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Another Record Year as Housing Sales Remain Solid in Fourth Quarter

Madison - Wisconsin's residential home sales set another annual record as existing home sales in the fourth quarter of 2005 remained near the all time high pace established in the fourth quarter of last year, according to the most recent analysis of statewide existing home sales conducted by the Wisconsin REALTORS® Association (WRA). Sales of existing homes in Wisconsin for the fourth quarter of 2005 totaled an estimated 30,075 units, which is nearly unchanged from the strongest fourth quarter on record, which occurred in 2004. Indeed, existing home sales in Q4 2005 were just 0.3 percent off the Q4 2004 pace. Wisconsin's home sales only differed slightly from the nation and the Midwest region, with sales up 0.3 percent nationally and homes sales down just 0.4 percent in the Midwest.

"This is an amazing market," said WRA Chairman Jeff Kitchen. "That home sales stayed near their fourth quarter 2004 levels even as mortgage rates inched upward in recent months is a true testament to the strength of this market," said Kitchen. The two most important factors driving this market are still low interest rates and strong job growth, and he noted that although conventional 30-year fixed rate mortgages were up slightly from their levels of last year, they remain low by historical standards. Furthermore, the Wisconsin unemployment rate continues its downward movement, with fourth quarter unemployment in the state now just over 4.6 percent. "This is a strong job market that should continue to fuel home sales in the state," he said.

Fourth Quarter Regional Sales Data

Comparing the fourth quarter of 2005 with the same quarter the previous year, existing home sales were up by solid margins in the less urban regions of the state. Specifically, home sales rose 18.1 percent in the Northern region and grew at an 8.6 percent pace in the Central region of the state on solid vacation home activity. Sales volume was essentially unchanged in the South Central region, whereas the level of sales fell modestly in the Southeast (-4 percent) and at a faster pace in the Northeast (-7.2 percent) and Western (-10.4 percent) regions.

The strongest growth in sales volume was in the Northern region, where home sales rose by 18.1 percent in Q4 2005 as compared to Q4 2004. Two counties experienced triple digit growth off of volume under 20 units in Q4 2004. Home sales in Iron County were up 178.9 percent, and they increased 175

more

percent in Forest County. Also very strong were Vilas County (+71.8 percent), which increased off of much larger Q4 2004 volume, and Langlade County (+57.7 percent). Other solid performers were Price County (+40.4 percent), and Oneida County, which is one of the largest counties in the region (+29.9 percent). Also up by healthy margins were Sawyer County (+18.3 percent) and Washburn County (+14.3 percent), both of which had sales in the range of 70 units in Q4 2004. Moderate increases were seen in Taylor County, which grew at 6.7 percent, and Rusk County, which grew slightly (+2.6 percent). Florence County was unchanged from last year. By comparison, several counties saw their sales volume fail to keep pace with the level of sales established in Q4 2004. These include the counties of Ashland and Bayfield, which are combined for reporting purposes, and which fell 8.3 percent; Polk County, which dropped 9.3 percent; and Barron County, which declined 10.7 percent. More significant sales reductions were found in Burnett County (-16.9 percent), Lincoln County (-21.8 percent) and Douglas County (-40 percent).

Home sales in the Central region rose 8.6 percent in Q4 2005 over the same quarter last year with most counties experiencing double-digit growth. Clark County rose 19.2 percent, although this was based on a relatively small sales volume in Q4 2004. In contrast, three other counties grew substantially on much more significant volume. Specifically, Portage County was up 14.7 percent, Wood County increased 12.3 percent and Marathon County grew at 10.7 percent, with all three of these counties growing off of Q4 2004 volumes in the triple digits. There were also two counties that experienced declines, albeit on weaker initial volume. Waushara County dropped 16.7 percent and Adams County slid 21.4 percent. It should be noted that collectively, the reduction in sales in these two counties was just 17 homes in Q4 2005 as compared to Q4 2004.

Home sales in the South Central region were essentially flat, rising just 0.2 percent over the levels established in Q4 2004. A number of the counties did experience a growth in sales volume, including Dodge County, where sales increased 20.8 percent, and Rock County, which saw its sales increase 12.6 percent over the period. Also up by a solid margin was Columbia County, where existing home sales grew by a healthy 8.1 percent. More modest growth was seen in the counties of Sauk (+3.7 percent) and Jefferson (+1 percent). However, home sales actually fell in two of the counties in the region including Dane County, which was down 6.4 percent, and Green County, which dropped 9.2 percent in the fourth quarter.

Existing home sales in the Southeastern region during the fourth quarter of 2005 were off the strong Q4 2004 pace by just 4 percent, and indeed most counties in the region fell at 4.4 percent or lower. While sales in Kenosha County were essentially unchanged (-0.2 percent) over the period, they fell 1.6 percent in Waukesha County and declined by 2.7 percent in Milwaukee County. Sales volume was down 4.2 percent in both Racine and Ozaukee counties, and it dropped 4.4 percent in Sheboygan County. More substantial reductions were seen in Washington County, which declined 7.6 percent below the record levels established in Q4 2004. Finally, the only county to experience double-digit reductions in sales volume was Walworth County, where home sales slid 17.4 percent over the period.

The Northeastern region experienced a 7.2 percent reduction in existing home sales in the fourth quarter of 2005 as compared to the same quarter in the previous year. About half of the counties saw some growth, whereas the remaining counties fell off their pace of a year ago. Among the counties that grew were Shawano County (+11.4 percent), Oconto County (+9.6 percent), Manitowoc County (+8.8 percent), Green Lake County (+7.7 percent) and Fond du Lac County (+4.3 percent). Two of the counties were essentially flat with Winnebago up 0.5 percent and Menominee unchanged over the period. Brown County fell 6.2 percent and Waupaca County dropped 7.9 percent in the fourth quarter. Declining more substantially were Door County, which fell 14.4 percent, Kewaunee County, which dropped 16.7 percent, Outagamie County whose volume was below the Q4 2004 pace by 17.1 percent, and Calumet County, which declined 25.6 percent. Finally, the largest decline was found in Marinette County, which was off its strong 2004 Q4 sales volume by 43.8 percent.

The largest reduction in sales volume in Q4 2005 as compared to Q4 2004 was seen in the Western region where existing home sales dropped 10.4 percent. While there were some counties that experienced growth in their sales volume, this was not the case in several of the larger metropolitan counties in the region. Of the counties that did grow their sales, the strongest growth was seen in the counties of Buffalo, Trempeleau and Pepin, which are combined for reporting purposes. Sales volume rose 19 percent on modest volume in those counties. Likewise, Chippewa County experienced growth of 4.7 percent. The remaining counties fell off their fourth quarter 2004 pace somewhat, including Dunn County (-5.6 percent), Eau Claire County (-7.4 percent) and La Crosse County (-10.8 percent). Finally, the two counties that experienced the biggest drop in sales volume were those that border the Minneapolis-St. Paul metropolitan area. Sales dropped 13.7 percent in Pierce County and they fell 22.5 percent in St. Croix County. While both of these counties have solid volume, it should be noted that they have grown very rapidly in the last several years, and thus even with these percentage reductions, they remain at very high levels historically.

Fourth Quarter Median Housing Price Data

Home prices in the fourth quarter of the year were up by more than the annual inflation rate according to the REALTORS®' report. As compared to the fourth quarter of 2004, median home prices increased 5.2 percent to \$162,000, with four of the six regions experiencing median price appreciation, and one region essentially unchanged. "This is certainly an indication that the housing market remains healthy in Wisconsin and that real estate is an excellent way to grow family wealth," said WRA President William Malkasian." He noted that although mortgage rates have increased a little more than a half percent since June of last year, this does not appear to have caused sales prices to fall statewide. "In fact, the only region in the state to see median values fall was the Northern region, and this was likely due to the growing popularity of lower priced second homes in the area, rather than systematic price discounting," said Malkasian. He continued to emphasize that there is no evidence of a housing bubble in the state.

The Central region saw median prices grow at a healthy 11 percent to \$123,100 in the fourth quarter of 2005 with prices rising in all areas. Within the region, two counties experienced very strong

median price appreciation. Specifically, median prices rose 66.7 percent to \$150,000 in Adams County, and they increased 56.3 percent to \$133,800 in Waushara County. While it is almost certainly the case that this increase resulted from a change in the mix of homes that sold, rather than price increases of this magnitude on comparable homes, it is interesting to note that both of these counties experienced double-digit reductions in sales volume in Q4 2005 as compared to Q4 2004. This suggests that higher prices may have dampened sales somewhat in these areas. By comparison, median price appreciation was accompanied by solid sales growth in the remaining counties, which implies that demand conditions are strong in those areas. Price appreciation in Clark County was 17.7 percent to \$91,200; it was 8.5 percent to \$95,700 in Wood County; the median price rose 7.5 percent to \$134,400 in Portage County, and it increased 6.9 percent to \$132,900 in Marathon County.

Prices in the Southeast region grew at a robust 7.6 percent to \$176,400 in Q4 2005 as compared to the same period last year, with median prices up in all counties in the region. Three counties experienced double-digit growth. Walworth County saw an increase in the median home price of 11.8 percent to \$189,200 while at the same time, its sales volume dropped substantially (-17.4 percent). This suggests that rising prices may have moderated sales volume somewhat in that area. Kenosha County median prices rose by the same 11.8 percent margin to \$172,900 but sales volume was essentially unchanged over the period. Also up by double digits was Racine County, where median prices rose 10.5 percent to \$156,900. Both Milwaukee and Sheboygan counties grew at 9.9 percent, with Milwaukee County prices growing to \$153,800 and Sheboygan increasing to \$140,000. Washington County rose 7.9 percent to \$212,500, and this does appear to have moderated sales somewhat, as the volume fell 7.6 percent over the period. Finally, more modest median price increases were seen in Ozaukee County (+2.4 percent to \$244,700) and Waukesha County (+2.0 percent to \$247,700). It should be noted that these two counties have the highest median price levels in the state.

The median home sale prices in the South Central region were up 5.4 percent to \$178,200 in the fourth quarter of 2005 as compared to that same quarter in 2004, and indeed, all counties experienced median price appreciation. The strongest growth in the median price was in Green County where prices rose 14 percent to \$142,000. This large increase in the median price appears to have softened demand somewhat, as the sales volume in the county was down 9.2 percent over the period. The other county in the region that experienced a sales volume reduction was Dane County where the median price rose 7.6 percent to \$220,000. Sauk County median prices rose 10.7 percent to \$155,000 while the county maintained its sales volume in the neighborhood of last year (i.e., only six fewer homes were sold in Q4 2005). Modest increases were found in Rock County (+4 percent to \$118,700) and Dodge County (+3.8 percent to \$137,000) even as sales increased by double-digits in both of those areas. This suggests that homes in those counties remained affordable even in light of strong demand pressures. Median prices rose 2 percent to \$161,400 in Jefferson County, and they were up 1.6 percent to \$156,900 on a solid increase in volume (+8.1 percent) in Columbia County.

The fourth quarter 2005 median price levels, which were at \$156,000 in the Western region, were 3 percent higher than those established in the fourth quarter of 2004. Eau Claire County saw its median prices rise most rapidly (+8.4 percent to \$138,700) but this increase appears to have moderated its sales

volume for the quarter (-7.4 percent). A similar scenario played out in Pierce County, where median prices rose 6.7 percent to \$185,900 as sales dropped nearly 14 percent over the period. In contrast, median prices in Chippewa County rose 3 percent to \$121,800 even as the sales volume rose nearly 5 percent. This reflects solid housing demand in the county. Three counties had median prices that were only slightly lower than their Q4 2004 levels. These were La Crosse County (-0.8 percent to \$131,800), Dunn County (-1 percent to \$145,500) and the combined counties of Buffalo, Pepin and Trempeleau (-2.1 percent to \$117,500). St. Croix County, which saw its sales volume drop off 22.5 percent, also experienced a moderate reduction in median prices (-6.2 percent to \$194,300). This county, which has been red-hot in recent years, appears to have cooled somewhat in the fourth quarter.

Median prices for the Northeastern region were basically unchanged in Q4 2005 as compared to Q4 2004, dropping a mere 0.1 percent to \$130,800. The majority of counties experienced growth in median home values. The strongest median price appreciation was seen in Shawano County, where prices increased 14.9 percent to \$110,000. Note that sales volume was also up 11 percent in the county, which reflects relatively strong demand conditions in the local market. Waupaca County was also up significantly, rising 9.3 percent to \$117,100 although sales volume fell nearly 8 percent, which may reflect a slight softening of the market in that area from the higher prices. The remaining counties that had growth in median prices experienced moderate appreciation. Green Lake County increased 4.9 percent to \$124,400; Marinette County grew 3.8 percent to \$85,600; Calumet County rose 3.5 percent to \$154,700; Winnebago County was up 2.8 percent to \$123,300; and Brown County increased 1.9 percent to \$147,700. Fond du Lac County was unchanged at \$117,300 whereas a number of counties experienced moderate to strong reductions in their median home price. Specifically, the median price of properties that sold in Door County in Q4 2005 was 1.6 percent lower at \$221,400 than those selling in Q4 2004. Median prices fell 3.1 percent to \$130,800 in Outagamie County and they dropped 7.2 percent to \$128,000 in Oconto County. Two counties that experienced more substantial reductions in their median prices were Manitowoc County, which dropped 14.7 percent to \$87,000, and Kewaunee County, which fell 25.3 percent to \$104,600. These median price reductions almost certainly reflect a change in the mix of homes that sold in the two quarters, and it is worth noting that the median price computations in Kewaunee County are based on fewer than 20 transactions in either period.

The median home prices dropped 8.8 percent to \$130,000 in the Northern region during the fourth quarter of 2005 as compared to the same quarter last year, even as sales volume rose more than 18 percent over the period. Within the region there was substantial volatility. Indeed, there appears to be very strong sales of properties in the lowest price ranges, especially properties that are not classified as waterfront. This strong demand likely changed the mix of homes in some of these counties such that the types of homes that sold in Q4 2005 may be qualitatively different (e.g., smaller and in less desirable locations) than those selling in Q4 2004. Three counties saw median prices rise by more than 20 percent including Taylor County (+44 percent to \$110,900), Sawyer County (+22.1 percent to \$203,600) and Rusk County (+22.1 percent to \$100,000). Note that Sawyer County also experienced a solid 18.3 percent increase in sales volume, suggesting that demand is outstripping available inventories in that county. In contrast, the median price rose 9.4 percent to \$129,100 in Barron County but sales volume

fell nearly 11 percent, which implies that the higher prices may have had a dampening effect on sales. Finally, median price appreciation was moderate at 2.8 percent to \$185,000 in Washburn County.

Numerous counties saw their median prices fall, with some reductions substantial. Modest declines were found in Burnett County (-4.8 percent to \$132,000) and Polk County (-5.4 percent to \$152,900), but reductions were larger in Oneida County (-12.5 percent to \$140,000) and Vilas County (-14 percent to \$172,000). It is interesting to note that the volume of sales in both Oneida and Vilas counties were up substantially (i.e., 30 percent and 72 percent respectively), which reinforces the notion that the mix of homes that sold has changed over the period. Median prices also dropped significantly in Lincoln County (-19.3 percent to \$96,900), the combined Ashland and Bayfield counties (-25 percent to \$107,500), Price County (-30.1 percent to \$54,000), Forest County (-41.8 percent to \$110,000), Langlade County (-50.9 percent to \$60,900) and Iron County (-64 percent to \$61,200). Of those counties that experienced median price reductions of more than 30 percent, all saw their sales volume grow 40 percent or more over the period. Again, this suggests very strong demand conditions in those areas for homes in the lower price ranges.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 17,000 real estate brokers, sales people and affiliates statewide. Sales estimates for the state are provided by the National Association of REALTORS®, which seasonally adjusts quarterly sales figures. All county figures on sales volume and median prices are compiled by the Wisconsin REALTORS® Association and are not seasonally adjusted. Median prices are only computed if the county recorded at least 10 home sales in the quarter.

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