

Plenty of sales, but supply has outpaced demand

Compiled by
Dan Miller,
DaneCounty
Market.com.

QUESTIONS?
Contact Bill
Pinkovitz at
bill.pinkovitz@
ces.uwex.edu.

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Given all the recent bad economic news, it would be easy to conclude that the local housing market is as frozen as Lake Mendota.

Certainly, the Dane County is down, but people are still buying and selling homes.

In 2008, 5,299 homes and condos were sold in Dane County. That's down from 6,744 in 2007, but it's worth noting that the 2008 total still averaged 445 units per month.

The health of the local housing market is a function of supply and demand. "Months of inventory" is a term that measures the impact of the supply and demand on the housing market.

Since 2005, inventories have been trend-

Housing
Week One:
Measuring inventory

ing higher on a year-over-year basis — that is, comparing one month's figures to the same month the previous year. Typically, inventory increases significantly in the spring. That is why it is useful to measure inventory on a year-over-year basis.

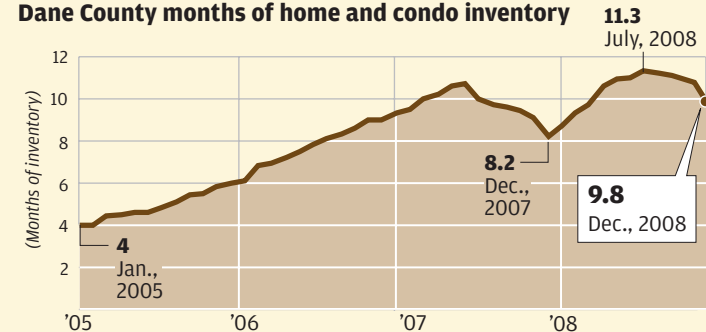
According to the South Central Wisconsin MLS, combined home and condo inventory was at four months in January 2005. By December 2008, inventory increased to 9.8 months. Much of the increase in months of inventory is due to the fact that the housing supply has increased, but demand has not kept pace.

In future weeks, we will examine how inventory levels vary by price and location.

Supply & demand in Dane County housing

In the following chart, months of inventory is calculated by dividing the number of homes and condos on the market (supply) by the average sales per month (demand).

Dane County months of home and condo inventory



SOURCE: South Central Wisconsin Multiple Listing Service (MLS)
State Journal