



FALL MARKET SOURCE NEWSLETTER

Written by Stark Company Realtors CEO David Stark



*Property sold by Stark Company Realtors®

WITH THE THIRD quarter of 2025 now in the books, we have a fairly clear view of how the year will end up. The shifts we identified in our last edition of this newsletter have continued through September, and the effects of those shifts are starting to be felt, particularly in inventories and pricing. While we are still a long way from what we would characterize as a normal market, the trends we see developing are moving us in that direction.

So far, the changes we've seen have not resulted in increased sales activity—particularly in Dane County. Total residential sales in Dane County were down 3.2% in the third quarter compared to a year ago, leaving us up only 0.8% for the year. Closings in the Sauk/Columbia market, by comparison, were up 14.1% in the third quarter and are up 9.1% for the year. It appears that as prices have risen in Dane County, buyers are starting to move further out to find value. But the bottom line is that for the third straight year, we are likely to have fewer than 6,500 residential sales in Dane County, compared to around 8,000 or more from 2013 until 2022.

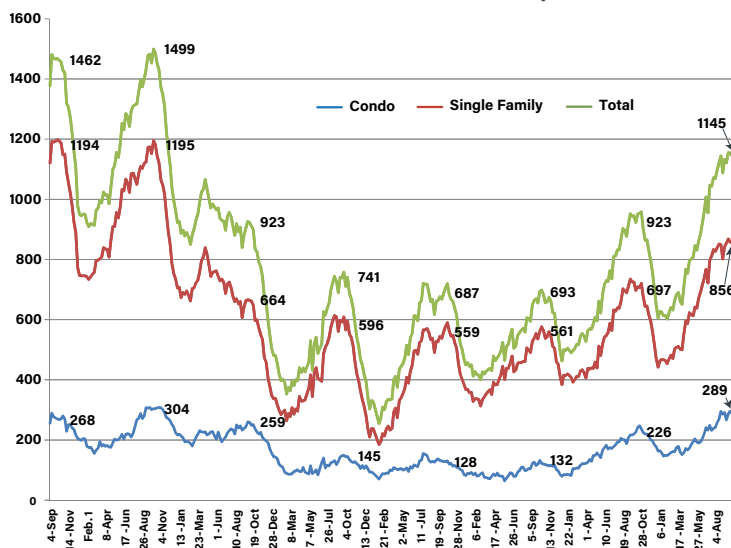
The forces behind this constricted market have been discussed at length, but there continues to be clear evidence that those forces are finally moving in a more balanced direction. This offers benefits for both buyers and sellers. We'll explore how those shifts are shaping up as the year winds down—and what it means for 2026 and beyond.

► INVENTORIES AND PRICES

The most dramatic shift in the market continues to be the steady increase in inventories. Dane County residential inventories (single family and condo combined) peaked in late September at 1,155. They've since leveled out to 1,145, but this is to be expected. As you can see in the nearby charts, inventory levels are highly seasonal, peaking around the first of October and then declining steadily through the beginning of the new year. The key is where they sit in relation to previous years.

On this front the news is good. Inventories are up 24% from this time one year ago, and up 65% from two years ago. However, we still remain 24% below the level we had at this time in 2019, the last year before the pandemic decimated what was left of

**RUNNING INVENTORY
BY PROPERTY TYPE SINCE 9/2018**



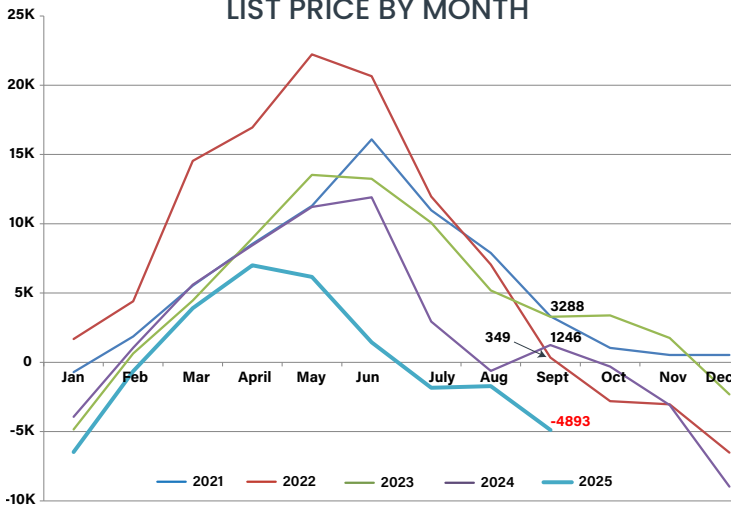
inventories. In terms of months of inventory (the time it would take to sell the entire inventory on hand at the current pace of sales), we have moved to over 2 months for the first time since before the pandemic as well.

We focus on inventory so intently because the amount of inventory on hand has been the primary factor influencing prices. The reason all the predictions that prices would fall were completely wrong back in 2022 was that they failed to appreciate how historically low inventories had become. We had well under one month of inventory on the market in 2022, and even 2023. Even with higher mortgage rates, housing demand vastly exceeded supply.

In those circumstances, prices can only go up, and they did. From September 2019 through September of 2024, the 12 month median price in Dane County rose an average of 8.45% per year. In the past 12 months, they've only risen by 3.43%. The reason? Rising inventories.

With more inventory to choose from, buyer behavior is beginning to change. The number of sales with competing offers continues to

AVERAGE AMOUNT OVER/UNDER LIST PRICE BY MONTH



decline, with the number and size of overbids declining as well. The nearby chart shows the average overbid in Dane County by month. The average has been negative since July, and was an average of \$4,893 below list price in September. While there is a seasonal nature to this, and sales below list are common in the fourth quarter of the year, the trend all through 2025 has been well below the previous four years. It's easy to forget that in normal markets the average sale to list price ratio is always negative. While it may feel strange to return to that kind of market, it's much healthier and easier for both buyers and sellers to navigate in the long run.

While inventories still have a long way to go to get to what we would consider normal (3 to 4 months of inventory, in our view), the changes we've seen have already resulted in changed buyer behavior. As we mentioned earlier, we're seeing more activity in outlying counties as more buyers seek value in lower priced markets. It also suggests that we're starting to see price resistance. Supply and demand work together to move prices, and for the last five years supply has been the most out of balance. But demand matters too, and now that there is more inventory to choose from, buyers can be pickier in how they go about deciding what to buy and what to pay. When you're competing with 10 other buyers for a house you really want it's easy to get caught up in the frenzy. Now that there's more to choose from, buyers can pick their spots more

easily without fear of being shut out of the market altogether. And with less competition, they have more negotiating leverage, leading to lower bids and prices rising more slowly.

Between now and the end of the year, inventories usually decline about 35% on average. That would put us at roughly 750 homes on the market to start 2026, compared to 605 to begin last year and 945 to begin 2019, the last pre-pandemic year. That's still low by historical standards, but it's an improvement. Perhaps by this time next year we'll be looking at a more normal inventory environment.

► MORTGAGE RATES

Mortgage rates are back in the news, as the Federal Reserve recently lowered its discount rate by another quarter of a point, and suggested more reductions are in store. What some readers may not realize is that mortgage rates actually rose by about a quarter of a percentage point after the Fed cut. How can that be, and why does it matter?

While Fed rate moves get a great deal of media attention, they are not the most important factor in setting mortgage rates. The Fed directly influences only very short term rates. Mortgage rates are most closely correlated with the 10 year Treasury bond, which is influenced mainly by inflation expectations and bond trader's view of likely future economic activity. High interest rates tend to reduce inflation, while lowering them too much can be seen as inflationary. Thus, when the Fed lowers short term rates, longer term rates, including mortgage rates, can rise on concerns that inflation may be more of a problem.

In the current case, mortgage rates declined by nearly one half of a percentage point in late August and early September, reaching 6%, on weak jobs data. With the Fed cut, rates drifted up to their current level around 6.3%.

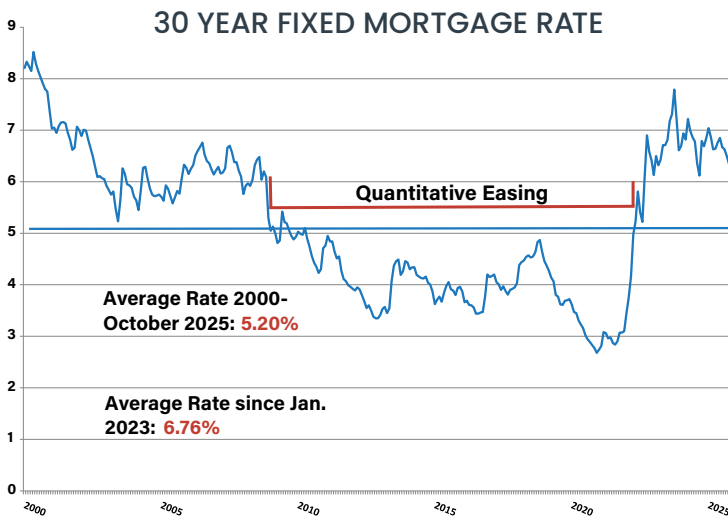
These are still the best mortgage rates we've seen since 2022, and they seem to be holding for now. Will they go lower? It's hard to say, but if they do it won't be by much. This brings us back to a truth we've been trying to get across for three years: today's mortgage rates are not too high. The rates we had during the pandemic were way too low, and they created the low inventories and high prices we're now dealing with. Today's rates are very close to their long term average, other than during the period from 2009 through 2021,



ADVICE FOR BUYERS AND SELLERS

► BUYERS

We saw a cute article recently suggesting that early October is the very best time to buy, because inventories are at their highest, competition is less, and sellers are eager to sell before the end of the year. Well, yes! All those things are true now, and we have better mortgage rates than we've had for a while to boot. Price trends are also seasonal, with prices tending to moderate late in the year. For all these reasons, if you're thinking about buying, you still have a brief window before the winter and the spring rush that will follow. If you're looking below \$400,000, condos are your most abundant option, or you can look further out from Madison. In the upper ranges, you'll find more inventory that's been around for a while, so it might be a great time to take the plunge.



when the Fed pushed rates lower than normal by buying mortgage backed securities in a process called “quantitative easing.” That’s over now, thankfully, and rates are back roughly where they should be. Could they go lower? Maybe. But not by much. Certainly not by enough that a buyer or seller should wait for it to happen. Rather, buyers should focus on today’s higher inventories and overall better buying environment.

There’s no denying that mortgage rates are a key component of overall housing affordability, and they are part of the reason that buyers are resisting today’s prices. They are also part of the reason we don’t have more sellers, because so many homeowners locked in ultra low rates during the pandemic that they don’t want to give up. So, lower rates would be nice, but if they go too low we’d have too much demand, sucking up inventory and pushing prices higher, just like during the pandemic. We saw a brief surge in activity when rates approached 6% in September, suggesting that we’re very close to the sweet spot when it comes to mortgage rates. If rates are near or slightly below these levels next spring, be prepared for a wild ride.

► BUILDING FOR THE FUTURE

As policy makers become more aware of the need for more housing, there has been a great deal of attention paid to ways to build more housing of all kinds. Municipalities are working to

reduce barriers to housing construction, including revamping zoning laws, modernizing building codes, encouraging infrastructure, and making housing more affordable. All these initiatives are worthy, and we wholeheartedly support them. We need more infill redevelopment, including both apartments and condos, as well as facilitating growth on the perimeter. More density and smaller housing footprints will help on the affordability side. While it’s natural for existing residents to resist development that changes the character of their neighborhoods and increases traffic, we have to create more housing somewhere or our problems will only become more acute. This means our policymakers need to be smart in how they locate new developments, taking advantage of clearly underutilized land in a way that protects the character of existing neighborhoods, while also providing opportunities for more people to find housing they can afford.

With all that said, new construction can only do so much to solve our tight housing market. That’s because there’s a difference between the overall size of our housing stock, which needs to grow with our population, and the amount of inventory that’s available to buy at any one time. Dane County consistently has between 300 and 400 new construction units available for sale at any one time (this does not include vacant apartments, which remain scarce as well). Builders simply don’t have the capacity to build enough units fast enough to fill the on-hand inventory gap we’re facing, and new construction is expensive, so it’s even harder to build enough units that are attainable now. To get more inventory on hand, we need more resellers—more current homeowners looking to move.

We’ve seen improvement here, with the number of new listings increasing in Dane County by over 16% in the past two years. But we’re still 17% below the new listing levels we had before the pandemic. For the market to really get back to normal, we need more homeowners to move, and that’s going to take some time. Slightly lower mortgage rates would indeed unlock some existing inventory, as long as it’s not overdone. New construction can help on the margins. But for most, it’s changes in life circumstances that determine when they decide to move, and eventually we trust that more people will move because they either have to or they want to. When resellers return to pre-pandemic numbers, that’s when the housing market will really get going again.

► SELLERS

Nothing that’s been said in any section of this newsletter should lead you to believe that the seller’s market is over and that it’s a bad time to sell. To the contrary, it remains a seller’s market, but not as strongly as it’s been for the past few years. Inventories are still low by historical standards, and lower mortgage rates have slightly improved affordability for potential buyers. If you’re one of those sellers who’ve been waiting for rates to fall, you also benefit from

today’s lower rates. Remember that you should not expect to see the 30 year rate fall below the upper 5’s at best, and perhaps not even that. So if you need to move, do it, because you don’t have much to gain by waiting. One thing that has changed; do not expect an overbid, especially in the upper price ranges. You don’t have to give your home away, but you might have to negotiate a little bit—that’s normal. You’ll still do very well in the long run.

Charts in this publication represent sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates on or before Sept. 30, 2025. 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. ©2025 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 10/10/25. This is not intended to solicit existing listings.

DANE COUNTY REAL ESTATE AT-A- GLANCE

QUARTER 3 – 2025

NEWSLETTER – FALL

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1,145

ACTIVE INVENTORY



2.2

MONTHS OF INVENTORY

Definite increase in inventories. We expect this trend to continue. We saw more listing activity in the first half, but that has slowed. Price increases have slowed. There will be some further upward movement, but less than the last few years.



\$449.9K

12 MONTH MEDIAN PRICE



4,878

YEAR-TO-DATE CLOSINGS

Activity has been very consistent over the last three years. Rates did come down a little over the last three months, but we still don't expect much more movement to the downside.