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STEVENS POINT AREA ECONOMIC INDICATORS

First Quarter 2010

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Special Report:
Will My House Ever Be Worth What I Paid?
Central Wisconsin Real Estate Report

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Outlook

The U.S. economy appears to be coming out of the aptly named Great Recession. The recession officially began in December 2007 and at the date of this report has not officially ended as determined by the National Bureau of Economic Research. However, there are some hopeful signs and evidence that the economy is in recovery. The Gross Domestic Product expanded by an annualized rate of 2.2 percent in Third Quarter 2009 and by 5.6 percent in Fourth Quarter 2009. Moreover, GDP grew by an annualized rate of 3.2 percent in First Quarter 2010. Table 1 gives additional data on the national economy.

TABLE 1 NATIONAL ECONOMIC STATISTICS	2009 First Quarter	2010 First Quarter	Percent Change
Nominal Gross Domestic Product (Billions)	$14,178.0	$14,601.4	+3.0
Real Gross Domestic Product (Billions of 2000 $)	$12,925.4	$13,254.7	+2.5
Industrial Production (2002 = 100)	97.6	101.6	+4.1
Three Month U.S. Treasury Bill Rate	0.20%	0.15%	-27.5
Consumer Price Index(1982-84 = 100)	212.7	217.6	+2.3

More importantly, job growth appears to be making a tentative comeback. The Bureau of Labor Statistics reports there were approximately 162 thousand jobs created in March 2010. Even if the temporary workers hired by the government to conduct the 2010 U.S. Census are factored out, the job growth for March was substantial. This is especially true when the results are compared to the job losses that took place over the past twenty six months. Most analysts are forecasting that it will take approximately five years or more to replace all of the jobs lost during the recession. Depending on the data source, the U.S. economy has lost approximately 8.6 million jobs since the beginning of the recession.

The seasonally adjusted unemployment rate in the U.S. was 9.7 percent in March. As bad as this was, it does represent a modest improvement over the 10 percent mark recorded earlier in the year. Most economists see the unemployment rate coming down very slowly over the course of the year. Because the demand for goods and services is forecasted to grow at a modest pace employers seem to be reluctant to expand payrolls. In addition, productivity gains made by firms during the recession have lessened the demand for labor. Further, it will take about 150,000 new jobs per month just to keep pace with the forecasted growth in the labor force. Thus, the unemployment rate will remain stubbornly high and will be slow to come down.

Another positive sign for the economy is the growth in corporate profits. In mid 2006 corporate profits peaked at about $1.7 trillion and then bottomed out at $1.1 trillion in late 2008. Corporate profits have since rebounded to $1.5 trillion. With the resurgence in corporate profitability we might see stronger job growth. Also, trade inventories in the retail, wholesale, and manufacturing sectors are at relatively low levels. Thus businesses are at a point where they are going to have to replenish their inventories. This too bodes well for future job growth.

Consumers, whose expenditures on goods and services account for approximately 70 percent of GDP, are starting to increase their expenditures. Since late 2009 household expenditures have been trending upwards. An example of this is that in February consumption rose by nearly 2 percent when compared to a year ago. Consumers have been battered by the recession, but with the stabilization of the job and housing markets, along with the rebound on Wall Street, consumers may start to spend at a more rapid pace in 2010 and help propel the economy forward.

The Leading Indicators Composite Index has risen sharply from a low of 98 in early 2008 to nearly 108 in February. It is now higher than at any time in the past five years. The LICI measures things like average weekly hours worked in manufacturing, initial unemployment claims, new manufacturing orders, stock prices, the money supply, the interest rate spread between t-bonds and the federal funds rate, and the index of consumer expectations. The LICI is used as a barometer as to the general direction of the economy six months from now. For now the LICI appears to be very positive.

However, there are concerns about the fragility of the nascent recovery. The Federal Reserve has expanded its balance sheet to over $2.6 trillion up from about $1 trillion dollars before the recession. In other words, the Federal Reserve purchased a tremendous amount of securities and has conducted a massive lending campaign to prop up the economy. The meaning of all of this is that the Federal Reserve has pumped in over a trillion dollars worth of liquidity into our nation’s economy in order to prevent a collapse of the financial system and economy. With the economy operating at a relatively low level of activity, inflationary pressure has yet to be a problem. However, when the national and the world economies start to expand at a faster pace, inflationary pressures will build. The Federal Reserve will need to determine when to start the process of liquidity withdrawal and, just as important, it will need to determine the rate of liquidity withdrawal from the economy. If the Federal Reserve waits too long or is too slow, inflation could soar. If the Federal Reserve acts too soon or is too rapid in its withdrawal of liquidity, the economic recovery could be derailed. This is a delicate tight rope that our central bank is walking. Let’s all hope that Ben Bernanke and friends get it right. Otherwise the nation could be in for a rough and wild ride.

There are other concerns about what may derail the fragile recovery. The fiscal stimulus provided by government programs have helped to prop up the economy. However, these programs are going to come to an end. First, they were intended to be temporary measures to help the economy from falling into a depression. Second, concerns about runaway spending and the rising federal deficit will also lessen the probability that these programs will continue. Programs like cash for clunkers, home buying tax credits, and various building projects are eventually going to be phased out. The hope is that the household and business sectors will have enough momentum by then to can carry the economy forward. If these sectors cannot do this, there is a risk that the economy could falter.

Central Wisconsin

In Table 2, the unemployment rates climbed in all reporting areas. In March of this year Portage, Marathon, and Wood Counties saw their unemployment rates rise sharply to 8.4, 10.6, and 10.3 respectively. The labor force weighted unemployment rate for Central Wisconsin rose dramatically from 9.2 to 9.9 percent. Similarly Wisconsin's rate went from 9.4 percent to 9.8 percent and the United States unemployment rate from 9.0 percent to 10.2 percent. Thus, the past year was a very difficult period for a large number of households.

TABLE 2 UNEMPLOYMENT RATE CENTRAL WISCONSIN	Unemployment Rate March 2009	Unemployment Rate March 2010	Percent Change
Portage County	8.2%	8.4%	+2.4
City of Stevens Point	5.6%	8.2%	+46.4
Marathon County	9.4%	10.6%	+12.5
Wood County	9.7%	10.3%	+5.7
Central Wisconsin	9.2%	9.9%	7.6
Wisconsin	9.4%	9.8%	+4.0
United States	9.0%	10.2%	+12.9

Unemployment figures in Table 3 are based on household data. Given the economic turmoil of the past year, it was surprising that Portage County registered a modest 1.3 percent gain in employment over the course of the year. Marathon and Wood County payrolls contracted by 4.3 percent and 5.1 percent respectively over the past year. Central Wisconsin as a whole experienced an employment decline of over 4 thousand jobs. Employment in the three counties fell from 146.3 to 141.9 thousand or by 3.0 percent. The state of Wisconsin lost 2.2 percent of its jobs and the nation lost almost 1.3 percent or an astounding 1.9 million jobs. Thus, the past twelve months have been a really bad period for many households.

TABLE 3 EMPLOYMENT CENTRAL WISCONSIN	Total Employment March 2009 (Thousands)	Total Employment March 2010 (Thousands)	Percent Change
Portage County	39.1	39.6	+1.3
City of Stevens Point	14.4	14.0	-2.9
Marathon County	68.5	65.6	-4.3
Wood County	38.7	36.7	-5.1
Central Wisconsin	146.3	141.9	-3.0
Wisconsin	2,796.1	2,733.3	-2.2
United States	139,833	137,982	-1.3

* Percent change figures reflect data before rounding

Table 4 gives the firm based employment numbers for Central Wisconsin. Over the course of the past year total nonfarm employment dropped from 147.9 to 140.5 thousand or by 5.0 percent. This represents a loss of over seven thousand jobs during the past twelve month period. The only sector of the economy to experience job growth was the education & health services sector. The education & health services sector expanded by about 4 hundred positions or by 1.5 percent. The employment results for all of the other sectors were quite disappointing. Leisure & hospitality sector was hard hit losing 1.0 thousand jobs or over 9 percent of its employment base in Central Wisconsin. The manufacturing and construction sectors were also hit hard by the recession contracting by 9.2 percent and 26.2 percent respectively. Please note at the time this report was written, the data for March was not available from the state.

TABLE 4: CENTRAL WISCONSIN EMPLOYMENT CHANGE BY SECTOR	Employment February 2009 (Thousands)	Employment February 2010 (Thousands)	Percent Change
Total Nonfarm	147.9	140.5	-5.0
Total Private	127.5	120.4	-5.6
Construction & Natural Resources	4.2	3.1	-26.2
Manufacturing	24.9	22.6	-9.2
Trade	23.8	22.9	-3.8
Transportation & Utilities	7.5	7.0	-6.7
Financial Activities	11.4	10.6	-7.0
Education & Health Services	26.7	27.1	+1.5
Leisure & Hospitality	10.8	9.8	-9.3
Information & Business Services	18.3	17.3	-5.5
Total Government	20.5	20.0	-2.4

County sales tax distributions from the state were well behind the levels of a year ago (Table 5). Portage County sales tax distributions fell from $768.2 thousand to $ 692.2 thousand, a decline of nearly 10 percent. Likewise, Marathon and Wood County experienced huge declines as well in their sales tax distributions. Marathon contracted from $1.5 million to $1.4 million or by 9.5 percent, and Wood contracted from $687.6 thousand to $686.8 thousand, or by just 0.1 percent over the course of the past year. These data clearly shows the effect of the recession on economic activity in Central Wisconsin.

TABLE 5 COUNTY SALES TAX DISTRIBUTION	2009 Sales Tax First Quarter (Thousands)	2010 Sales Tax First Quarter (Thousands)	Percent Change
Portage County	$768.2	$692.2	-9.9
Marathon County	$1,545.3	$1,398.7	-9.5
Wood County	$687.6	$686.8	-0.1

* Percent change figures reflect data before rounding

The CWERB's survey of area business executives is reported in Table 6. This group believes that recent changes at the national level have been modestly better. In addition they believe the local economy most definitely deteriorated over the past year. When they were asked to forecast the future they said they expected economic conditions in 2010 to be better than in 2009. They also expressed some guarded optimism for the local economy and their particular industry in 2010. Table 6 also shows that the level of optimism was lower in December 2009 than in March 2010. Needless to say the recent news about the improvement in the national economic conditions had a positive impact on their assessment of the local economy.

TABLE 6 BUSINESS CONFIDENCE	Index Value	
	December 2009	March 2010
Recent Change in National Economic Conditions	54	62
Recent Change in Local Economic Conditions	46	48
Expected Change in National Economic Conditions	60	65
Expected Change in Local Economic Conditions	57	62
Expected Change in Industry Conditions	53	63

100 = Substantially Better 50 = Same 0 = Substantially Worse

Figures 1 through 7 give a historic overview of how the economy in Wisconsin has performed during the 2005-2009 time period. New to this report is Figure 5 which shows the dramatic decline in Wisconsin manufacturing. In 2006 about 508 thousand were employed in manufacturing and at the beginning of 2010 the number of jobs declined to approximately 430 thousand; thus approximately 80 thousand jobs have been lost in this sector. Also new to the report is Figure 7. Figure 7 shows the steep decline in the number of people employed in leisure & hospitality; from about 262 thousand in 2007 to 250 thousand at the start of 2010. Thus about 12 thousand jobs have been lost over the past three years in this sector.

Figure 1: Employment Level: Wisconsin

Figure 2: Unemployment Level: Wisconsin

Figure 3: Unemployment Rate: Wisconsin, %

Figure 4: Labor Force: Wisconsin

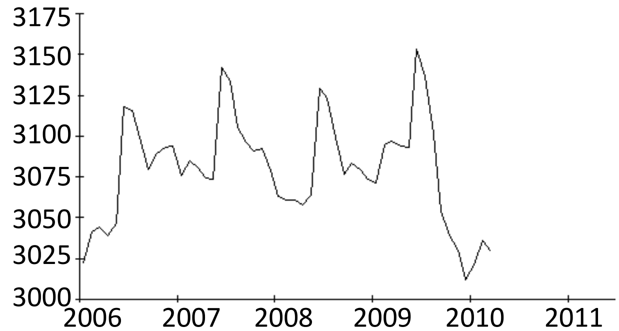


Figure 5: Manufacturing Employment: Wisconsin; Thousands

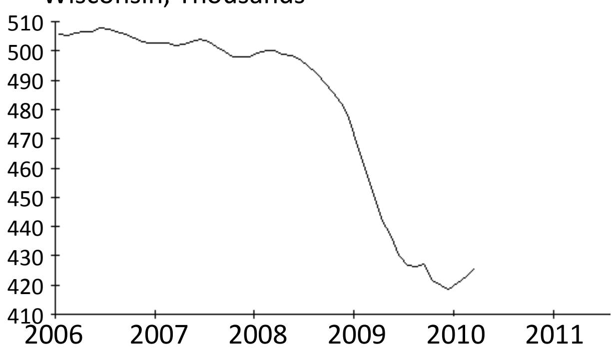


Figure 6: Education and Health Services: Wisconsin

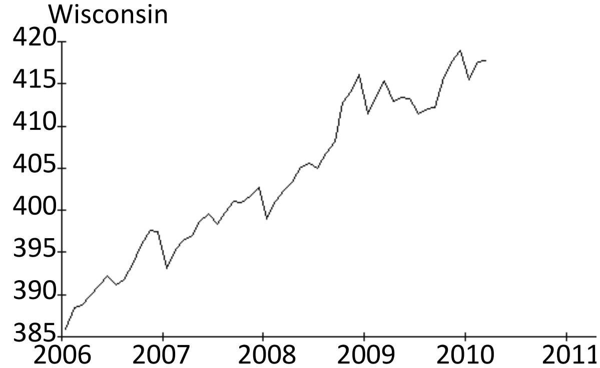
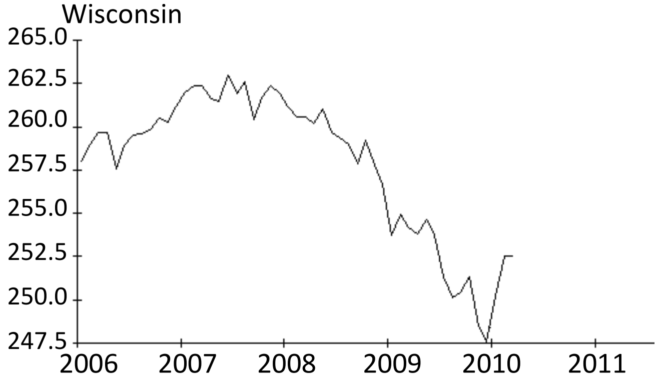


Figure 7: Leisure and Hospitality Employment: Wisconsin



Stevens Point – Plover Area

Table 7 gives employment levels for the year ended in February 2010. Total Portage County nonfarm employment declined by 2.3 thousand positions or by 6.6 percent. The only sectors that did not experience a decline in payrolls were transportation & utilities and education & health services where employment levels were unchanged. All other industrial sectors experienced varying degrees of decline in their payrolls. If not for the aforementioned sectors, the amount of job loss in the county would have been substantially greater. To some extent the stability in these sectors masks the difficulty being experienced by the wider economy. Please note at the time the time the report was written the data for March was not available from the state.

TABLE 7: PORTAGE COUNTY EMPLOYMENT CHANGE BY SECTOR	Employment February 2009 (Thousands)	Employment February 2010 (Thousands)	Percent Change
Total Nonfarm	35.0	32.7	-6.6
Total Private	28.3	26.0	-8.1
Construction & Natural Resources	0.7	0.4	-42.9
Manufacturing	3.9	3.4	-12.8
Trade	5.6	5.4	-3.6
Transportation & Utilities	1.7	1.7	0
Financial Activities	4.4	4.0	-9.1
Education & Health Services	3.6	3.6	0
Leisure & Hospitality	3.3	2.8	-15.2
Information & Business Services	5.2	4.7	-9.6
Total Government	6.8	6.7	-1.5

* Percent change figures reflect data before rounding

TABLE 8 RETAILER CONFIDENCE STEVENS POINT - PLOVER AREA	Index Value December 2009	Index Value March 2010
Total Sales Compared to Previous Year	38	55
Store Traffic Compared to Previous Year	42	52
Expected Sales Three Months From Now	44	59
Expected Store Traffic Three Months From Now	44	57

100 = Substantially Better 50 = Same 0 = Substantially Worse

The CWERB's survey of local merchants improved dramatically in March 2010. Merchants feel that store traffic and store sales were modestly higher than in the previous year. Thus, March 2010 was much stronger than in December 2009 in terms of retail activity. This group also feels that retail activity in the latter part of 2010 will be better than the retail scene of 2009. The significance in all of this is that the general level of optimism expressed in March, was markedly higher than what was expressed in December.

Help wanted advertising is a barometer of local labor market conditions. The index for Stevens Point at the end of March 2010 was lower than the mark of March 2009. Thus, strongly suggesting that the past year was a very bad one for labor market. The information in Table 9 also suggests that 2009 was a rough year for the U.S labor market. Hopefully 2010 will be a better year for job seekers.

TABLE 9 HELP WANTED ADVERTISING	Index Value 2009	 2010
Stevens Point (March) 1980=100	16	13
U.S. (February) 1987=100	12	10

Tables 10, 11 and 12 give valuable insight into how local family financial distress fared in Portage County over the past year. The number of new applications for public assistance fell from 332 to 169 or by 49 percent. The total caseload for public assistance also contracted from 6,921 to 6,652 or by 3.9 percent over the year. Table 11 is new to our report. Table 11 gives a detailed breakdown of public assistance by type for first quarter 2010. Since the data are new to the report we do not have comparable numbers for 2009. In the future we will be able to give year over comparisons for these numbers. In Table 12 the number of new unemployment cases fell by over 6.9 percent when compared to the levels in 2009. In addition and more importantly the total claims number rose dramatically from 2,929 to 3,449 or by about 18 percent over the year.

TABLE 10 PUBLIC ASSISTANCE CLAIMS PORTAGE COUNTY	2009 First Quarter (Monthly Avg.)	2010 First Quarter (Monthly Avg.)	Percent Change
New Applications	332	169	-49.1
Total Caseload	6,921	6,652	-3.9

TABLE 11 PUBLIC ASSISTANCE BY PROGRAM TYPE PORTAGE COUNTY	First Quarter 2010 January	 February	 March	 Average
Medical Assistance (All Programs)	10,783	10,798	10,854	10,812
Food Share (Food Stamps)	5,772	5,817	5,915	5,835
W2 (Paid Cases Only)	19	15	19	18
Wisconsin Shares Child Care	463	441	420	441

TABLE 12 UNEMPLOYMENT CLAIMS PORTAGE COUNTY	2009 First Quarter (Weekly Avg.)	2010 First Quarter (Weekly Avg.)	Percent Change
New Claims	382	356	-6.9
Total Claims	2929	3449	+17.7

Table 13 gives the residential construction data for the Stevens Point-Plover area. In our year over comparison the number of permits issued in First Quarter was 10 and they had an estimated value of $1.6 million. The number of housing units was also 10. We do see when comparing First Quarter 2009 to that of 2010 the residential alteration activity expanded from 80 to 117 permits and the value of this type of this type of activity went up from $516.7 to $986.9 thousand. Thus, it can be concluded from the data that residential construction in 2010 was modestly better than in 2009.

TABLE 13 RESIDENTIAL CONSTRUCTION STEVENS POINT - PLOVER AREA	**2009 First Quarter**	**2010 First Quarter**	**Percent Change**
Residential Permits Issued	6	10	+66.7
Estimated Value of New Homes	$1,134.0 (thousands)	$1,603.0 (thousands)	+41.4
Number of Housing Units	6	10	+66.7
Residential Alteration Permits Issued	80	117	+46.3
Estimated Value of Alterations	$516.7 (thousands)	$986.9 (thousands)	+91.0

TABLE 14 NONRESIDENTIAL CONSTRUCTION STEVENS POINT - PLOVER AREA	**2009 First Quarter**	**2010 First Quarter**
Number of Permits Issued	2	1
Estimated Value of New Structures	$552.6 (thousands)	$1,030.0 (thousands)
Number of Business Alteration Permits	31	43
Estimated Value of Business Alterations	$926.5 (thousands)	$1,721.5 (thousands)

* Includes Stevens Point, Village of Plover, and the Towns of Hull, Stockton, Sharon, and Plover.

The nonresidential construction figures in Table 14 were as follows at the beginning of 2010. The number of permits issued was just one and it had an estimated value of $1.0 million. This is a large increase over the 2009 estimated value of new structures figure. The number of business alteration permits was 43 in 2010 compared to 31 in 2009. The estimated value of alteration activity was $1.7 million in 2010 compared to the 2009 figure of $926 thousand.

Figures 8 through 11 give a historic overview as to how the employment level, the unemployment level, the unemployment rate, and the labor force have trended over the past five years in Portage County. The figures clearly show the impact of the recession on the local economy and put into perspective its magnitude.

Figure 8: Employment Level: Portage County Wisconsin

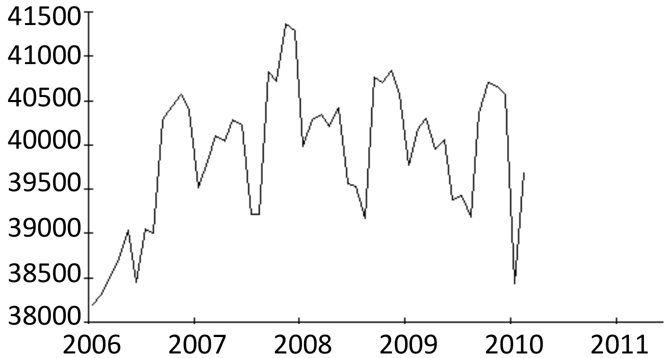


Figure 9: Unemployment Level: Portage County, Wisconsin

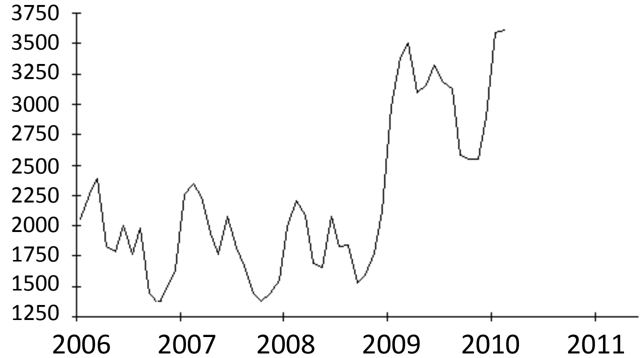


Figure 10: Unemployment Rate: Portage County, Wisconsin

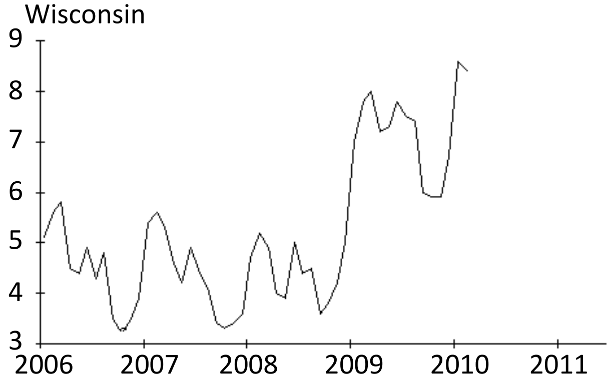
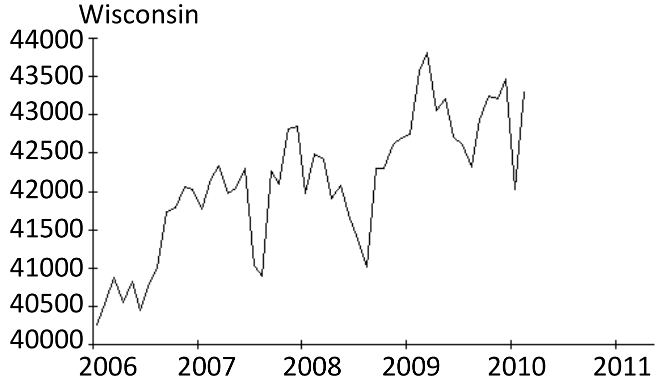


Figure 11: Labor Force: Portage County, Wisconsin



Will My House Ever Be Worth What I Paid??
Central Wisconsin Real Estate Report

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Everyone is aware of the collapse of the real estate market in many areas of the country. It is generally considered that the real estate decline was the catalyst that triggered the worldwide financial crisis. The old joke in real estate is that to understand the market all you need to know are three aspects: Location, Location, and Location. This has been replaced in the current real estate market by the big six, Supply/Demand, Supply/Demand, and Supply/Demand.

Another basic premise to understand the real estate market is that there is no such thing as "One Real Estate Market". Tip O'Neal, former Speaker of the House, said that "All Politics is Local." The same can be said about real estate. This report will cover the basic determinants of value and then apply those principles to the National, Regional, Wisconsin, and then Local Area real estate.

Real Estate Cycle

Nationally, the peak of the real estate market in the U.S. is generally considered to be 2006. This was the turning point from a market that had dramatically increased for the previous 10 years. Unfortunately, there is a presumption that there will be a decline for a substantial period of time. Unlike the business cycle which fluctuates over relatively short 3-7 year period, the real estate cycle is generally 10-20 years.

This cycle can be further segmented into either a Sellers' Market (the upswing) or a Buyers' Market (the downturn) with each of these divided into either a stage 1 or stage 2. (Figure 1) The first step to understanding the current real estate market is to determine where we are in this cycle.

Sellers' Stage 1: Rising Demand and Rising Prices (Early Seller's Market)
- Falling Supply of Homes
- Building Increases
- Low Unemployment
- Prices and Rents Rise
- Demand for Housing is High
- **Median Days on Market (DOM) Still Declining**

Sellers' Stage 2:
- **DOM Rise Dramatically**
- Number of Properties on Market Increase
- Speculation is common
- Housing Starts Rise
- Prices for Construction Materials Increase

- Business and Job Growth Slows

Buyers' Stage 1:
- **Excess Supply of Properties**
- **Prices** and Rents Fall
- Demand Decreases/**Unemployment is High**
- **DOM Peaks/ Foreclosures Climb**
- New Construction Suffers
- Investment Property Prices Fall to New Lows

Buyers' Stage 2:
- Market **Absorbs Excess Supply**
- **DOM Falls**
- **Unemployment Falls**
- Rehabbing increases/Rents Increase
- Investment Values Increase
- Foreclosure Rates Fall

A cursory look at these criteria indicates that the overall market is now probably in Stage 1 of a Buyers' Market. These criteria should be separately applied to any market analysis being performed.

Supply and Demand

To understand what is happening in a marketplace, it is necessary to understand Supply and Demand. With this understanding it is possible to look at what has been happening to the prices, and the quantity being sold, and make an evaluation of what might be causing the observed prices and unit sales.

Fundamentally there are only four basic scenarios. Table 1 illustrates the typical relationships.

Table 1: Supply and Demand for Housing

Price Direction	Unit Sales Volume Direction	Probable Cause
Price UP	Units Sold UP	Demand is UP
Price DOWN	Units Sold DOWN	Demand is DOWN
Price UP	Units Sold DOWN	Supply is DECREASING
Price DOWN	Units Sold UP	Supply is INCREASING

With this foundation in place, you can now look at the specific data in a particular market and get an initial understanding of what might be happening.

National and Regional Market

Table 2 and Table 3 summarize the price and sales trends for the national and regional markets. This data is reported by the National Association of Realtors. 2006 is generally believed to have been the peak of the previous real estate cycle.

Table 2: Median Prices

Year	U.S.	Northeast	**Midwest**	South	West
2006	$221,900	$271,900	**$167,800**	$183,700	342,700
2007	219,000	279,100	**165,100**	179,300	335,000
2008	198,100	266,400	**154,100**	169,200	271,500
2009	172,100	243,200	**142,900**	155,000	215,400
3 Yr % Δ	-22%	-11%	**-15%**	-16%	-37%
LY % Δ	-13%	-9%	**-7%**	-8%	-21%

The last three years in the national and all regional markets have seen fairly substantial price declines. The table shows the overall 3 year percentage change and the most recent year price change. This reinforces our earlier observation that the country as a whole seems to be in Stage One of a Buyers' Market.

The West has seen the largest declines which are to be expected given that the West saw the largest increases during the upswing in the previous real estate cycle. The Midwest has seen more moderate price declines. The real question is how low will it go, before turning to the upside.

Table 3: Existing Home Sales

Year	U.S.	Northeast	**Midwest**	South	West
2006	6,478,000	1,086,000	**1,483,000**	2,563,000	1,346,000
2007	5,652,000	1,006,000	**1,327,000**	2,235,000	1,084,000
2008	4,913,000	849,000	**1,129,000**	1,865,000	1,070,000
2009	4,566,000	641,000	**1,067,000**	1,745,000	1,113,000
3 Yr % Δ	-30%	-41%	**-28%**	-32%	-17%
LY % Δ	-7%	-24%	**-5%**	-6%	4%

Existing home sales have demonstrated the same trend as prices over the past three years. All regions have seen substantial declines over the past three years with sales still falling during the past year. Again, the Midwest has shown the least decline of any of the regions. The only exception to this is the West which in 2009 actually saw a positive bump in unit sales. This was largely caused by a high level of distressed sales of foreclosed properties.

With the data from Table 2 and Table 3, we refer back to the Supply and Demand indicators in Table One. Prices and Units Sold have declined leading to the conclusion that the cause is low demand. This is probably a result of the declining overall economy. With so much angst in the general economic situation, people are reluctant to commit to home purchases. This lack of demand combined with the problems in the banking and credit markets which make banks much more cautious have contributed to the declining prices and sales. Only the West is bucking this trend with prices still declining, but an increase in unit sales. This indicates an increase in the supply of homes in their marketplace.

Table 4 shows the trends in the National Inventory. Inventory is a key indicator of what is happening on the supply side of the equation. The trend from 2006 through 2008 showed the supply of homes increasing substantially which is consistent with the price declines of the overall market. The months of Supply indicate the rate of absorption for the market i.e. how many months would it take to completely sell off the current inventory at the current rate of monthly sales. The bright side of the entire analysis so far is that in 2009, the market has seemed to reverse the trend and is rapidly eating into the supply of homes. If this trend continues, it will eventually start placing upward pressure on prices.

Table 4: National Inventory

Year	Inventory	Mos. Supply
2006	3,450,000	6.5
2007	3,974,000	8.9
2008	3,700,000	10.5
2009	2,760,000	8.3

Before we start celebrating, an anomaly in the market place should be examined. In 2009 the Federal Government initiated an incentive program to subsidize first time homebuyers with an $8000 tax credit for those who purchase a home. In addition, the program was announced with a well publicized ending date which created a marketing frenzy urging eligible buyers to buy a house before the program expired. This operated much like the “Cash for Clunkers” program in the auto industry. The program was so successful that it was renewed into 2010. It was even expanded to offer a $6,500 tax credit to any existing homeowner who buys a new home. The fear is that the housing recovery will stall when the program expires in April 2010.

One promising sign is that 67 out of 151 Metropolitan Statistical Areas in the country saw their prices rise in the latest annual time period. Of those, 16 markets were up by double digits.

Another very positive development is affordability. For sellers, the recent trends are viewed by many as a disaster, but for buyers it is nearly ideal. Lower prices, historically low interest rates cause the affordability index to be the best it has been in many years. Table 5 illustrates the national Home Affordability Index (HAI).

Table 5: Affordability Index

	Median Priced Existing Single-Family Home	Mortgage Rate*	Monthly P & I Payment	Payment as a % of Income	Median Family Income	Qualifying Income**	**Composite**
2007	217,900	6.52	1104	21.7	61,173	52,992	**115.4**
2008	196,600	6.15	958	18.1	63,366	45,984	**137.8**
2009	172,100	5.14	751	14.6	61,845	36,048	**171.6**

The key number here is the last column, the composite index number. To interpret the indices, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that families earning the median income have more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20 percent down payment. For example, a composite HAI of 120.0 means a family earning the median family income has 120 percent of the income necessary to qualify for a conventional loan covering 80 percent of a median-priced existing single-family home. An increase in the HAI, then, shows that this family is more able to afford the median priced home. An index number of 171.6 means that a family earning the median family income has nearly 172% of the income necessary to purchase the median priced home. This opens home ownership to many households who could not have considered buying during the boom period with prices peaking in 2006. Unfortunately, this is tempered by the assumption that the buyer has the necessary 20% down payment. On the $172,100 median priced home this would mean the potential buyer would need almost $35,000 saved for a down payment. This is a big hurdle, along with the outstanding credit being required by the current lending environment. This can help to explain why even with much lower prices, our earlier analysis indicated the primary problem was lack of housing demand. This is the difference between demand (people who want to buy) and effective demand (people who CAN buy).

Wisconsin & Local Markets

In general, Wisconsin has experienced similar price and sales changes as the Midwest has. Prices have declined in the last year by 7.7 percent and currently the median price is $143,000 for the state. Sales activity in 2009 was approximately the same as in 2008. Sales were very weak in the first half, but rebounded in the second half, particularly the fourth quarter. This boost in activity probably reflected the effect of the

Federal Home Buyer Tax Credit. Most regions of the state saw price declines in 2009 with unit sales actually increasing. From the earlier supply and demand analysis, this would be indicative of an increasing supply of homes.

The Central Region of the state was the only area in Wisconsin that actually saw overall prices rise in the last year. Accompanying this price rise was a corresponding rise in the number of houses sold based on Fourth Quarter to Fourth Quarter changes. Sales were up by 24.3 percent for the most recent period. This is an indicator of increasing demand in the Central Region. Median prices for the Central Region in the Fourth Quarter of 2009 were $117,000.

Table 6: Wisconsin Regional Trends

Region	Median Price Change	Existing Home Sales Change
Southwest	-3.2%	27.1%
South Central	-3.1%	33.5%
West	-0.8%	29.5%
Northeast	-5.5%	29.2%
Central	**6.4%**	**24.3%**
North	-4.1%	19.2%

The following data on our four local markets was developed by the Central Wisconsin Board of Realtors; Marshfield, Stevens Point, Wausau, and Wisconsin Rapids. Our local markets seem to be quite different than the National and State trends.

Table 7: Local Area Median Prices

Year	Marshfield	Stevens Pt	Wausau	Wis Rapids
2006	105000	132250	129000	85000
2007	111000	134700	129900	94950
2008	110000	135000	125000	84450
2009	114900	130000	129450	87000
3 Yr % Δ	9%	-2%	0%	2%
LY % Δ	4%	-4%	4%	3%

With the exception of Stevens Point, the local area has had either stable or slight increases in median prices over the past three years. Marshfield has actually increased by almost 10 percent during the period. Stevens Point saw only a small decrease in prices.

Table 8: Local Units Sold

Year	Marshfield	Stevens Pt	Wausau	Wis Rapids
2006	535	687	1587	546
2007	569	656	1511	482
2008	516	504	1244	366
2009	530	528	1164	430
3 Yr % Δ	-1%	-23%	-27%	-21%
LY % Δ	3%	5%	-6%	17%

The largest impact of the national housing decline can be seen in the unit sales figures. All local areas saw a decline in the number of sales. The decline in Marshfield was negligible over the past three years, but the other three areas were down by over 20 percent. 2009 saw not only positive increases in price, but also a recovery in sales volume.

The analysis of these local markets really highlights the earlier statement that “All Real Estate is Local.” Table 9 summarizes the four markets over the past three years and most recent year using our supply and demand framework.

Table 9: Supply and Demand Causation

	3 Yr Price Trend	3 Yr Sales Trend	S and D Cause	Last Yr Price Trend	Last Yr Sales Trend	S and D Cause
Marshfield	UP	DOWN	**Supply Down**	UP	UP	**Demand Up**
Stevens Point	DOWN	DOWN	**Demand Down**	DOWN	UP	**Supply Up**
Wausau	NO CHANGE	DOWN	**???**	UP	DOWN	**Supply Down**
Wis Rapids	UP	DOWN	**Supply Down**	UP	UP	**Demand Up**

Marshfield and Wisconsin Rapids seem to have been affected by a decreasing supply of housing during the three year period, but what now seems to be the controlling factor is that effective consumer demand is rising and receiving inventory. The three year trend in Wausau and Stevens Point seems to be primarily caused by decreasing consumer demand. However, for the current year the causes seem to diverge. For Stevens Point, the cause seems to be an increase in the supply of homes, while for Wausau, the supply of homes seems to be decreasing.

Buyers’ or Sellers’ Market

Two additional measures are very useful for understanding the local health of the real estate market. Table 10 is the median number of days a house is on the market before it sells. Generally speaking, if this number is getting larger, it is getting more difficult to sell a house, and vice versa. The longer the typical house is on the market however, the more leverage the buyer has in the transaction. So, just as we mentioned earlier, one family’s problem is another family’s opportunity. When this number changes direction, it is often seen as the beginning of a change between buyers’ and sellers’ market.

Table 10: Median Days Market

Year	Marshfield	Stevens Pt	Wausau	Wis Rapids
2006	107	99	104	107
2007	119	97	102	95
2008	105	105	104	107
2009	115	99	116	131

This indicator shows that the markets in Marshfield, Wausau, and Wisconsin Rapids are becoming more difficult for sellers. It is clear that these markets have not yet moved into the Second Stage of the Buyers' Market which is normally triggered by a reversal in the upward DOM trend. Only Stevens Point seems to be in this situation. Unfortunately, the Home Buyer Credit distortion makes it impossible to draw any real conclusions from the evidence.

The second indicator, Table 11, the Sales Price to Listing Price ratio is very informative. If this ratio is much lower than 100 percent it means that sellers seem to have less leverage and are getting more desperate to sell.

Table 11: Sales Price/Listing Price Ratio

Year	Marshfield	Stevens Pt	Wausau	Wis Rapids
2006	96	97	98	95
2007	94	98	97	96
2008	93	96	96	98
2009	94	96	93	92

The Wausau and Wisconsin Rapids markets seem to be the strongest buyers' market according to this indicator. A typical seller is agreeing to a 7 or 8percent discount from their asking price. Both of these markets are down for both the three year period and most recent year. Marshfield and Stevens Point have been relatively stable over both of these time periods.

Conclusion

Analyzing the real estate market is extremely complex as can be seen by the varying indicators. Identifying trends is easy compared to trying to draw meaningful conclusions based on objective data. Conclusions will also depend on the location of the real estate market. So, when will your house be worth what you paid for it? Looking at national data alone, you may conclude that it will be a very long time, maybe as long as ten years. Looking at state data, it may be at least five years. One must remember, however, that there are no national or statewide real estate markets; all real estate markets ultimately are local. From this perspective, your house is probably worth what you paid for it, even now!

Table 12: Summary of Median Prices

National	$172,000
Wisconsin	$143,000
Central Region	$117,000
Local	
Marshfield	$114,900
Stevens Point	$130,000
Wausau	$129,450
Wisconsin Rapids	$ 87,000