



# REAL ESTATE MARKET SOURCE NEWSLETTER

## COVID-19 SPECIAL EDITION

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It's fair to say that three months ago, when we published our previous edition of the *Market Source Newsletter*, we did not envision the kind of update we'd be giving you this quarter. But the COVID-19 pandemic has upended everything, dramatically changing everyone's focus in a few short weeks. As professionals in the south central Wisconsin real estate market, it's our job to bring our readers the best information and insight we have available to help them deal with the situation in front of us. Suddenly, we find ourselves in uncharted waters, so instinct and experience will have to guide us as we navigate our way.

In fact, the first quarter of 2020 was pretty good for our market. However, the coronavirus has rendered the first quarter virtually irrelevant, and we will not dwell on it. Today's situation is very fluid. Guesses change daily (every prediction you read is really a guess) as to how long this will last and what the long-term effects will be. But as brokers, we do know a thing or two about real estate markets and how they respond to external and internal pressures. Our purpose here will be to help our readers understand the meaning of this crisis from a local real estate perspective, and from that perspective only.

The good news is that, as an asset, we believe real estate is one of the best-positioned to weather this crisis. When the problems began this time around, housing was not at ground zero as it was in 2008. Having been there before, we sympathize with people employed in hospitality, travel, entertainment, and dining out, among others. They will have a far more difficult road ahead in the next few months, and we should all do what we can to support them through this challenging time.

Housing has a long transaction cycle, which oddly is an advantage in this situation because the real estate market is generally not dependent on daily sales. It is a long-term, illiquid asset, and selling is a process, not an event. So while it's important that the market continues to function, the nature of the transaction allows housing to adapt to a stretched out sales timeline more easily than many other industries or assets.

Although no one knows for sure, those shopping for real estate may actually benefit from this episode, strange as that may seem. For example, interest rates remain near all-time lows making now—and the likely recovery period—a very attractive time to buy. Due to the slowdown, it is also possible there may be more homes on the market in April and May. This could ease some of the shortages from the past few years that have

made it difficult for buyers to find the home they want. It could also potentially ease the upward pressure on home prices. But remember, all of this is speculative, and much could change before we return to "normal," whatever normal may be.

Of course, we possess no special knowledge about what course this battle will take. Many are suffering now, and our hearts go out to them, you, and anyone you know who is impacted. But we do believe that people's homes will play a major role in both getting them through the battle, and helping them recover. After all, the order in Wisconsin was called "Safer at Home." Our homes are where we've settled in to get through this, and they will be where we live when it's over. They remain the single most valuable asset most people own—the demand for housing will never decline. We all have to live somewhere, always.

Our guess is that when the Safer at Home order is lifted, getting out to look at a new home will be a very attractive idea for a lot of people. That process can start up again pretty quickly when the governor gives the all-clear. So while we all have a lot to think about (and worry about) over the next few weeks or months, we don't think housing is one of them.

Given there is so much uncertainty, we thought a simple Frequently Asked Questions (FAQ) format would be the best way to help our readers understand today's situation from a real estate perspective. On the next page you will see answers to some of the most common questions we've been receiving. You may have more, and we'd love to help you. We think the most important thing we can do right now as real estate advisors is to listen, and to help you make the best decision for you and your circumstances. That's our mission, and we hope to remain true to it.

**Q. Can I buy or sell real estate in Wisconsin during the Governor's Safer at Home order?**

**A.** Yes, you can buy or sell homes while the order is in place. The Governor elected to exempt real estate and all related activities due to the fact that for some people, moving may be a necessity even in this stressful environment. This means that lending, appraisal, inspection, title, and other functions are also able to operate.

**Q. Are homes still being shown?**

**A.** Yes, in-person live showings are still permitted. All parties must agree to participate; the buyer, the seller, and the Realtor. If everyone agrees and you attend a live showing, be very careful to observe all protocols noted on page three. In an abundance of caution, we have also decided that Stark will not be holding open houses during this period. Please call your agent if you would like to see a home.

**Q. I'm not comfortable with an in-person showing. What can I do?**

**A.** You have many options. We are ramping up the use of virtual tools to reduce your contact throughout the entire real estate process. See page three for specific online and low-contact options.

**Q. Can I buy a house without ever going into it?**

**A.** Yes, you can. We're seeing an uptick in buyers taking advantage of what we call "sight unseen" offers. Many times, buyers will include a clause to make the offer contingent on touring the home in person at a later date. Be aware, however, that some sellers are not comfortable with this type of an offer. Sellers risk the buyer walking away after weeks of waiting to get in. There are many ways to deal with this situation from the perspective of both the buyer and the seller. Talk to your agent if you think this is something you'd like to try.

**Q. Is the real estate market continuing to function under the order?**

**A.** Yes, and in fact, through March at least, it was functioning surprisingly well. Offers to purchase were down a bit in March compared to normal expectations, but not drastically so. As of this writing in early April, we are seeing continued softening, and we believe that activity in April will be noticeably lower than normal.

**Q. Will home values suffer during this period?**

**A.** We think the answer is no, especially in the longer run. Again, the big unknown is how long the Safer at Home order will last. If the order is lifted by Memorial Day or earlier, we expect to see negligible impact on prices, if any. Remember, this is an exogenous shock to the economy. Supply and demand dynamics for housing should be minimally affected by a *temporary* slowdown. Relatively low inventories and high demand will keep a floor under prices. On the other hand, if the restrictions remain in place well into the summer or fall, we might start to see sellers accept lower prices. If the economic damage is severe, demand might also be reduced for a period of time which could lower prices. Over the longer term, we expect the fundamentals of housing to be unchanged. If prices do drop temporarily, they will rebound in time.

**Q. Will the housing market suffer long-term damage overall?**

**A.** In short, we think the answer to this question is also no. In fact, it's our belief that housing is perhaps as well-positioned as any industry can be to weather this storm successfully. Housing is a basic necessity, and people will always need to buy and sell it. The process for transferring a home usually lasts at least a couple months and is not something people do every day, like buying groceries or going out to eat. The real estate industry is built on intermittent and uneven sales patterns. It's our belief that when the order is lifted, many clients who postponed their move will be eager to get started again.

**Q. Should I put my home on the market while the Safer at Home order is in effect?**

**A.** This is dependent on your individual situation. There will be fewer buyers in the market while the order is in effect. Many of them will return once the order is lifted. That would argue for waiting before putting your home on the market. On the other hand, homes are continuing to sell. We are still seeing multiple offers on some homes as soon as they hit the market. The buyers that are out now are serious ones. That would argue for going ahead, especially if you believe your home would be in high demand. The bottom line is if you need to move, you

should do so. Some sellers are uncomfortable with people going through their home at this time, and that is understandable. You can request virtual-only showings, but that will restrict the number of buyers willing to make an offer. There are as many variables as there are sellers. Talk with your agent and make the best decision for your particular situation. We think there's a good chance the market will rebound quickly if the order is lifted by this summer, so you can figure that into your decision as well.

**Q. Are there any other complications I should consider?**

**A.** Of course, everything we do is a little more difficult under the restrictions of social distancing and reduced face-to-face communication. In addition to the logistical challenges posed by showings, the closing process has also been affected (see next page).

**Q. Is it true I can have my mortgage payment deferred?**

**A.** The best answer we can give to this question is *perhaps*. There have been a number of initiatives at all levels attempting to address the concerns of people who have been temporarily laid off as a result of this crisis and don't have the cash flow to pay their mortgages. Every bank and lending institution is different. It is critical to call your lender and learn what their approach will be. One thing has appeared to be consistent among all lenders: payments will not be "forgiven." They might be *deferred*, but not forgiven. This means that if your lender can (and will) agree to defer your payments for a period of time, you will still owe the money. Each lender decides *how* you will repay that deferral. Simply *not paying* will put you in default and will likely cause further difficulties down the road. It is unlikely that most lenders will agree to defer payments for those still working and who cannot demonstrate real need. There is no one-size-fits-all answer. Please, if you feel you need help, call your lender. It will be up to them to work out a solution with you, if they can.





## STAYING SAFE TOGETHER • VIRTUAL OPTIONS

Things in our world are rapidly changing and the real estate market is no exception. That's why the industry as a whole continues to innovate to find ways to work in an environment none of us ever envisioned. This section contains our many virtual (or low-contact) methods available to meet your real estate needs while keeping your safety a priority.

### CLIENT CONSULTATIONS

Your personal comfort level comes first. Work with your agent online or on the phone to create a strategy that accomplishes your real estate goals while setting your mind at ease.

### HOME SHOWINGS

Start with virtual tours whenever possible. A virtual tour will give you a feel for the house without you going in it. It can help you decide if this is a home worth pursuing. Then, if necessary, contact your agent for an in-person showing. If all parties deem it's appropriate, make sure to maintain six-foot spacing and don't touch any surfaces in the home. Only decision makers should attend (no kids, friends, or other advisors). Use hand sanitizer before and after the showing. Additionally, we are asking all sellers to clean surfaces after every showing. We are not booking more than one showing at a time under any circumstances.

### ELECTRONIC CONTRACTS AND E-SIGNATURES

Many contracts can be completed online. Additionally, we are now able to receive earnest money through a secure online program. Ask your agent how to confidentially receive, review and sign online documents.

### IN-HOME APPOINTMENTS

For appointments that need to occur in the home such as inspections or appraisals, work with your agent. Your agent will make sure you are contacted in advance and can outline the current government limitations and how it affects the appropriateness, timing and safety of the proposed visit. As with showings, these visits need to be limited to necessary attendees only.

### CURBSIDE CLOSINGS

Online notarization is coming. Now, sellers can sometimes sign their documents remotely. However, legal requirements from the lender make it difficult for full virtual closings to occur as of yet. If you must appear in person, the closing is often conducted with buyers and sellers in separate rooms, or sometimes even in their cars, with only necessary people present.

### MOVING DAY

While you can't virtually move furniture, there are safer means. Talk with your moving company about ways to get you and your family to your new home in the safest way possible.

## DANE COUNTY

	Single Family			Condominiums			Total Residential		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
1st Quarter Closings*	1058	987	1032	289	301	310	1347	1288	1342
Year-to-Date Closings	1058	987	1032	289	301	310	1347	1288	1342
Active Inventory	810	820	775	230	176	206	1040	996	981
Months of Inventory†	1.5	1.6	1.5	1.7	1.2	1.4	1.6	1.5	1.5
12-Month Median‡	317,000	300,000	284,500	208,250	194,900	185,000	299,900	279,900	265,000

## SAUK & COLOMBIA COUNTIES

	Single Family			Condominiums			Total Residential		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
1st Quarter Closings*	235	248	257	46	25	40	281	273	297
Year-to-Date Closings	235	248	257	46	25	40	281	273	297
Active Inventory	300	337	358	54	81	82	354	418	440
Months of Inventory†	2.4	2.6	2.8	3.1	5.0	4.3	2.5	2.9	3.0
12-Month Median‡	210,000	190,500	186,750	175,000	162,750	162,000	207,500	189,000	183,000

\*Sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates between 1/1/20 and 3/31/20. 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. ©2020 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 4/10/20. This is not intended to solicit existing listings.