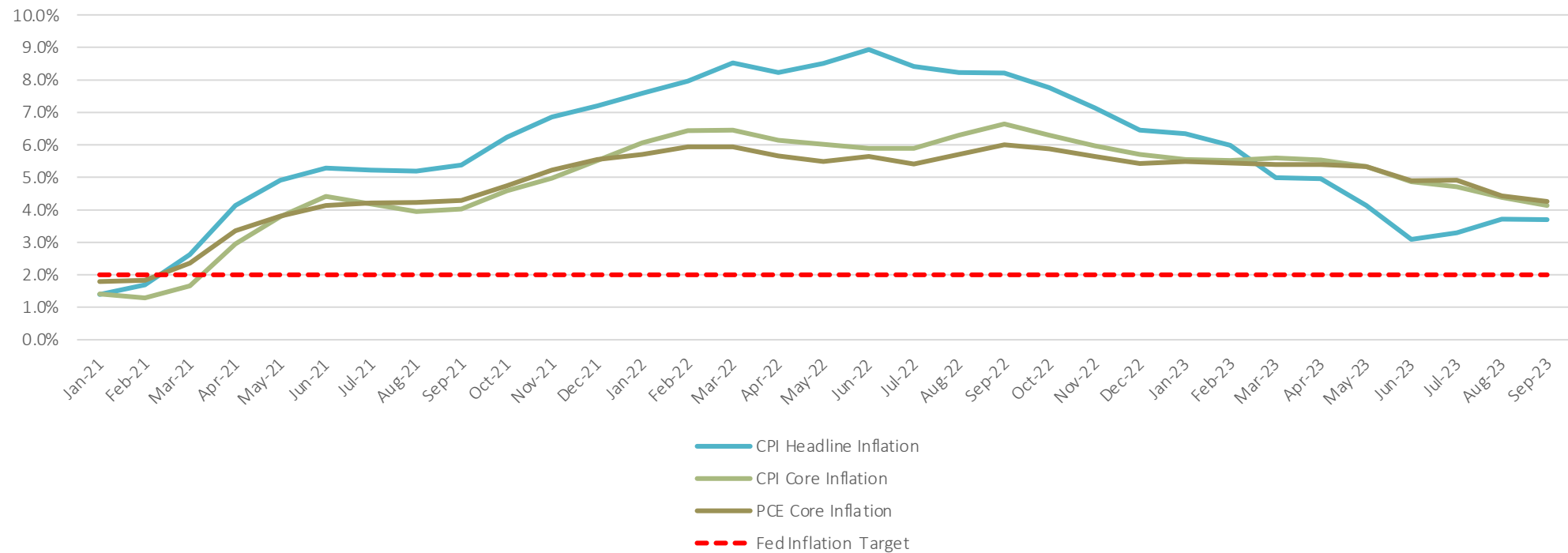
# Elusive Soft Landing?

*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

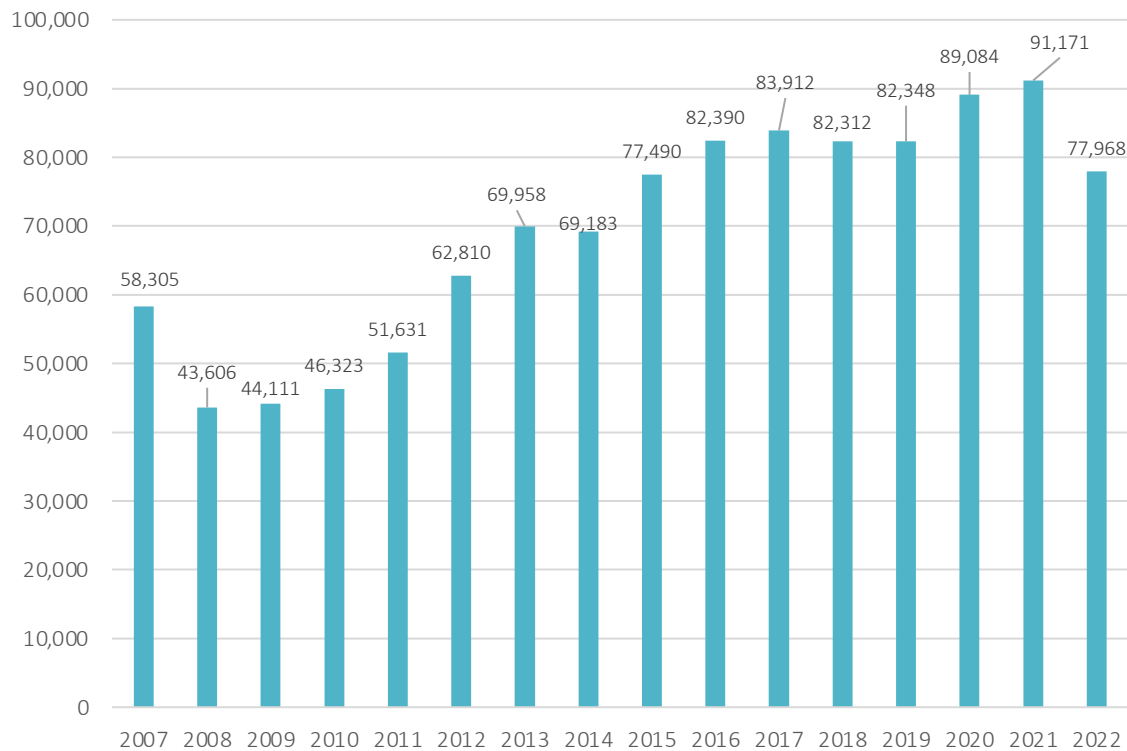
# Significant Unmet Demand in a Very Tight Market



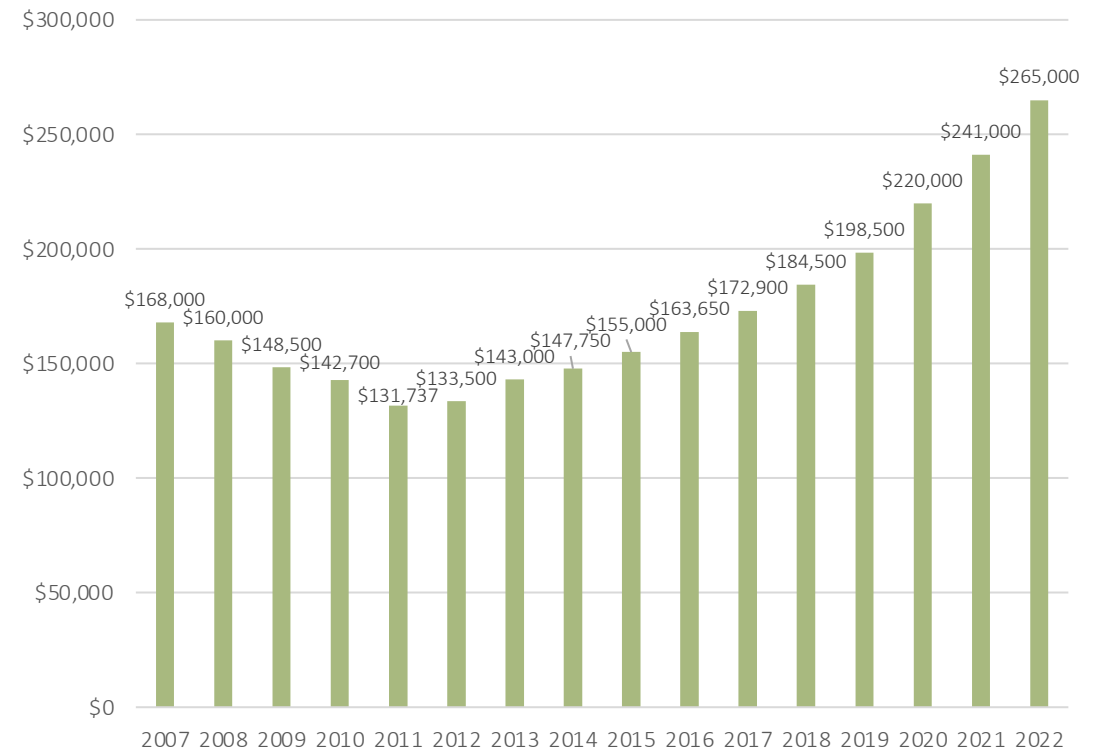
Source: REALTOR Magazine: September 4, 2020

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

Wisconsin Existing Home Sales

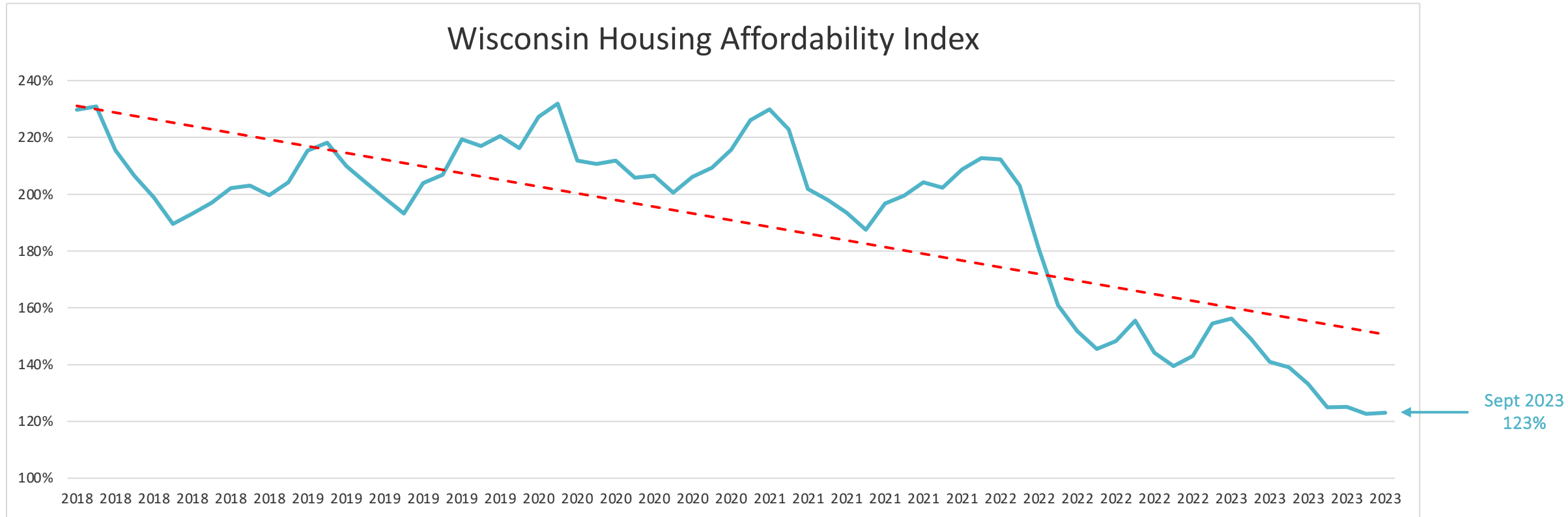


Wisconsin Annualized Median Home Price



Source: WRA

# Sliding Affordability



Source: Computed by WRA

# The Economics Behind these Trends

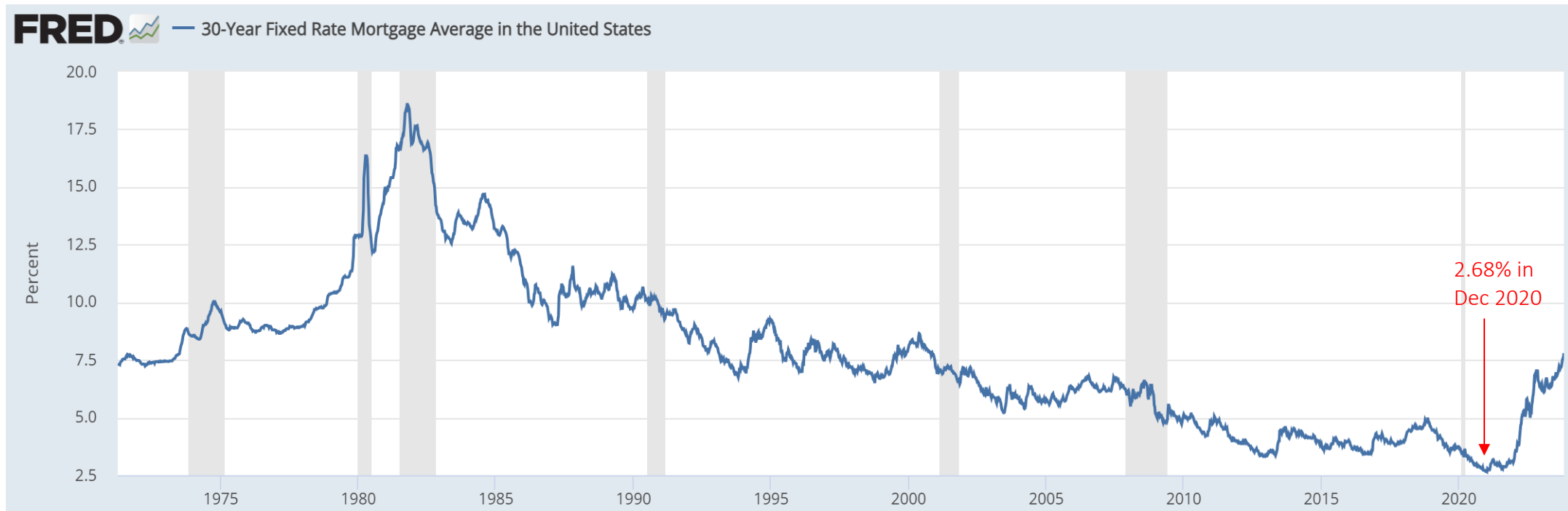
*Focus on Demand and then Supply*



# Softening Demand Pressure

Look at mortgage rates, labor market and demographics

# Dominant Influence is Sharp Increase in Mortgage Rates



Shaded areas are recessions

## Rates in 2023

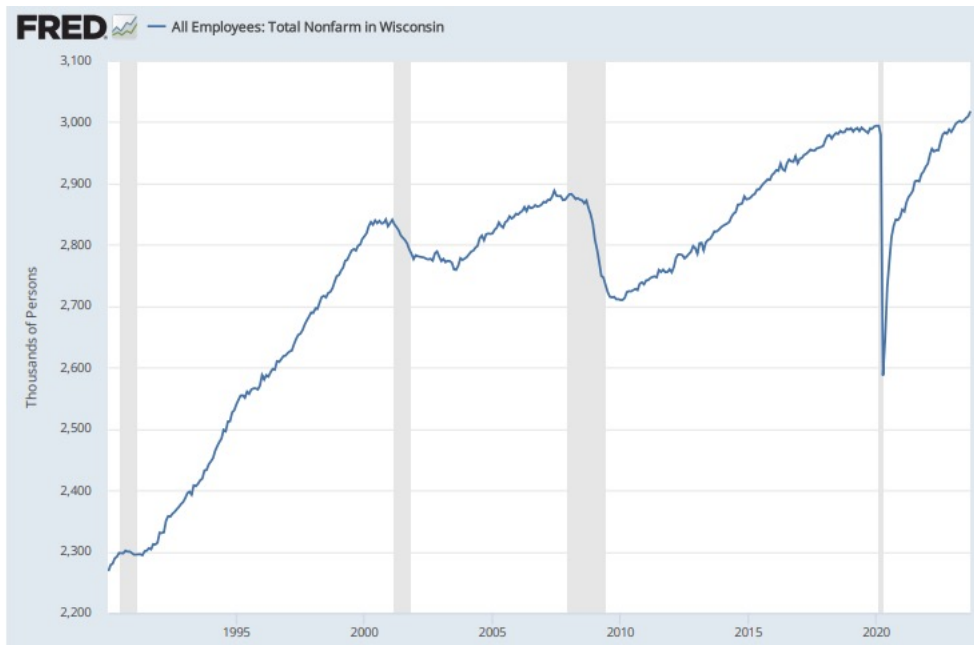
Jan: 6.27%  
Feb: 6.30%  
Mar: 6.54%  
Apr: 6.34%  
May: 6.40%  
Jun: 6.71%  
Jul: 6.84%  
Aug: 7.07%  
Sep: 7.20%  
Oct: 7.62%

Source: Freddie Mac

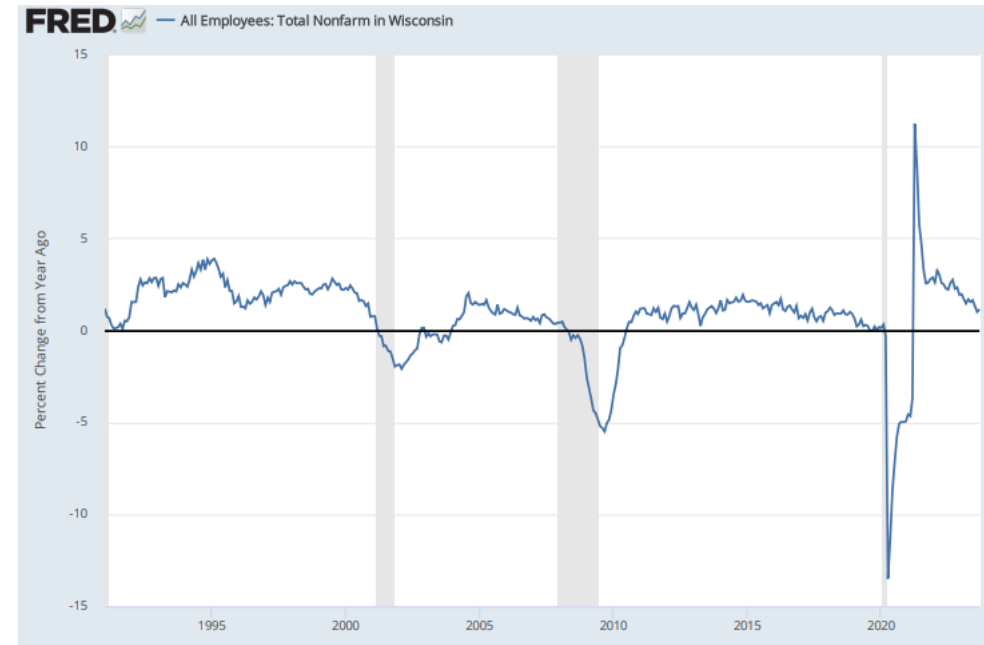


# Labor Market Remains Strong: WI Employment Now Above Feb 2020

WI NONFARM EMPLOYMENT (LEVELS)



WI NONFARM EMPLOYMENT (YOY % CHANGE)



September  
Nonfarm  
Employment up  
34.5k from  
September 2022

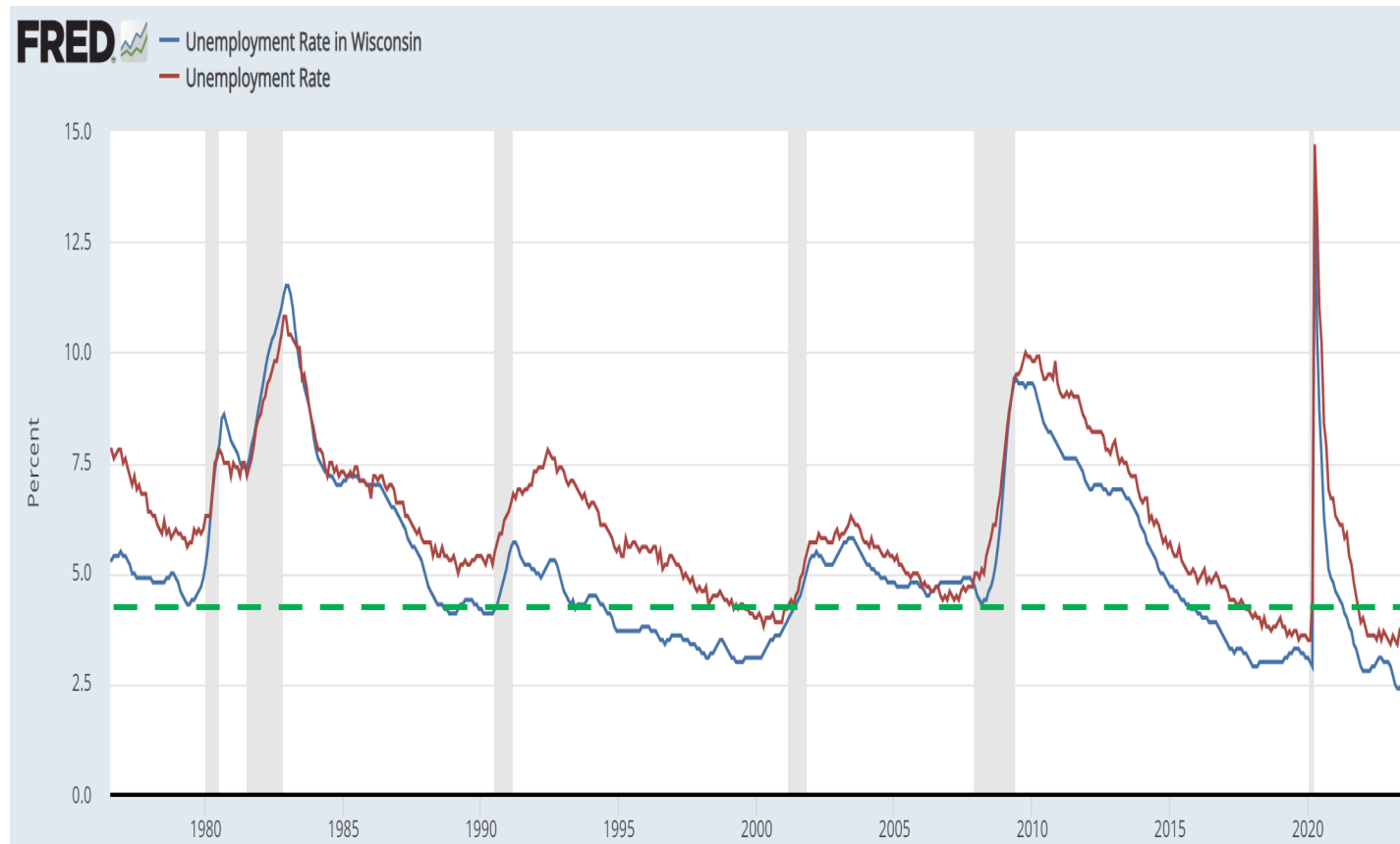
Annual % change  
Sept. 2023: 1.15%

Annual % change  
Sept. 2022: 2.75%

Source: US Bureau of Economic Analysis

*Shaded areas are recessions*

# Wisconsin vs. US Unemployment Rate



Shaded areas are recessions

*Unemployment rates peaked in April 2020:*

**US: 14.7%**

**WI: 14.1%**

*Unemployment rates in September 2023:*

**US: 3.8%**

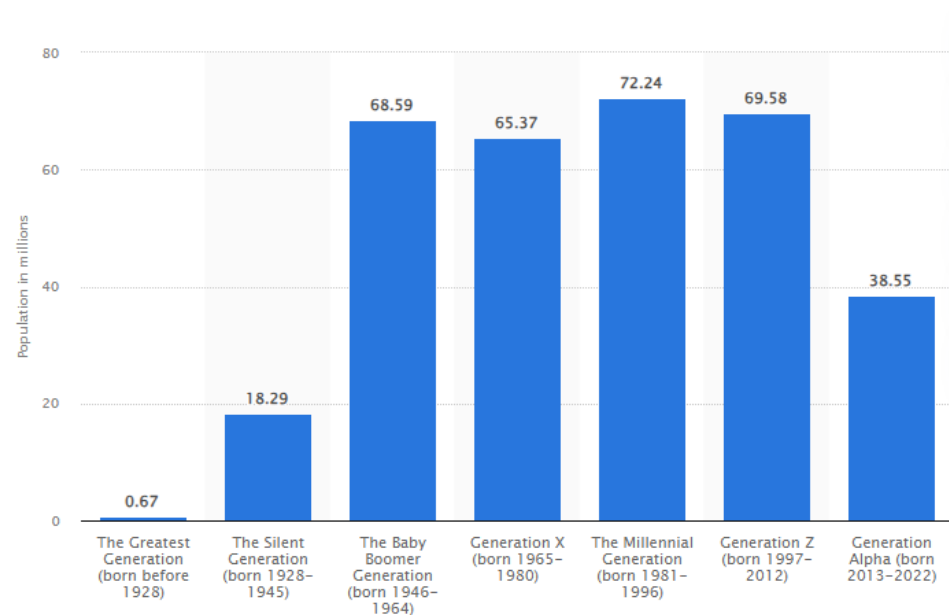
**WI: 3.1%**

4% considered  
full employment

# Demographics:

## Trends support continued solid demand

### CONTINUED GENERATIONAL SHIFT

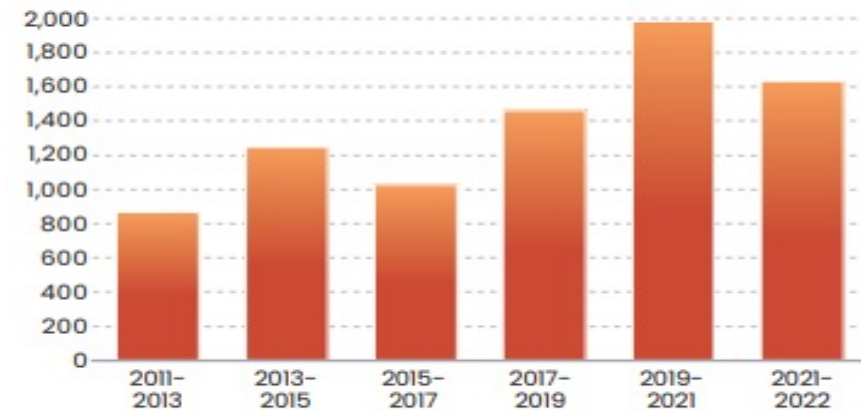


Source: U.S. Census

### CONTINUED GROWTH IN HOUSEHOLDS

#### Household Growth Slowed in 2022 but Remained Above Pre-Pandemic Levels

Average Annual Growth in Households (Thousands)



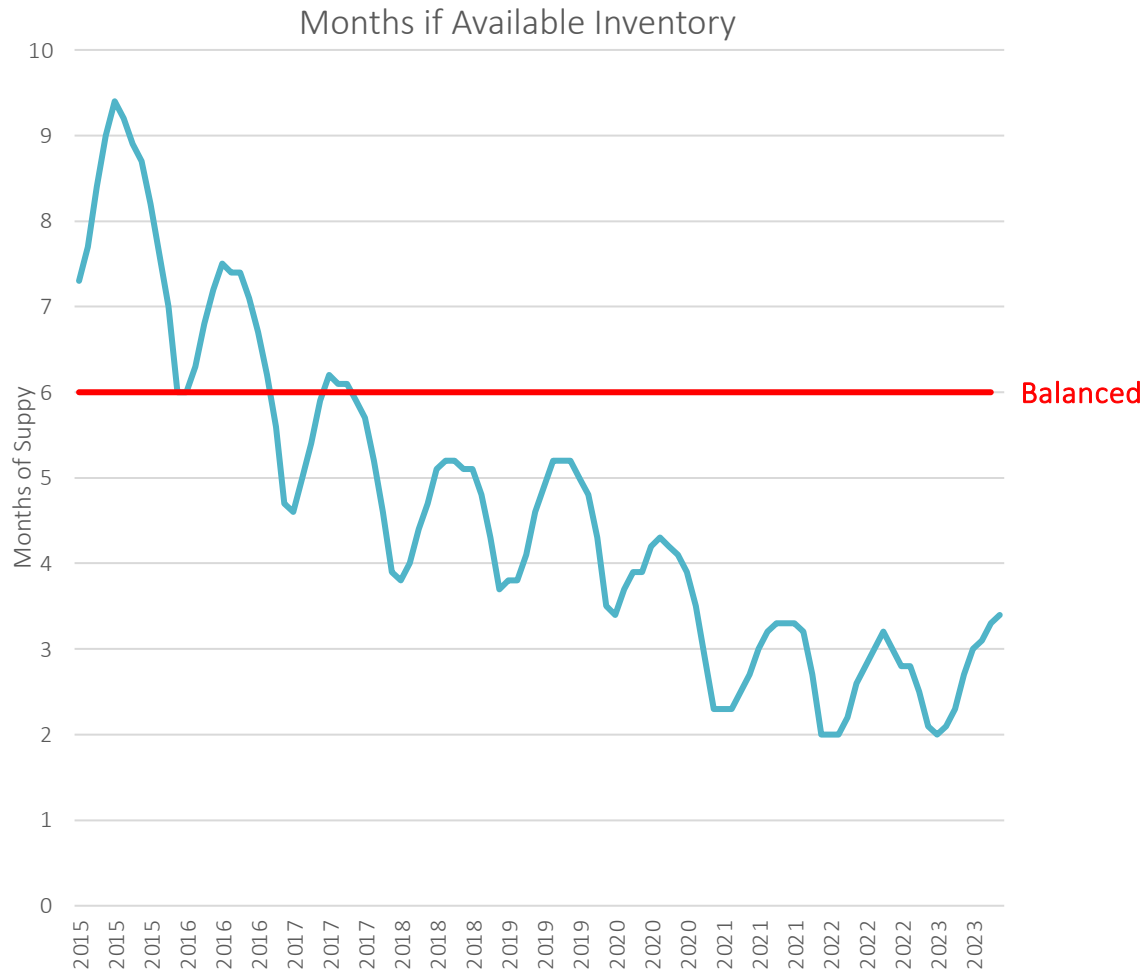
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

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



# Very Tight Supply of Housing

# Supply Challenges: Some relief but still very tight



Inventory by Urban Classification					
County type	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.					

Source: WRA

# Three Important Sources of Supply

Distressed Properties

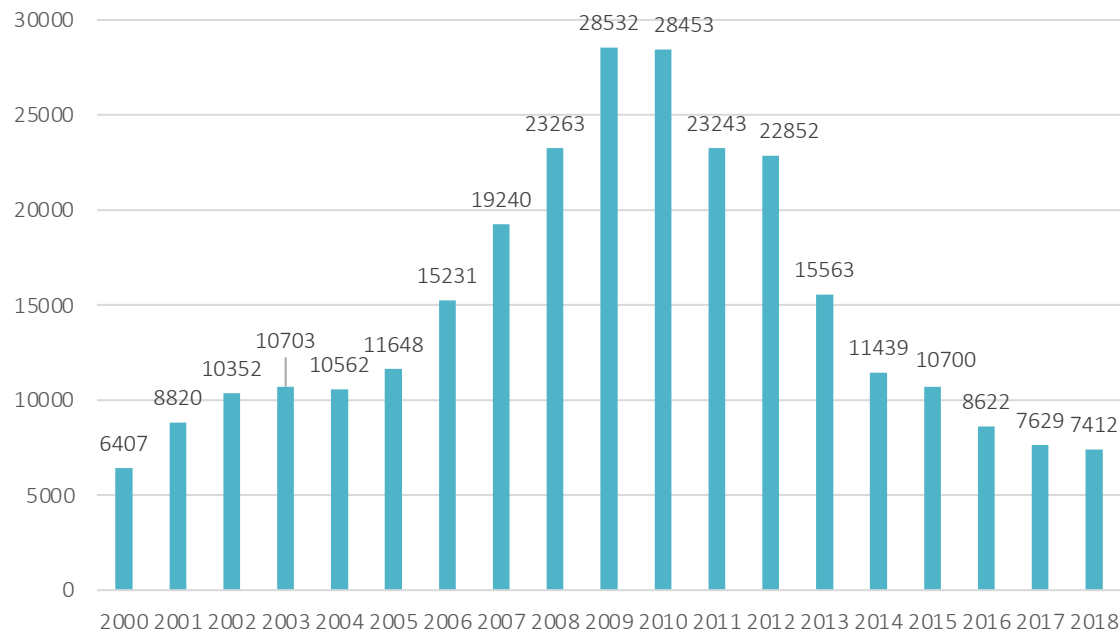
Listings of Existing homes

New Construction



# WI Foreclosures Stabilize at Low Levels

Wisconsin Single Family Foreclosures



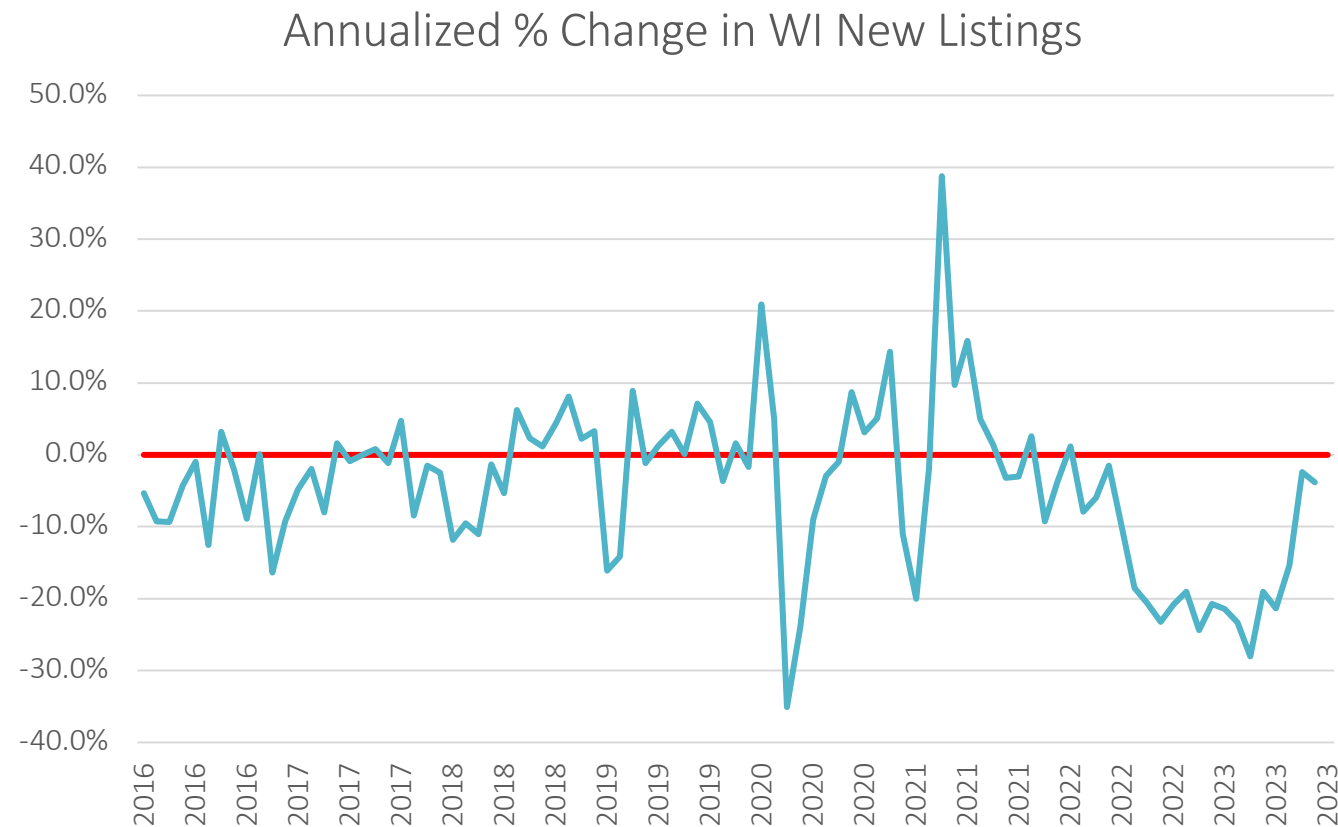
Source: Dr. Russ Kashian  
University of Wisconsin - Whitewater

Region	Foreclosure s – 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

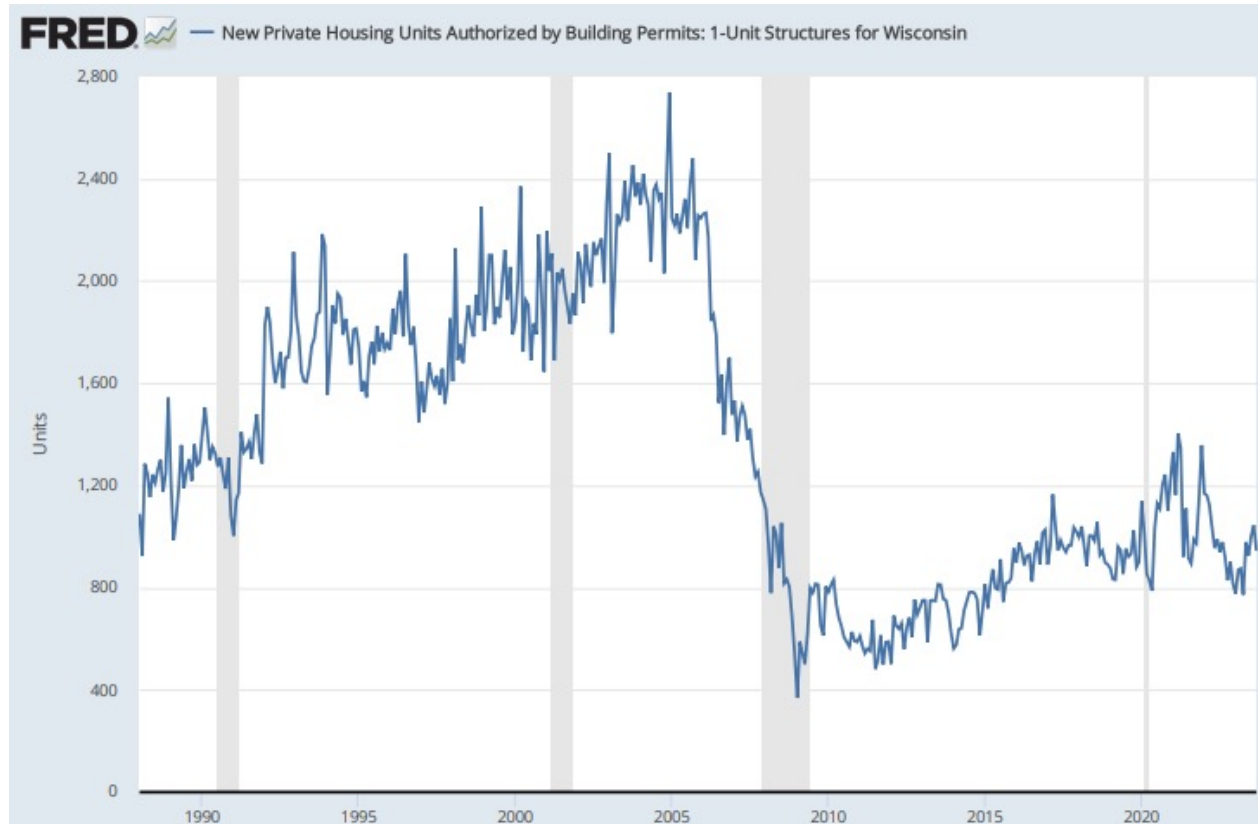
# New Listings Leveling Off



Source: Wisconsin REALTORS® Association

# New Residential Construction Remains Flat

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



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

## *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?



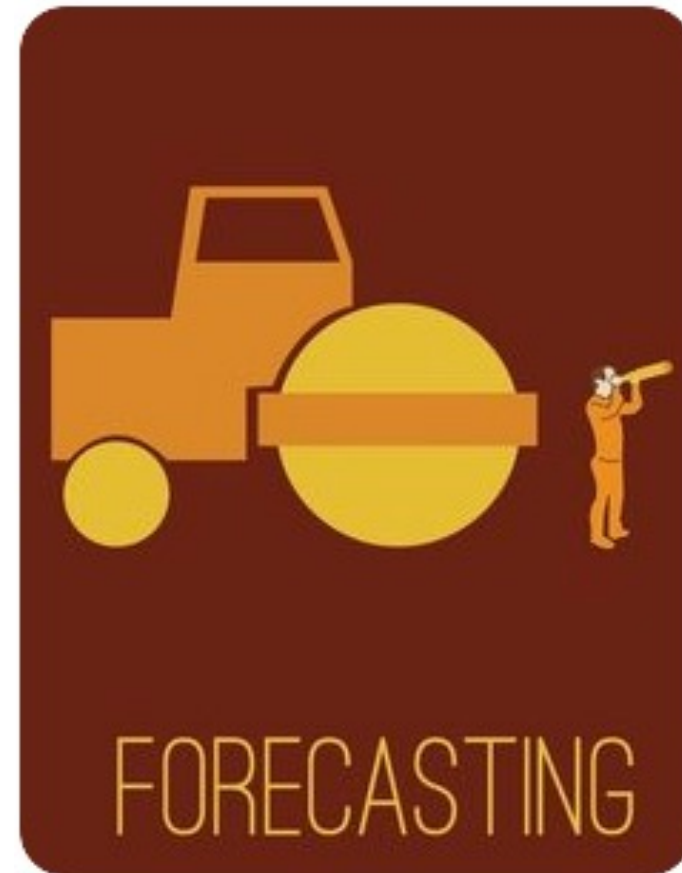
# The Forecasting Challenge

“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%

## THIS YEAR'S PREDICTIONS

*By September 2024*

- 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

# Thank you!