The Wisconsin Housing Market:
Where are we now and what's on the horizon?

David E. Clark

Professor Emeritus of Economics

November 7, 2024

MARQUETTE UNIVERSITY

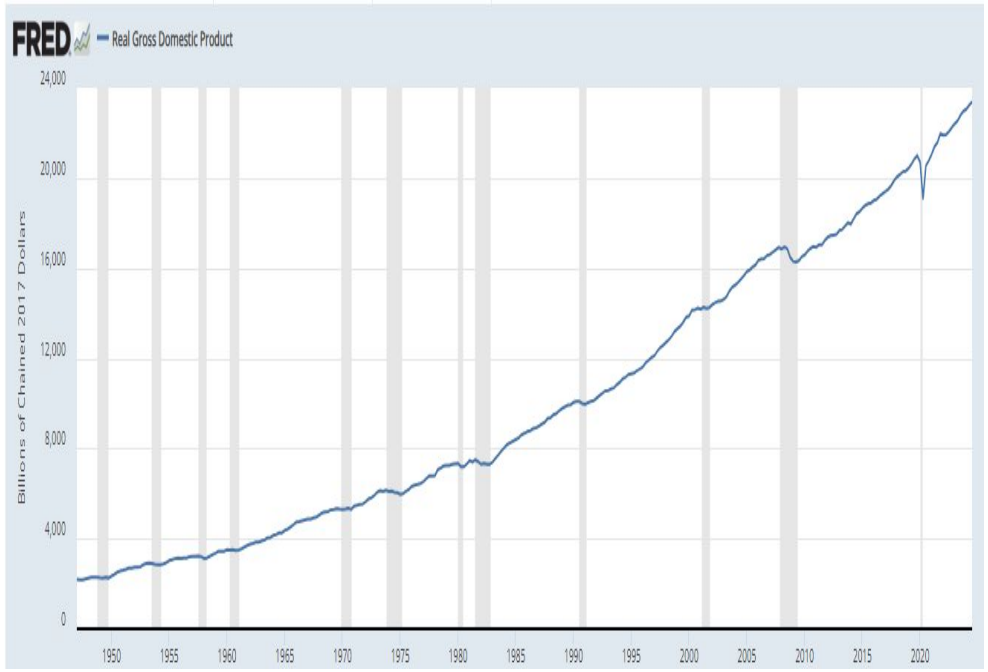
Wisconsin REALTORS® Association

Housing Market and Economy are Jointly Determined

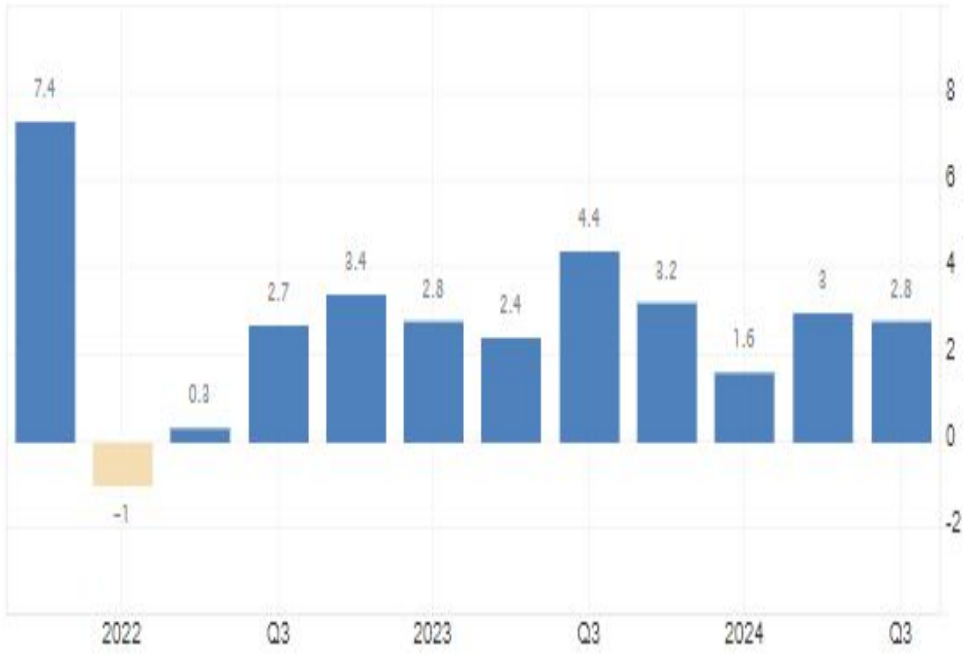
We consider the state of the economy first

Continued Growth in Economy

REAL GROSS DOMESTIC PRODUCT (GDP)



QUARTERLY GROWTH IN REAL GDP



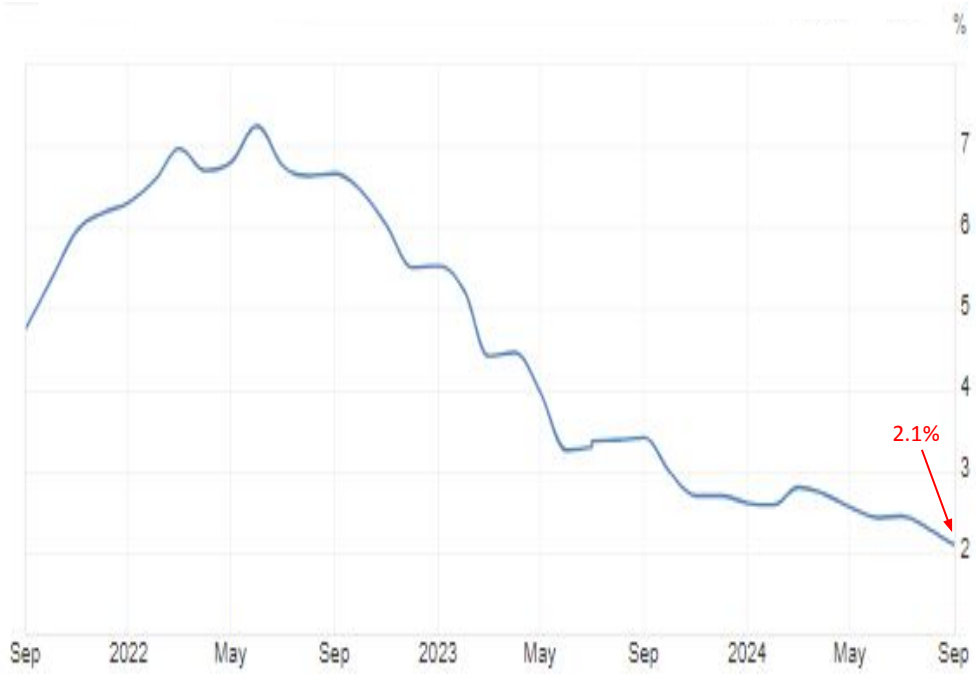
Source: US Bureau of Economic Analysis

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

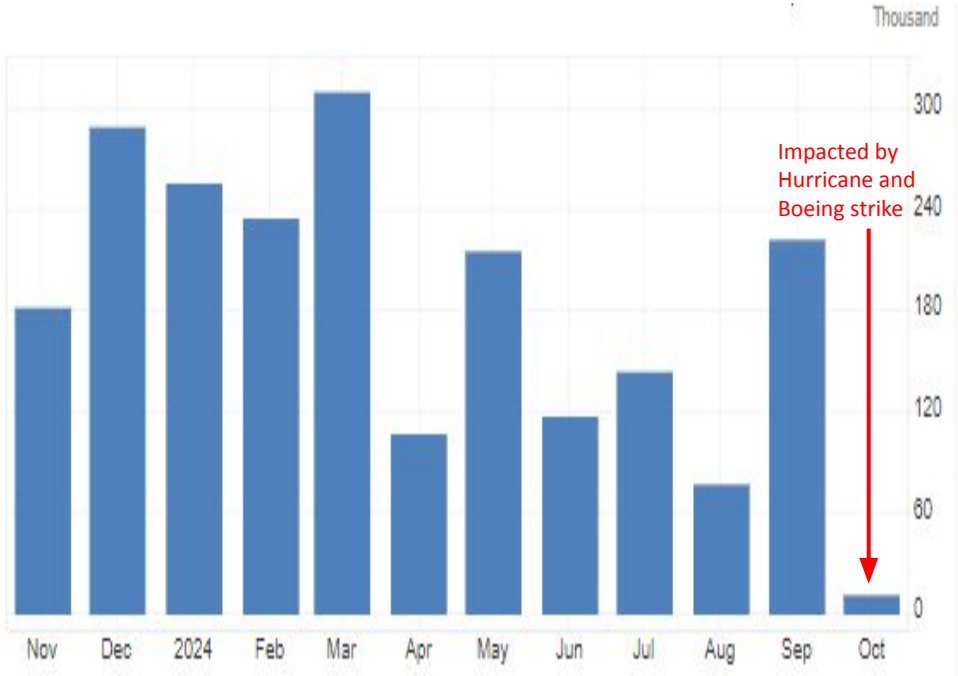
Inflation and Employment

CORE PCE INFLATION



Source: U.S. Bureau of Economic Analysis

NONFARM PAYROLLS

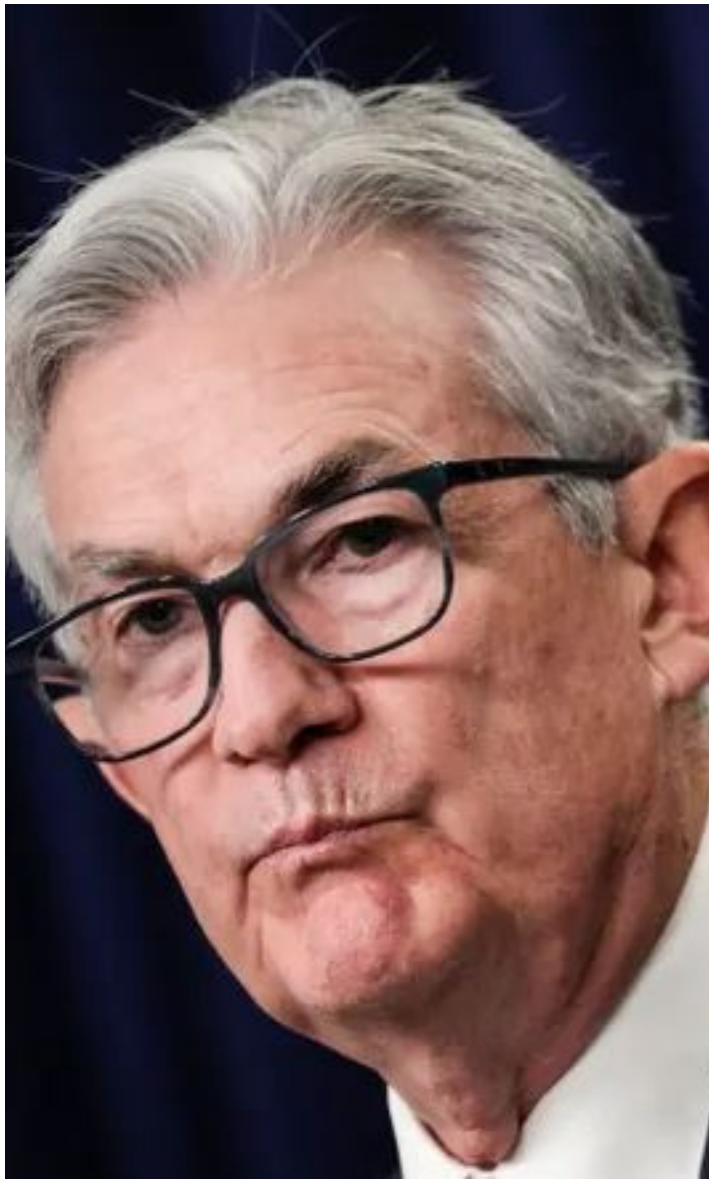


Source: U.S. Bureau of Labor Statistics

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Is this a soft landing or is a recession on the horizon?



MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Economic Indicators

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*
- Moderate recession signals

Source: The Conference Board

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Consumer Confidence Has Slipped

CONSUMER CONFIDENCE HAS FALLEN

(LARGEST DECLINE SINCE AUGUST 2021)



CONSUMER CONCERNS ABOUT PRESENT AND FUTURE



Source: The Conference Board

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Recent Fed Actions

FEDERAL OPEN MARKET COMMITTEE

Federal has Dual Mandate

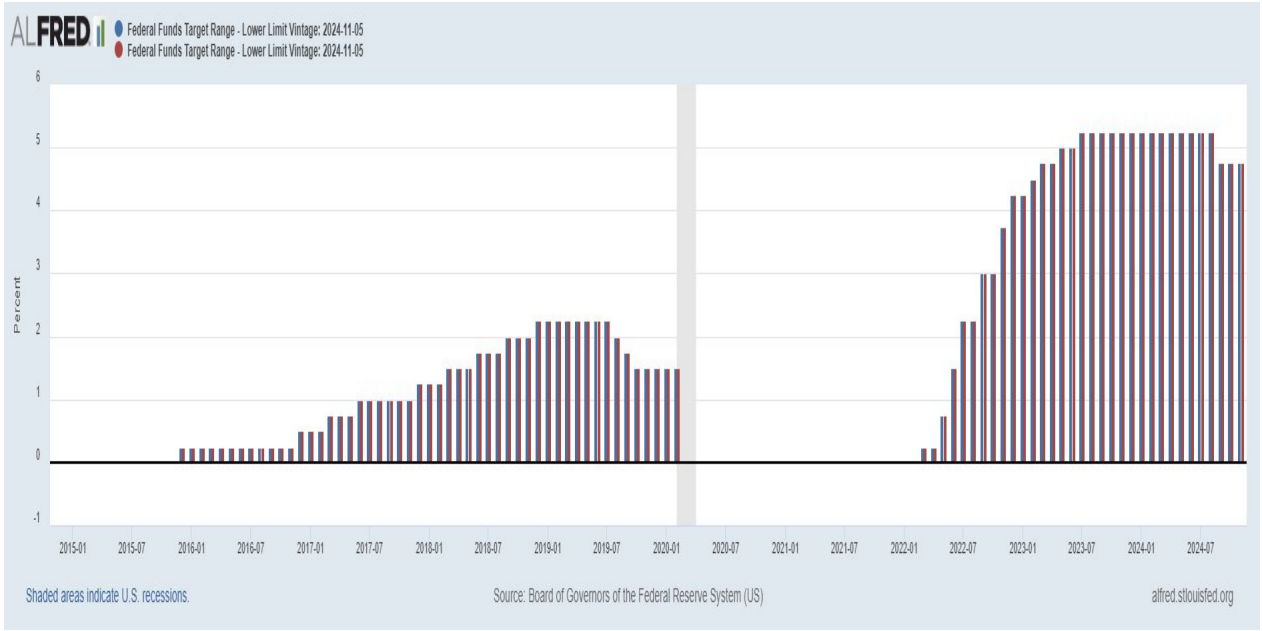
- Full employment
- Stable prices

Summary of 9/18/24 Press Release

- Job growth has slowed
- Continued progress on inflation
- Risks to employment and inflation goals roughly in balance
- Decision was to lower target range of Federal Funds rate by 50 basis points

https://www.federalreserve.gov/monetarypolicy/files/monetary20240918a1.pdf

FEDERAL FUNDS RATE CHANGES

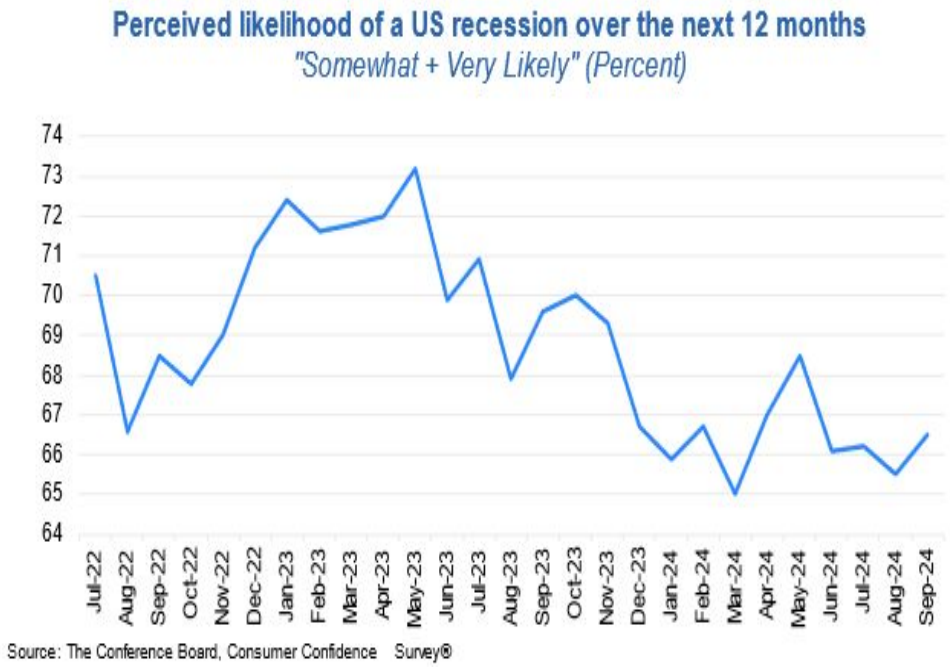


MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Perceived Risks of Recession

CONSUMERS MORE PESSIMISTIC



Source: The Conference Board, Consumer Confidence Survey®

FORECASTERS LESS CONCERNED

Risk of a Negative Quarter (%)
Survey Means

QUARTERLY DATA:	PREVIOUS	NEW
2024:Q3	18.7	16.2
2024:Q4	22.5	21.0
2025:Q1	25.6	27.3
2025:Q2	25.6	27.6
2025:Q3	N.A.	25.0

Source: Philadelphia Federal Reserve Bank
Survey of Professional Forecasters (from August 2024)

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Let’s turn to the Wisconsin Housing Market

Still Very Significant Unmet Demand Combined with Tight Supply

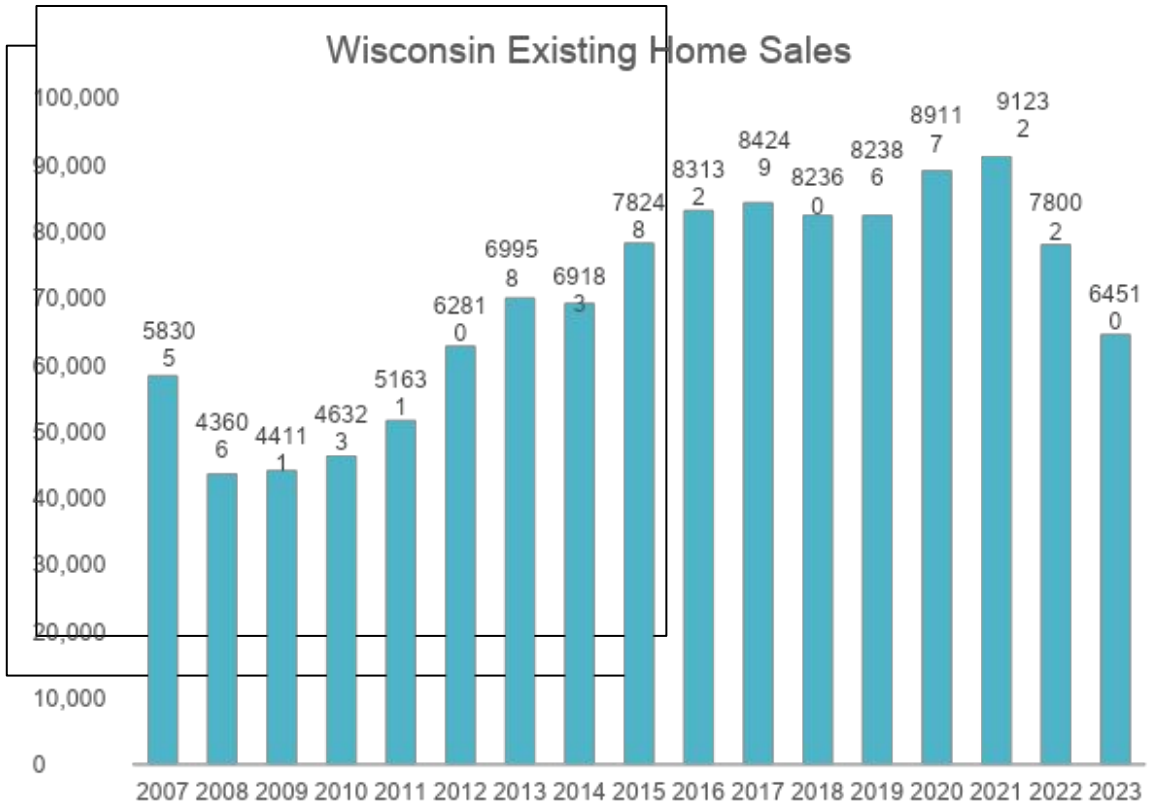


Source: REALTOR Magazine: September 4, 2020

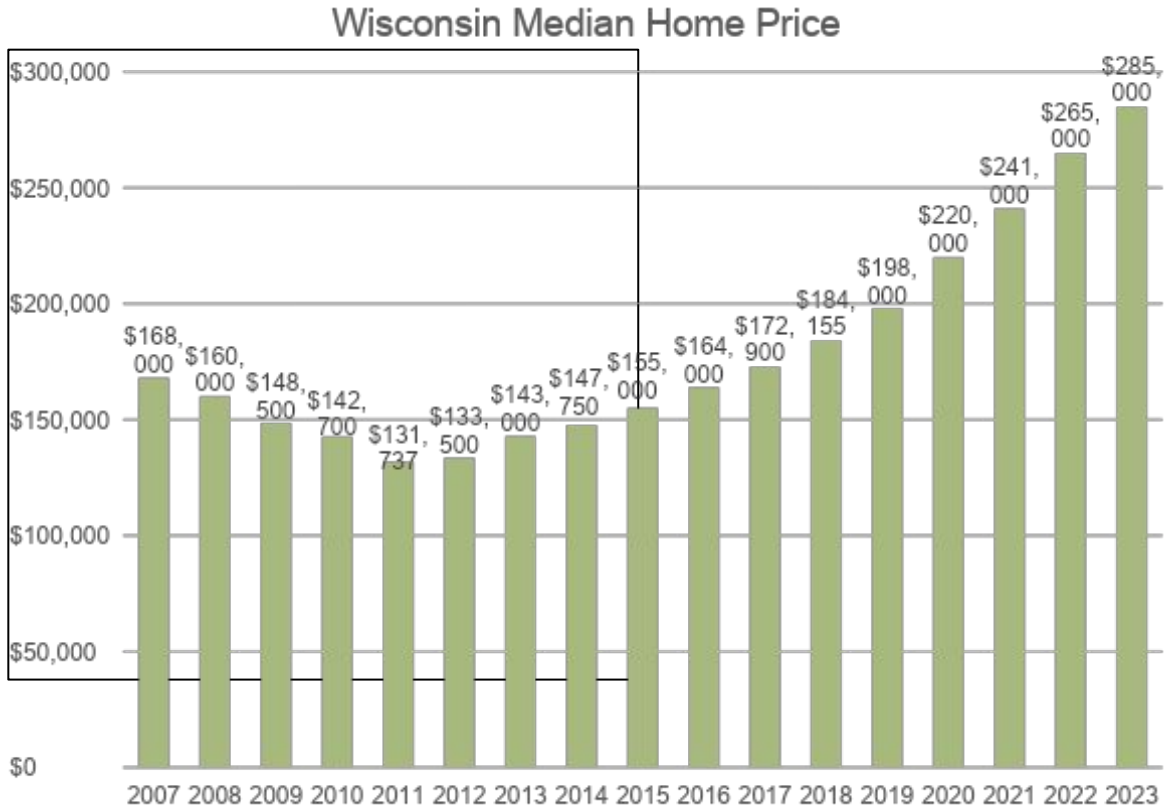
MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Annual Sales Down and Prices Up



2024 YTD Sales up 3.8%
If trend continues – 2024 sales will approach 67k



2024 YTD Prices up 7.6%
If trend continues – 2024 median price will approach $307k

Source: WRA

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

The Economics Behind these Trends

Focus on Demand and then Supply

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Demand Remains Strong but Softened in 2024

Look at mortgage rates, labor market and demographics

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Mortgage Rates Have Fallen from Peaks



Shaded areas are recessions

Rates in 2024

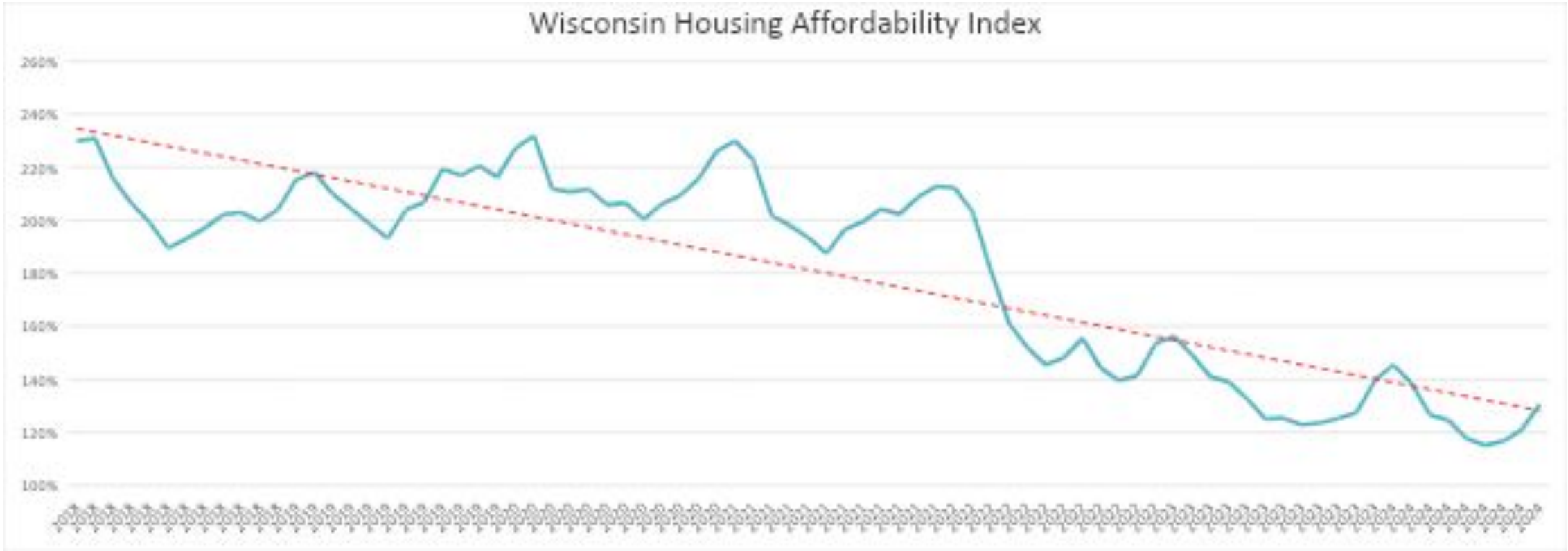
Jan: 6.64%
Feb: 6.78%
Mar: 6.82%
Apr: 6.99%
May: 7.06%
Jun: 6.92%
Jul: 6.85%
Aug: 6.50%
Sep: 6.18%
Oct: 6.43%

Source: Freddie Mac

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Rising Prices and Rising Mortgage Rates Hurt Affordability



Source: Computed by WRA

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Wisconsin vs. US Unemployment Rate



Unemployment rates peaked in April 2020:

US: 14.7%

WI: 14.1%

Unemployment rates in September 2024:

US: 4.1%

WI: 2.9%

4% considered full employment

Shaded areas are recessions

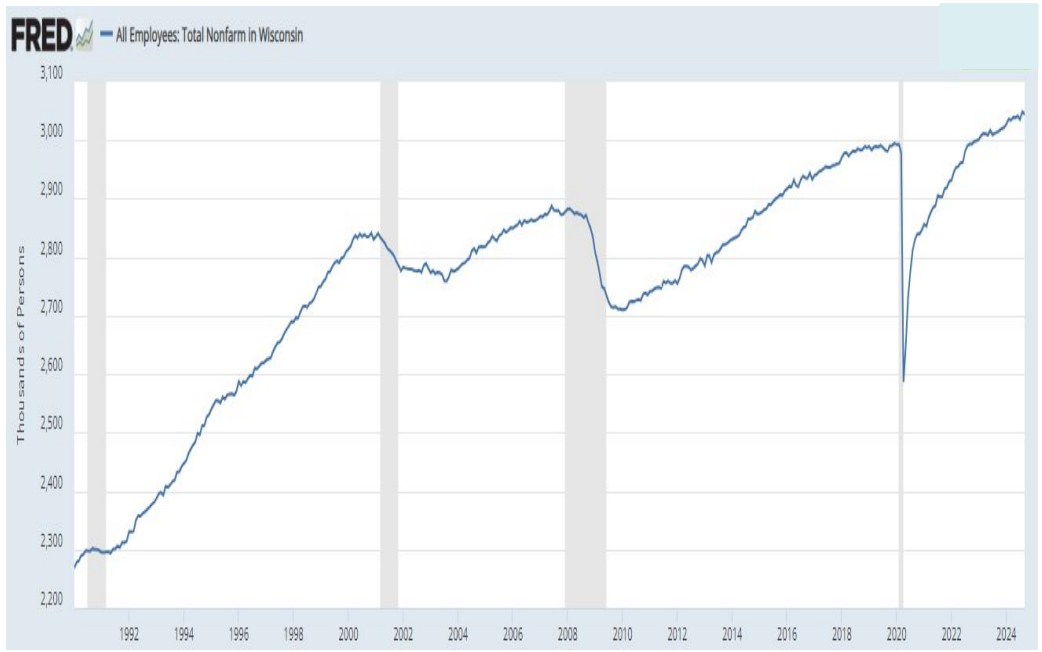
Source: US Bureau of Labor Statistics

MARQUETTE UNIVERSITY

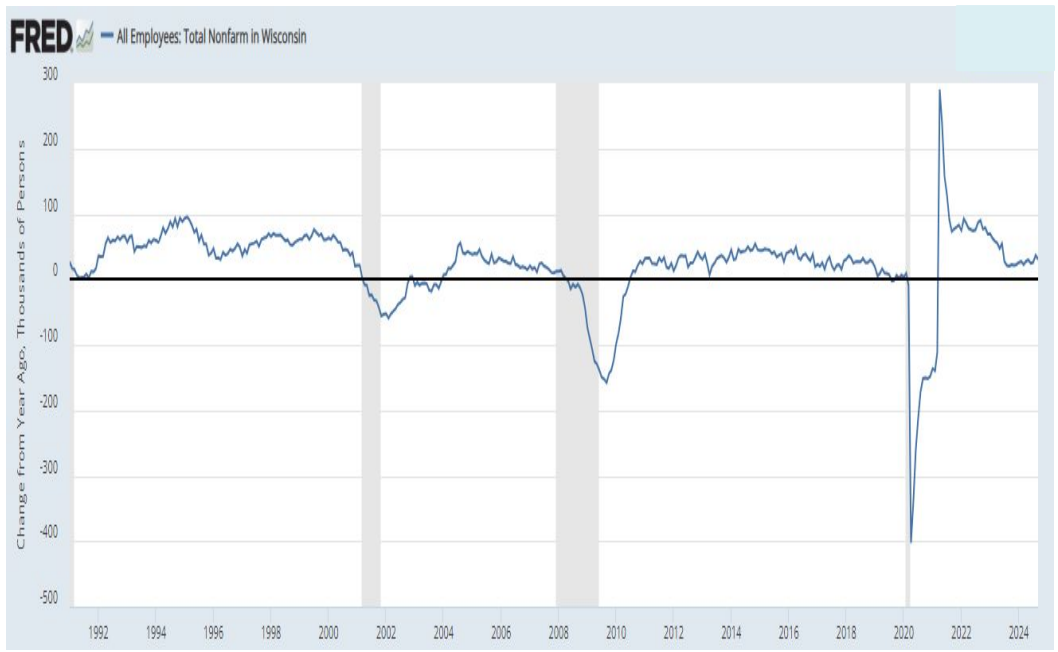
Wisconsin REALTORS® Association

Labor Market Solid but Tepid Growth in 2023 and 2024

WI NONFARM EMPLOYMENT (LEVELS)



WI NONFARM EMPLOYMENT (YOY % CHANGE)



September Nonfarm Employment up 30.8k from September 2023

Annual % change
- Sept. 2024: 1.02%
- Sept. 2023: 0.67%
- Sept. 2022: 3.10%

Source: US Bureau of Economic Analysis

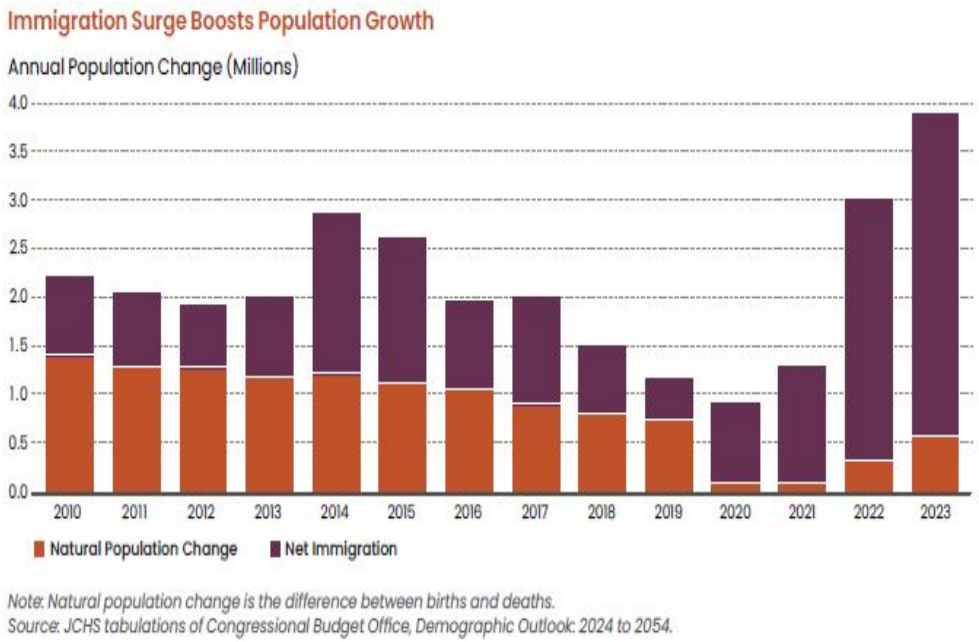
Shaded areas are recessions

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

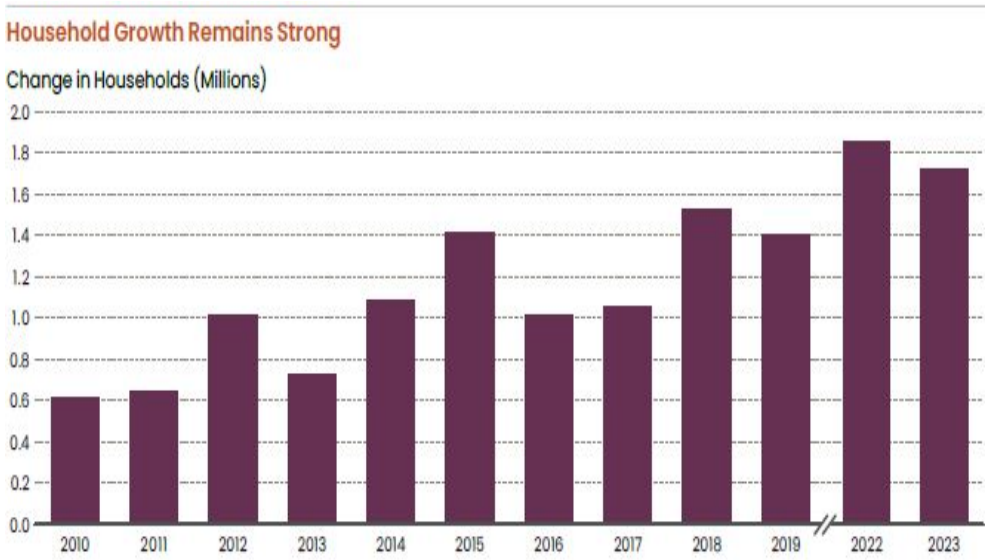
Demographics:
Trends support continued solid demand

IMMIGRATION EFFECT



Note: Natural population change is the difference between births and deaths.
Source: JCHS tabulations of Congressional Budget Office, Demographic Outlook: 2024 to 2054.

CONTINUED GROWTH IN HOUSEHOLDS



Note: Estimates for 2020 and 2021 are omitted due to data collection issues experienced during the pandemic.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

Source: *2024 State of Nations Housing* – Joint Center for Housing Studies

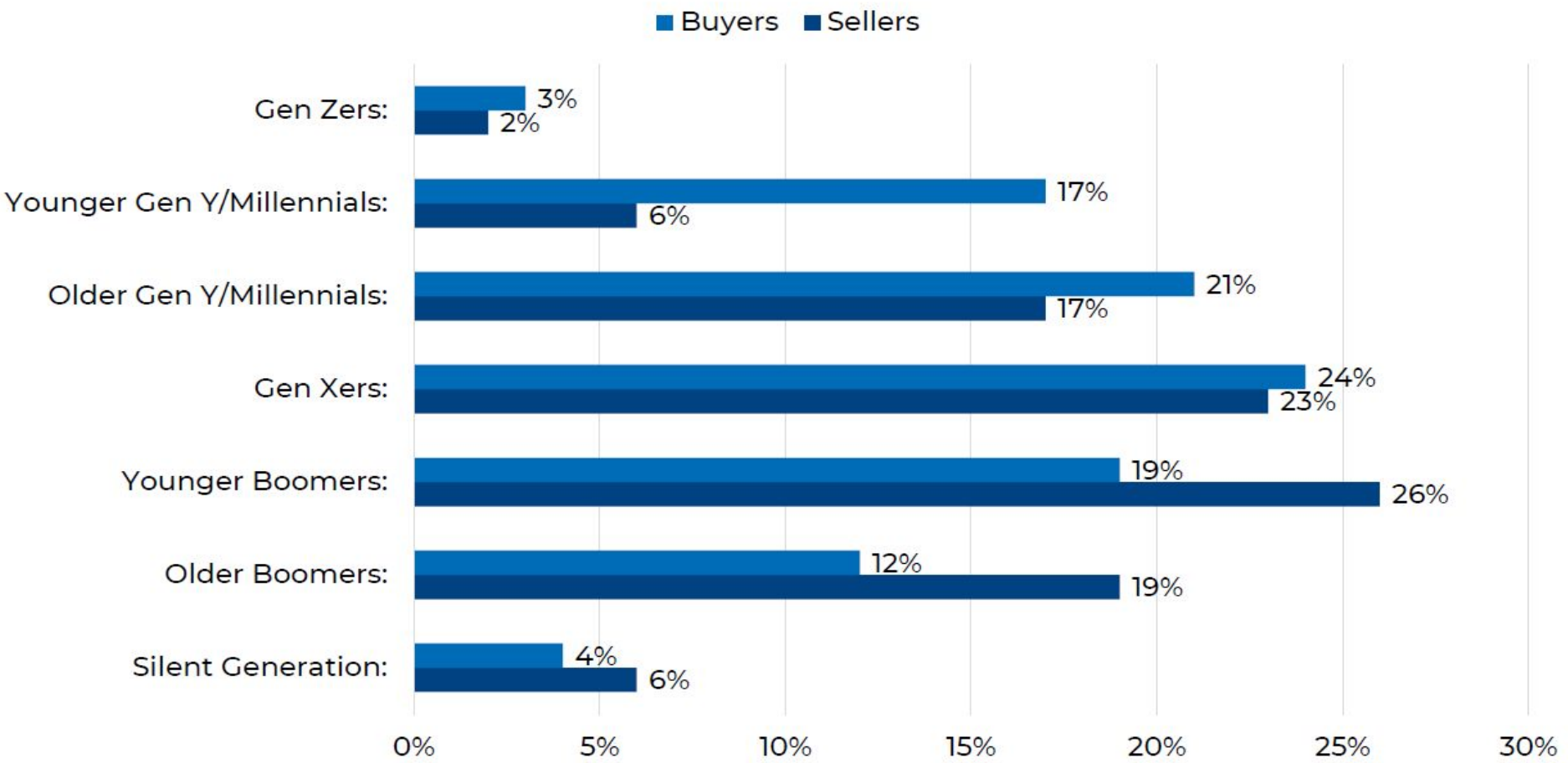
MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Supply of Housing Remains Tight

Look at the mismatch between buyers and sellers

SHARE OF BUYERS AND SELLERS BY GENERATION

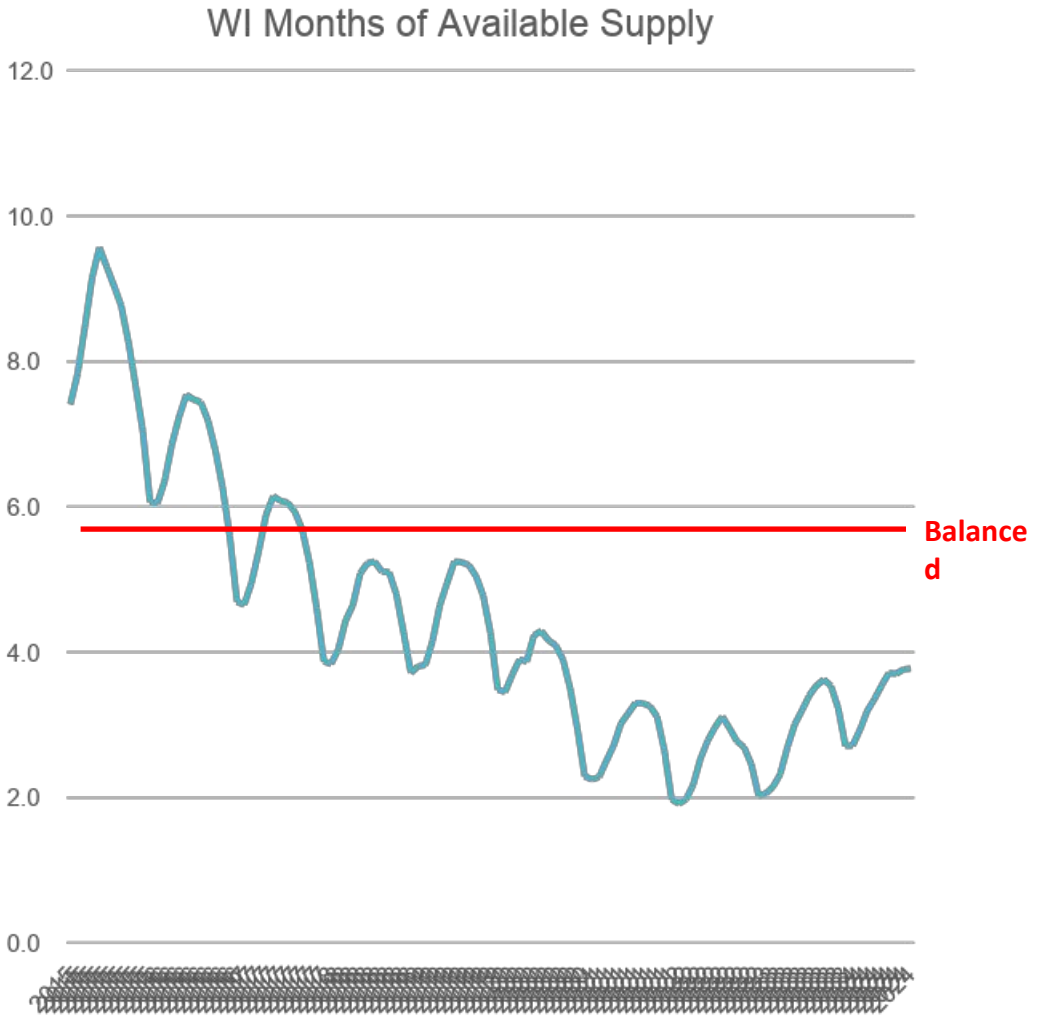


Source: 2024 NAR Home Buyers and Sellers Generational Trends

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Seller's Market, But Inventory Improvements Continue



Inventory by Urban Classification

County type	Sept 2024	Sept 2023	Sept 2022	Sept 2021	Sept 2020	Sept 2019
Metropolitan Counties Combined	3.4	3.2	2.4	3.0	3.5	4.2
Micropolitan Counties Combined	4.1	3.7	3.5	3.4	4.1	5.8
Rural Counties Combined	5.2	4.8	3.8	4.0	5.6	9.0
All Wisconsin Counties	3.8	3.6	2.6	3.2	3.9	5.1

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

Rural counties: 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

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Three Important Sources of Supply

Distressed Properties

Listings of Existing homes

New Construction

Foreclosure Activity is Low



Foreclosure Activity for 2024 January – June Time Period

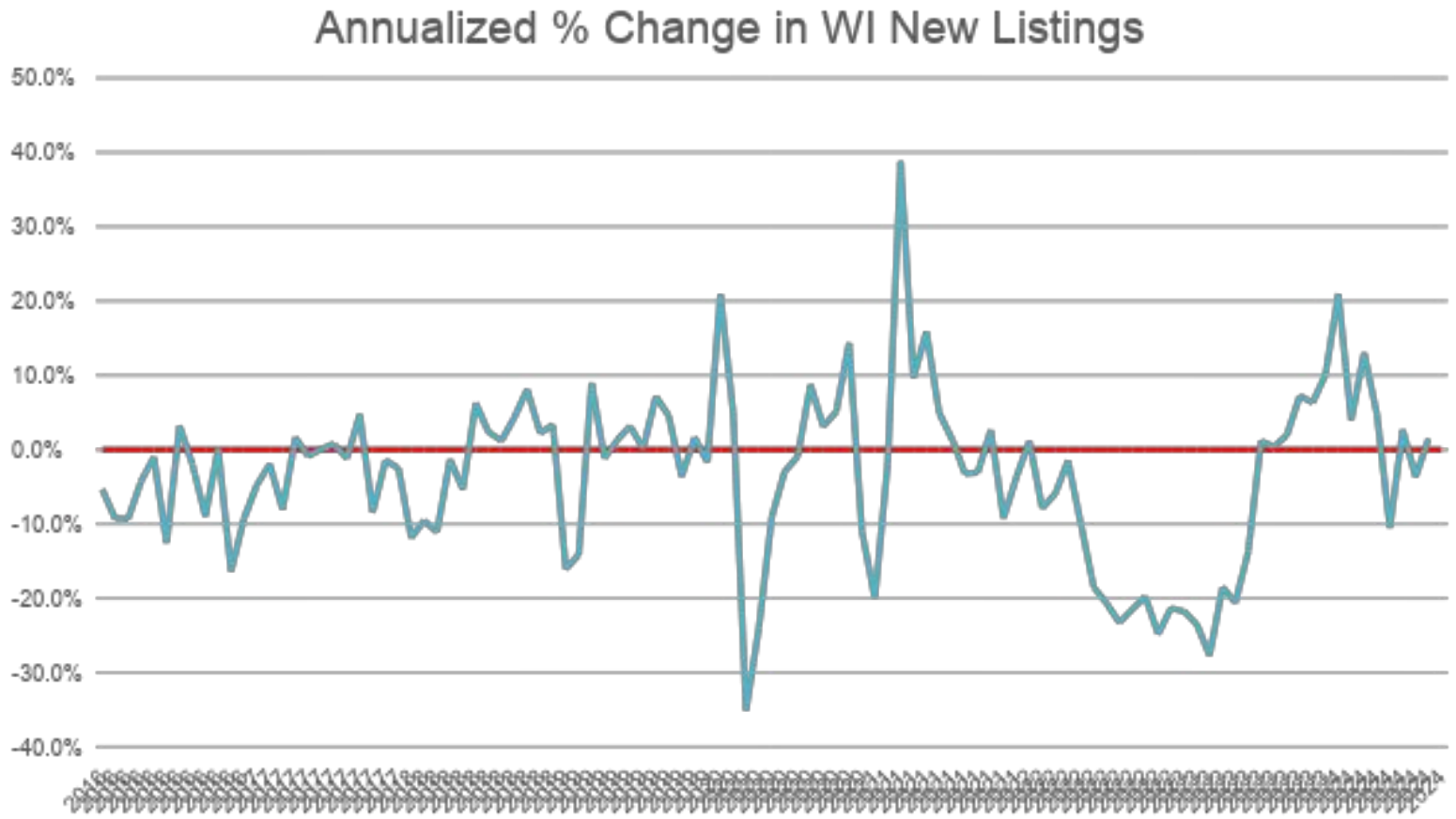
Region Name	Total Properties w/ FC Filings	% Housing Units	1 FC for every X Housing Units	% change from Jan - Jun 2023	% change from Jan – Jun 2022
WI	1,543	0.06	1,772	-11.07	-14.99
US	177,431	0.13	794	-4.39	+7.81

Source: ATTOM Midyear US Foreclosure Market Reports

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Spike in New Listings Through May

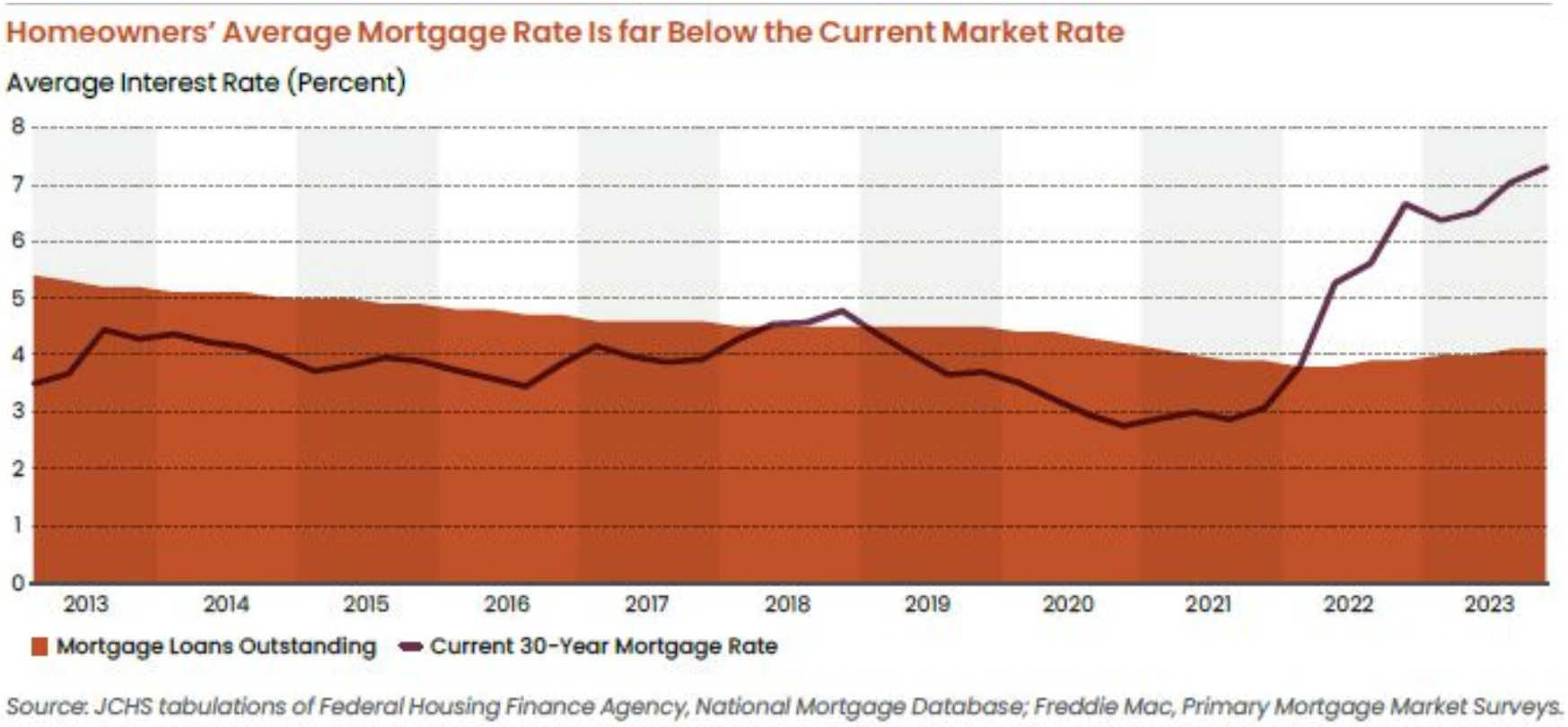


Source: Wisconsin REALTORS® Association

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Lower Mortgage Rates Will Increase Supply of Existing Homes



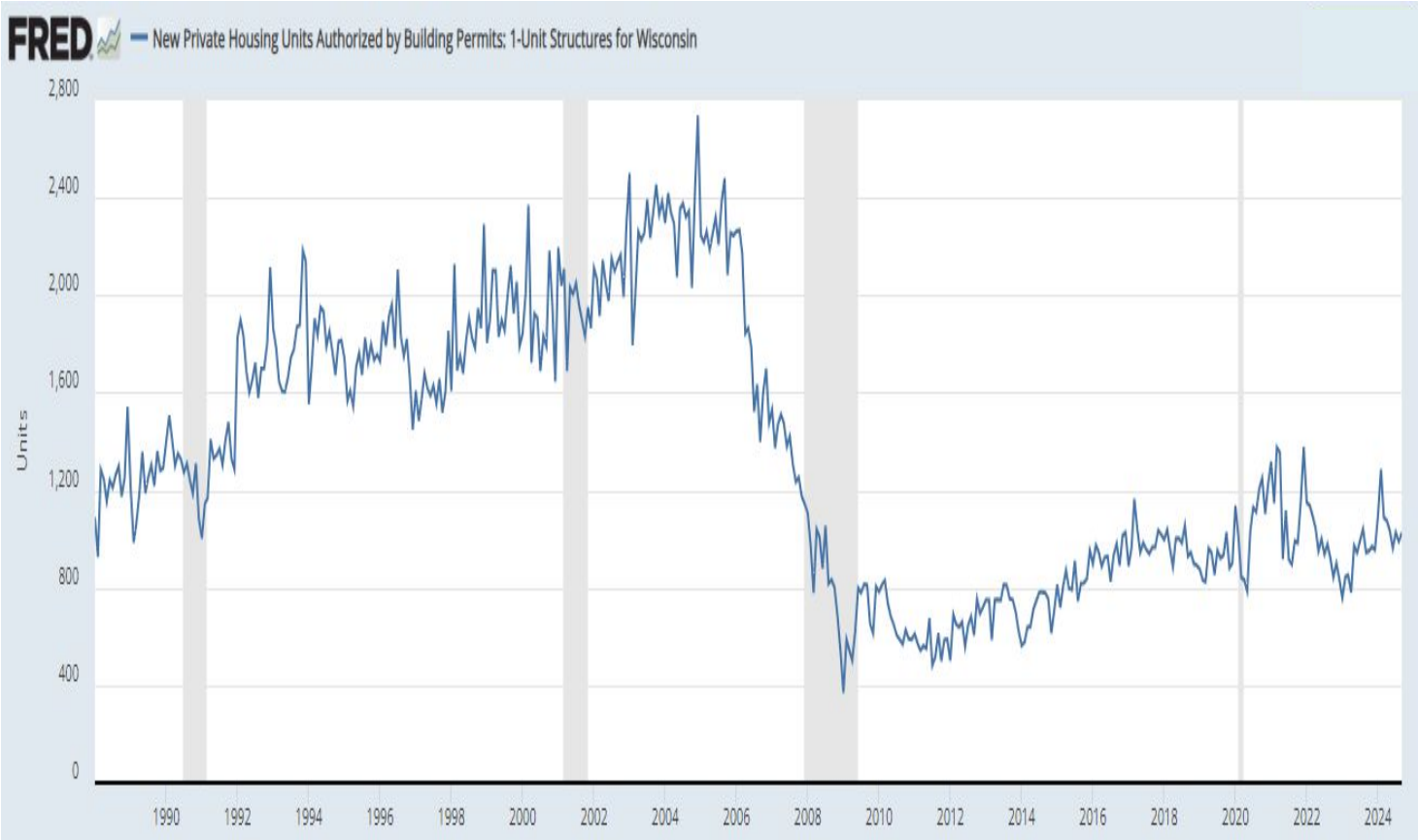
Source: 2024 State of the Nation's Housing
Joint Center for Housing Studies

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Bounce in New Residential Construction

(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 for 2024

- *Jan-Jun SF Permits **up 19%** (relative to Jan-Jun 2023)*
- *Apr-Jun SF Permits **up 4.1%** (relative to Apr-Jun 2023)*

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Overall State Housing Picture

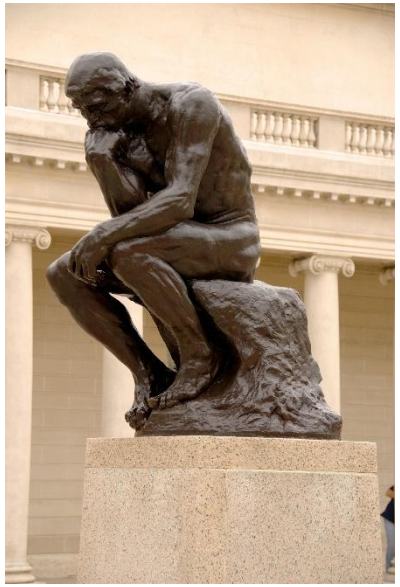
Summary of Wisconsin Housing Statistics							
	Monthly				Year-to-Date		
	Sep 2024	Sep 2023	% Change		Sep 2024	Sep 2023	% Change
Unit Sales	5,817	6,370	-8.7%		50,190	48,331	+3.8%
Median Price	$310,000	$292,500	+6.0%		$310,000	$288,000	+7.6%
New Listings	7,498	7,393	+1.4%		x	x	x
Total Listings	20,862	19,668	+6.1%		x	x	x
Months of Inventory	3.8	3.6	+5.6%		x	x	x
Average Days on Market	67	64	+4.7%		x	x	x
WI Housing Affordability Index	130	123	+5.7%		x	x	x

Source: Wisconsin REALTORS® Association

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

What does the future hold?



MARQUETTE UNIVERSITY

Wisconsin REALTORS® Association

Famous Forecasts

"God Himself could not sink this ship."

Titanic deckhand, April 10, 1912

"The deliverance of the saints must take place some time before 1914"

Charles Taze Russell
American religious leader, 1910

"The deliverance of the saints must take place some time after 1914"

Charles Taze Russell
American religious leader, 1923

One of my favorites

"Before man reaches the moon, your mail will be delivered within hours from New York to California, to England, to India or to Australia by guided missiles...We stand on the threshold of rocket mail."

Arthur E. Summerfield, U.S. Postmaster General, 1959

My Forecasts for the Next Year

LAST YEAR'S PREDICTIONS

Pretty good!

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

THIS YEAR'S PREDICTIONS

By September 2025

- • Real GDP growth will remain positive for next 4 quarters
- • Mortgage rates will remain above 5.5%
- • New listings and total listings will grow
- • YTD sales will exceed 2024 YTD levels
- • YTD home price appreciation will remain in the range of 6% - 10%
- • The Wisconsin Housing Affordability Index will remain below 150

MARQUETTE UNIVERSITY

WRA Wisconsin REALTORS® Association

Thank you!

MARQUETTE UNIVERSITY

Wisconsin REALTORS® Association