



WINTER MARKET SOURCE NEWSLETTER

Written by Stark Company Realtors CEO David Stark



A YEAR AGO, we made our usual bold predictions, really educated guesses, about how the South Central Wisconsin housing market would evolve over the course of 2025. Our forecast last year was based largely on the observation that the market was shifting, with inventories rising and price increases moderating. Our main predictions were:

- The 30-year mortgage rate would settle in the low 6% range
- Transactions would increase by approximately 5%
- Inventories would rise by roughly 10-15%
- Prices would increase, but more modestly, perhaps 5-6%

So, how did we do? We'll discuss the results in detail, and make another round of predictions for 2026. On the whole, we were pretty close. But, if anything, the trends proved to be even more pronounced than we anticipated, particularly with regard to prices. This puts the market in an interesting, and we think very favorable, place heading into the New Year.

► MORTGAGE RATES

As predicted, mortgage rates finished the year at 6.16% for a 30-year mortgage, according to Freddie Mac, right in line with our forecast. As we've said on numerous occasions, a 30-year rate in the 6% range is pretty much exactly where it should be, and consumers should not wait for rates to go much lower. However, there are some potentially important developments in terms of Federal Reserve policy going forward, beyond the likelihood of a new Fed Chairman.

As everyone knows, the Fed cut their discount rate a few times during 2025, but there is an even more impactful development that has not gotten the attention it deserves. We have talked many times about the Fed's policy of "quantitative easing," essentially a policy of buying treasury and mortgage backed securities, which lowers interest rates. This policy began during the 2010 recession and continued through the pandemic, when it was abruptly halted, driving rates back up. What's interesting is that the Fed has indicated it will start buying mortgages and treasuries again, essentially going back to some form of quantitative easing. And as if that weren't enough, as we write this, President Trump has ordered Fannie Mae and Freddie Mac to also begin buying mortgage backed securities, adding more fuel to the Fed's actions.

We have mixed views about this. As long as it's not overdone, these policies could have the effect of modestly lowering rates into the mid-to-high 5% range, which is about as low as we would like to see them go. In fact, rates have already moved closer to 6% over

the past week as a result of these announcements. If they were to fall too far, say into the low 5's or upper 4's, we would risk spiking demand once again, driving down inventories and raising prices. So while this could help the market in the short run, it could do further damage in the long run if taken too far. Why the Fed feels the need to do this now is not entirely clear to us, while President Trump has made no secret of his desire to see mortgage rates lower. Regardless, it is a trend we will be watching closely, and we'll keep you informed on how the rate environment is influencing the housing market.

► TRANSACTIONS

This is a prediction we overshot slightly. Residential sales in Dane County were up just 1.7% for the year, compared to our prediction of 5%. Not a big miss, but a somewhat surprising level of underperformance. The Sauk/Columbia market made up for it to some degree, with total residential sales up 11.2%. It would appear that buyers are moving further out from Dane County to find more affordable options.

The primary problem holding the market back continues to be the number of new listings and, by extension, the amount of inventory available at any point in time. Those metrics are improving steadily, and we expect further improvement this coming year. Slightly lower mortgage rates could unlock more sellers and provide more inventory. Political leaders at all levels of government have finally grasped the problem, and there are many proposals floating around that might, at least on the margin, help. But they must focus on supply. Proposals designed to assist with affordability, while well-intentioned, could make the problem worse by increasing demand on a still limited supply. We need more housing, and that is where policymakers should focus their efforts.

► INVENTORIES

We were pretty close on our prediction here. Comparing inventories over long periods of time is tricky, because it's a point-in-time measurement that's always moving, both seasonally and even in a regular cycle during the week. Seasonally, inventories are always at their lowest point at the start of the year, where we are now. Given that, the levels we see to start 2026 in Dane County are up 17.5% from last year, just above our 10-15% forecast. They're up a healthy 26% in Sauk/Columbia. For what it's worth, three months ago they were up 25% in Dane County and up 36% in Sauk/Columbia, indicating we had quite a bit of runoff in the last few weeks of the year. We expect that to be replaced fairly quickly.

All-in-all, however, this is good news. Inventory shortages have been the primary driver of price increases, and we are beginning the year with between 15%-20% more inventory. Starting with a higher base should give buyers more choices throughout 2026 and help keep a lid on prices. In fact, as we'll see next, it already has.

▶ PRICES

This was perhaps the most surprising, but also the most important development in 2025. Due to continued low inventories, we made what we thought was a fairly conservative prediction of a 5-6% increase in prices. In reality, the combined single-family and condo 12-month median price in Dane County rose just 2.3% over the course of the year. Single-family prices barely rose 1% for the year, while condo prices rose 5.3%. The story was similar in Sauk/Columbia, with combined prices rising 2.8%. Single-family did a little better than Dane County, rising 3.2%. Nonetheless, it's fair to say that prices were reasonably flat in our market over the course of 2025.

As always, our readers need to remember that median prices represent what happened to the large body of housing over time and don't tell us anything directly about individual properties. As

▶ ADVICE FOR BUYERS & SELLERS

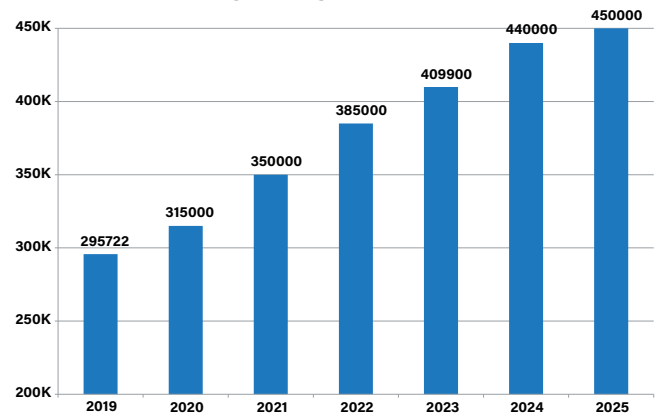
BUYERS

The pendulum continues to swing further in your favor. You'll have more choices throughout the year than you've had since prior to the pandemic. It's likely that there will still be some bidding wars this spring, especially in hot neighborhoods on Madison's near east and west sides. You can avoid many of these if you look elsewhere, particularly in the outlying communities or counties. Once again, know what your budget is and stick to it. If you have to compete with others, be disciplined and try not to get carried away. It's not necessary anymore, although you still might lose a few houses you'd like to have. With prices likely to be fairly flat again this year, do your research up front with your agent and have a good idea what you think you should pay. It's still a moderate seller's market. But, depending on the specific circumstances, you have more leverage now than you've had for a while.

SELLERS

It's important for sellers, in particular, to think about today's market the right way. While we expect brisk demand this spring, buyers have more choices, so the days of wild bidding wars are mostly over. They can still occur under the right circumstances, but in many cases they won't. Remember, "flat" price increases means that the current level of pricing is holding. Since the beginning of 2020, the Dane County median price has increased by 52%. If you've owned your home for some or all of that time, you're in a great position. Even if you need to negotiate down a bit, you're still coming out ahead. And, with mortgage rates continuing to moderate, you'll have the advantage of better affordability on your next purchase. This is a more "normal" housing market, and you should approach it that way.

DANE COUNTY 12 MONTH ROLLING MEDIAN



you'll see in the neighborhood analysis visual, the median price change in individual neighborhoods often differed widely from the aggregate, both up and down. Still, the aggregate is important. What it suggests, particularly in Dane County, is that prices are hitting a ceiling beyond which buyers cannot or will not go. Fortunately, as inventories continue to increase, we believe further price increases will continue to be moderate, giving buyers a chance to catch up.

One final caution: this does not mean prices are about to fall. For all kinds of reasons, prices tend to be much stickier on the way down than on the way up. Inventories are still low by historical standards, with only 1-2 months of inventory in most areas to start the year, so we still have a moderate seller's market. That said, it does appear the days of 8-10% price increases are behind us (unless mortgage rates go too low, in which case all bets are off). This is ultimately a good thing, as it will only help housing become more affordable over time.

▶ 2026 PREDICTIONS

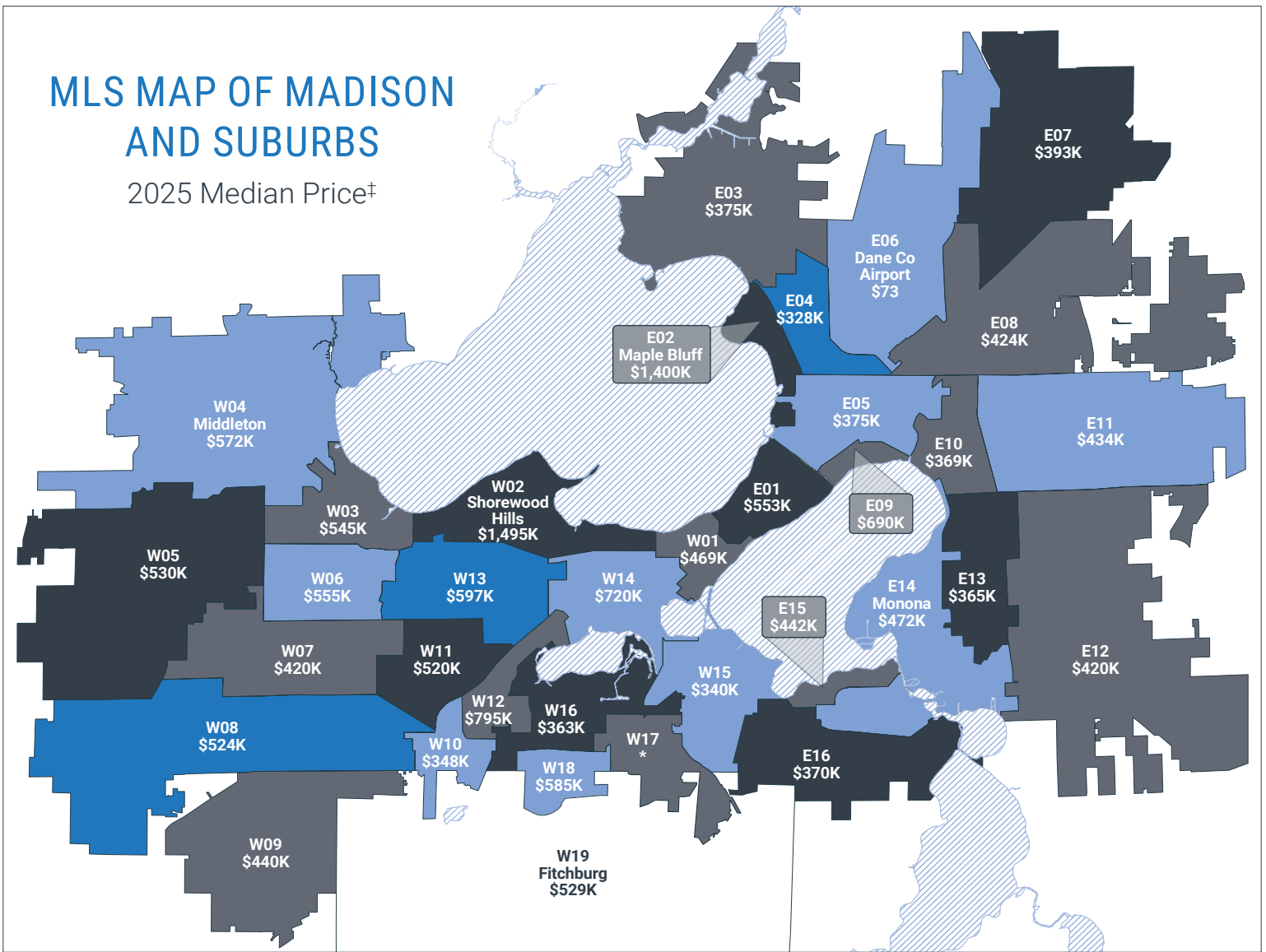
So what does this all mean for the upcoming year? Taking the events of 2025 fully into account, we believe our housing market is poised to take a meaningful leap forward. With the shifts in Fed policy, mortgage rates should hover around 6%, but could drift into the mid-5% range. That could unlock some additional inventory, and allow perhaps as much as a 10% increase in transactions. Inventory will rise another 15%, give or take. But we think price increases will once again be very moderate. Another 2% overall increase is a good bet. This is very much in line with historical averages, and will help the market steadily improve. We'll report back a year from now and let you know how we did.

▶ NEIGHBORHOOD ANALYSIS

As always at year end, we present a breakdown of Madison neighborhoods and nearby suburbs, measuring localized changes in the number of transactions, inventories, and 12-month median prices. The numbers are for single-family sales only, as condos are concentrated in a small number of neighborhoods and can distort what's really going on in those neighborhoods. The trends discussed above are evident here, but with local variations. All real estate is local, and this proves it. It's also important to remember that inventories are at their seasonal low point and will increase steadily throughout the year. Your Stark agent can help you make sense of it for your particular situation if a move is in your future.

MLS MAP OF MADISON AND SUBURBS

2025 Median Price†



East Madison	2025 # Sold	Current Inventory	Months of Inventory†	% Change to Median	West Madison	2025 # Sold	Current Inventory	Months of Inventory†	% Change to Median	Other	2025 # Sold	Current Inventory	Months of Inventory†	Median Price	% Change to Median
E01	32	1	0.4	-7.8	W01	8	1	1.5	6.5	Baraboo	157	0	0	275,000	-9.8
E02	21	1	0.6	66.7	W02	23	1	0.5	20.3	Cottage Grove	87	0	0	525,000	8.2
E03	105	4	0.5	6.4	W03	34	5	1.8	-4.0	DeForest	153	0	0	487,000	3.6
E04	56	0	0	-0.3	W04	170	40	2.8	0.6	Fitchburg**	251	25	1.2	528,817	11.4
E05	76	2	0.3	9.5	W05	253	26	1.2	-2.7	Maple Bluff*	21	1	0.6	1,400,000	66.7
E06	1	0	0	*	W06	47	4	1.0	2.1	McFarland	122	0	0	458,950	-6.5
E07	47	2	0.5	3.7	W07	10	2	2.4	4.5	Middleton**	170	40	2.8	572,390	0.6
E08	118	17	1.7	4.5	W08	174	10	0.7	7.0	Monona*	76	4	0.6	471,500	2.5
E09	19	0	0	4.2	W09	164	1	0.1	0.2	Mt. Horeb	78	0	0	466,000	3.0
E10	54	1	0.2	-4.2	W10	32	2	0.8	-4.7	Oregon	192	0	0	483,015	-4.8
E11	152	9	0.7	7.3	W11	56	3	0.6	0.5	Portage	124	0	0	251,750	2.5
E12	93	5	0.6	5.0	W12	57	4	0.8	0	Shorewood Hills**	23	1	0.5	1,495,000	20.3
E13	57	0	0	4.3	W13	108	3	0.3	6.6	Stoughton	208	0	0	399,790	-0.5
E14	76	4	0.6	2.5	W14	55	3	0.7	-5.6	Sun Prairie	373	0	0	450,000	1.1
E15	12	1	1.0	9.2	W15	21	0	0	-17.9	Verona	154	0	0	528,500	-5.9
E16	28	0	0	-0.7	W16	6	1	2.0	-0.5	Wauwaukee	222	0	0	634,950	4.1
					W17	0	0	0	*						
					W18	11	2	2.2	5.3						
					W19	251	25	1.2	11.4						
All East	947	47	0.6	4.0	All West	1,480	133	1.1	2.8						
East Madison's total median price for 2025 was \$410,000					West Madison's total median price for 2025 was \$529,267					Dane County total median price for 2025 was \$480,000 Sauk County total median price for 2025 was \$325,000 Columbia County total median price for 2025 was \$336,700					
											*Included in total median price for East Madison				
											**Included in total median price for West Madison				

Charts in this publication represent sales reported to the South Central Wisconsin Multiple Listing Service (SCWMLS) with closing dates on or before December 31, 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. ©2026 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 1/09/26. This is not intended to solicit existing listings.

DANE COUNTY REAL ESTATE AT-A- GLANCE

QUARTER 4 - 2026

NEWSLETTER - WINTER

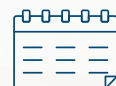
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**All home photos are of properties sold by Stark Company Realtors®*



528

ACTIVE INVENTORY



1.3

MONTHS OF INVENTORY

We are at the seasonal low point, but we expect further growth in 2026. We expect more activity overall in 2026.



\$480K

12 MONTH MEDIAN PRICE



5,008

YEAR-TO-DATE CLOSINGS

Listings remain at a premium, but with rates a bit lower, we should see more in 2026. Prices only rose about 2% in 2025. Expect similar in 2026.