



## MARKET SOURCE NEWSLETTER

Written by President David Stark

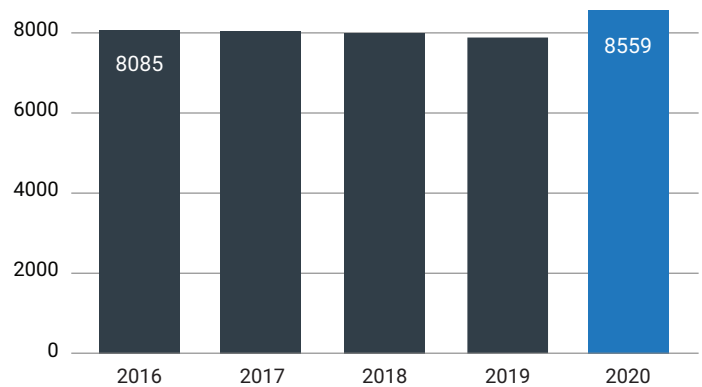
▶ AS WE EMBARK ON A NEW YEAR, it's always fun to go back to this time a year ago and see what we had to say. This sentence, the first in the section titled "The Year Ahead," jumped out at me: "We've been on pretty safe ground predicting that the upcoming year will be much like the year that just ended—2020 is no different."

Wow. It's hard to conceive of a more ill-fated prediction than that one. Not only was 2020 wholly unlike the year before it, it was completely unlike any year we've experienced in our lifetimes. We'll cut ourselves some slack by pointing out that no one could have predicted all of the twists and turns we experienced in 2020. We've seen pandemics before, and while they've caused misery for many people, none since perhaps the Spanish Flu a century ago created anything like the havoc COVID-19 caused us all in 2020. And yet, despite the disruption the virus caused to so many lives both physically and economically, the housing industry not only survived, but thrived.

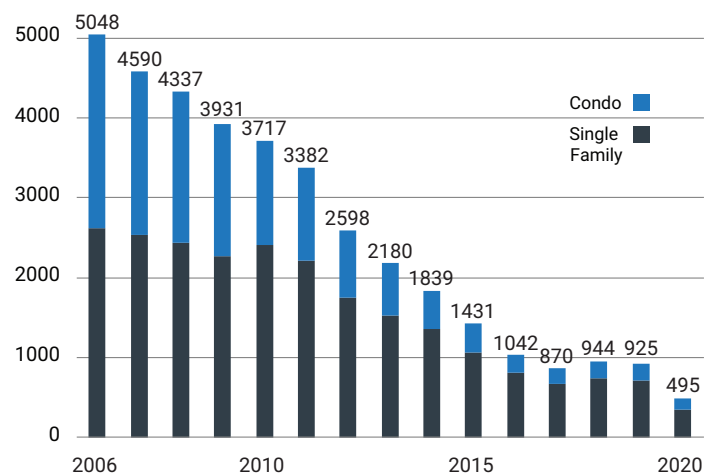
Amazingly, in a year when Dane County sales were down by 3.4 percent at the end of the second quarter, we set a new record in 2020 with 8,559 residential sales, up 8.5 percent over last year. That blows away the previous record of 8,085 sales in 2016, by six percent.

What's even more amazing about this is that it was done during a year when inventories experienced unprecedented declines. Dane County enters the year with 46.5 percent less residential inventory than at this same time one year ago. Single family inventory alone is down over 50 percent. Total residential inventories are down 81 percent since the recession ended in 2012, and down 90 percent since the peak at the end of 2006. While we certainly had too much inventory in 2006, and arguably still had too much in 2012, the pendulum has now fully swung the other way.

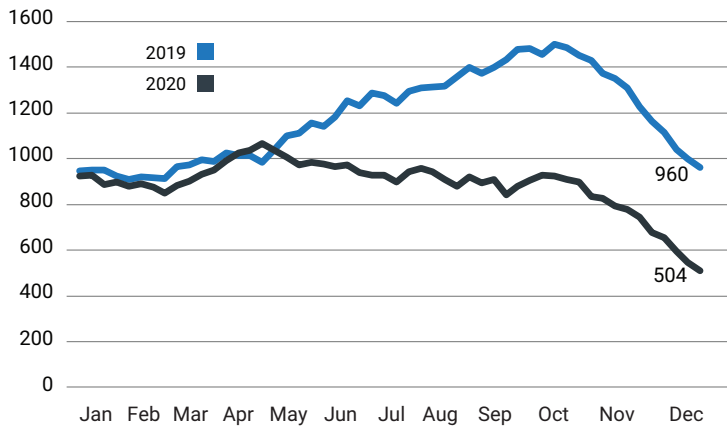
### ANNUAL DANE COUNTY SALES



### DANE COUNTY RESIDENTIAL INVENTORY



## YEAR OVER YEAR INVENTORY



## ► DRIVING INFLUENCES

The reasons for these most unusual market swings were apparent throughout 2020. Many sellers, uncomfortable with the idea of people touring their home while it was on the market, decided to postpone, in some cases indefinitely, putting their home up for sale. Meanwhile, record low interest rates drew out buyers, especially first timers. It should also be noted that in times of stress, home buying often picks up. We saw the same phenomenon after 9/11. Some buyers felt that, if they were going to be spending more time at home, they wanted it to be in a home they loved.

Whatever the reasons, rising demand and falling supply stretched the real estate market very thin in 2020, and the upshot was another increase in prices. Dane County's twelve month median was up 6.4 percent from the prior year. Sauk/Columbia was up 11.7 percent, no doubt as buyers searched further afield to find good value. With even lower inventories starting 2021, further increases are inevitable in the upcoming year.

In a year of extremes, we thought the accompanying charts told the story of the year most clearly. We hope you find them useful and enlightening.

## IF YOU'RE BUYING

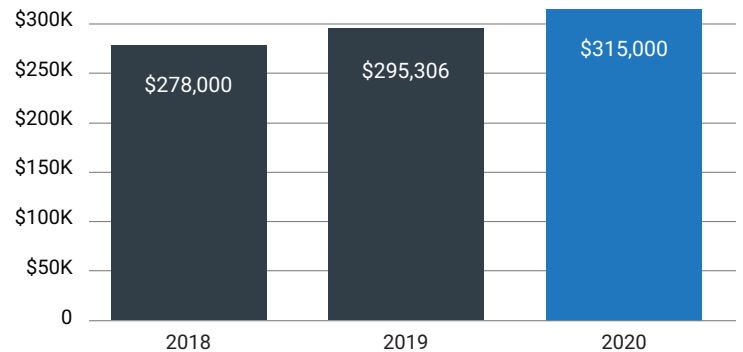
We suspect the lack of inventory may be discouraging for you. We understand, but take heart. We think more sellers will put their homes on the market this year than last, so your selection will improve as the year goes on. We also expect a much more normal seasonal curve this year, which means you'll have both more to pick from and more competition in the spring. If you're ready to move, there's no reason not to start looking now. But as has been the case for the last few years, you'll have to be both patient and persistent. You might well lose a few before you get the house you want. You're likely to be in a bidding war, so follow your Realtor's advice on how to proceed. Know your limits, and be as aggressive as you feel you can afford to be. It will work out in the end.

## ► NEIGHBORHOOD ANALYSIS

Included on page three is our yearly detailed breakdown of sales, inventories, and prices by MLS subdivision within the City of Madison, and by city or village outside Madison. The data presented here is for single family homes only, since the concentration of condo projects in certain areas can skew the data. Some interesting patterns emerge.

In Madison, inventories are generally lower—and prices are rising a little more quickly—on the East side than they are on the West side. The fact that prices are lower overall on the East side probably contributes to this dynamic, as there is still more activity below \$350K than there is above it. You can also see how vanishingly low inventories are in many neighborhoods and municipalities. However, it's always important to remember that inventory is at its lowest at the beginning of the year, so we will certainly see improvement as the year goes on. You should also bear in mind that inventory is really nothing more than the homes on the market that happen not to have gotten an accepted offer on the date the report is run. The level changes day to day, even hour to hour. And if you compare the number of sales last year to the amount of inventory, you'll see some neighborhoods with very little inventory but lots of sales. This simply means there are plenty of new listings in these areas, they just sell immediately and inventory never accumulates.

## DANE COUNTY MEDIAN PRICE



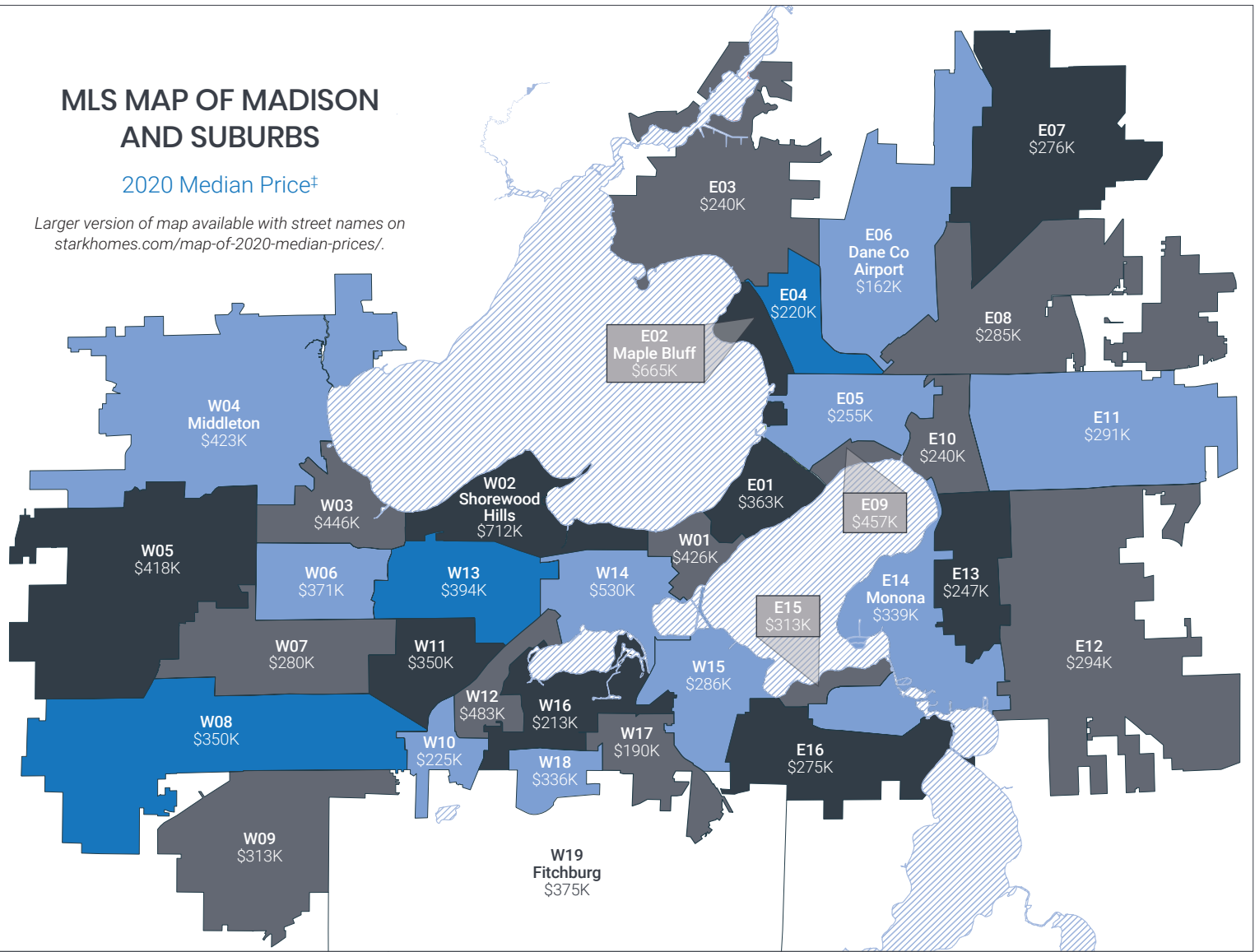
## IF YOU'RE SELLING

We are in a historic seller's market. We know many of you decided not to sell last year, and we certainly understand. While the pandemic hasn't entirely ended yet, the industry has adapted well, and we hope (along with everyone else) that risks will continue to decrease as the year goes on. Eventually, inventory will work its way back up to more normal levels. But as it stands right now, the combination of high demand and low inventory makes the environment as favorable as it's ever going to be. Be sure to follow your Realtor's advice on pricing, and remember that most price increases happen in the first couple quarters of the year. This means you can perhaps be a bit more aggressive in pricing heading into the spring, but as always, don't overdo it. Buyers will compete, but only up to a point.

# MLS MAP OF MADISON AND SUBURBS

2020 Median Price†

Larger version of map available with street names on [starkhomes.com/map-of-2020-median-prices/](http://starkhomes.com/map-of-2020-median-prices/).



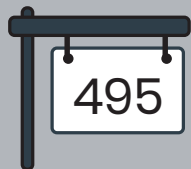
East Madison	2020 # Sold	Current Inventory	Months of Inventory†	% Change to Median	West Madison	2020 # Sold	Current Inventory	Months of Inventory†	% Change to Median	Other	2020 # Sold	Current Inventory	Months of Inventory†	Median Price	% Change to Median
E01	58	2	0.4	1.0	W01	2	0	0	21.7	Baraboo	158	14	1.1	\$189K	8.1
E02	34	3	1.1	-10.9	W02	28	1	0.4	-5.0	Cottage Grove	94	5	0.6	\$339K	0.7
E03	176	8	0.6	5.7	W03	49	3	0.7	20.9	DeForest	201	7	0.4	\$320K	1.6
E04	91	2	0.3	2.3	W05	399	23	0.7	5.6	Fitchburg*	282	33	1.4	\$375K	7.5
E05	117	7	0.7	10.9	W06	60	2	0.4	9.3	McFarland	137	7	0.6	\$379K	1.3
E06	3	0	0	-	W07	7	0	0	4.1	Middleton*	196	17	1.0	\$423K	0.7
E07	49	1	0.2	7.9	W08	250	11	0.5	6.7	Mt. Horeb	98	2	0.2	\$326K	14.4
E08	146	1	0.1	4.4	W09	257	4	0.2	9.8	Oregon	168	12	0.9	\$350K	6.2
E09	22	0	0	25.3	W10	42	5	1.4	-3.6	Portage	148	14	1.1	\$170K	10.4
E10	71	1	0.2	7.2	W11	62	4	0.8	2.9	Stoughton	185	11	0.7	\$272K	5.6
E11	288	7	0.3	6.2	W12	83	3	0.4	4.2	Sun Prairie	628	28	0.5	\$320K	6.9
E12	195	5	0.3	10.5	W13	135	4	0.4	5.2	Verona	191	12	0.8	\$389K	9.8
E13	76	2	0.3	10.2	W14	94	7	0.9	8.7	Waunakee	225	25	1.3	\$470K	8.8
E14	98	3	0.4	11.5	W15	22	1	0.6	36.2	*Included in total median price for West Madison.					
E15	19	1	0.6	5.9	W16	12	0	0	-22.3						
E16	25	1	0.5	14.6	W17	3	0	0	-						
					W18	20	0	0	0.8						
<b>All East 1,468</b>	<b>44</b>	<b>0.4</b>	<b>8.4</b>		<b>All West 2,003</b>	<b>118</b>	<b>0.7</b>	<b>6.2</b>							
East Madison's total median price for 2020 was \$279K.					West Madison's total median price for 2020 was \$375K.										

Infographics on page four represent sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates between 1/1/20 and 12/31/20. Data for all years was pulled between the 6th-10th of the month following the end of the quarter. †Months of Inventory represents the number of months it would take to sell the entire active inventory at the pace of sales for the most recent 12 months. A six-month inventory is considered balanced. ‡When all properties sold during the period are ranked in order of price, the median is the price of the home in the exact middle. ©2021 Stark Company Realtors. © All rights reserved. The above sales figures herein are based on data supplied to the SCWMLS Corporation by its Participants. The MLS does not guarantee and is not responsible for its accuracy. Data maintained by the MLS does not reflect all real estate activity in the market. Data presented here was generated from the SCWMLS on or before 1/10/21. This is not intended to solicit existing listings.

# DANE COUNTY REAL ESTATE AT-A-GLANCE

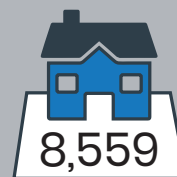
Compared year over year to 2019

ACTIVE  
INVENTORY



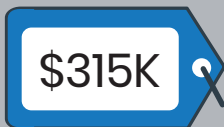
↓  
46.5%

YEAR-TO-DATE  
CLOSINGS



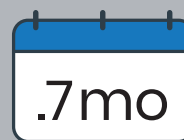
↑  
8.5%

12 MONTH  
MEDIAN



↑  
6.4%

MONTHS OF  
INVENTORY



↓  
50%