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home WISCONSIN

THE VOICE OF THE WISCONSIN HOMEOWNERS ALLIANCE

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wisconsin homeowners alliance

VOICES FROM THE KITCHEN TABLE

Buyers and Sellers—The Market Is Changing and So Are They

Editor's Note: *The old question of whether home buyers and sellers do better on their own or with a professional REALTOR® surfaced again recently when two Northwestern University professors released a study on the Madison, Wis. market, which they say indicates that, at least in that market, buyers and sellers do about as well price wise on their own as they do when using a REALTOR®. It is important to note, of course, that Madison is not a typical market and that the study focused almost exclusively on pricing and does not appear to have examined a number of the other critical service elements involved in selling and buying a home. As luck would have it, just before the report was released, your Wisconsin Homeowners Alliance was listening to homeowners across Wisconsin talk about their home buying and selling experiences. We think you'll find their comments interesting and instructive.*

Young professionals are driving the market today

Wisconsin continues to lead the national average slightly in terms of the percentage of people who own their own homes. Nationwide the number is 66 percent, while here in Wisconsin about 68 percent or nearly three million people own homes.

A little more than half (53%) of our Wisconsin homeowners tell us they have sold a home at some point in time. Not surprisingly, older homeowners are more likely to report having sold a home than younger homeowners. So, for example, while less than 20 percent of those under age 34 say they have sold a home, nearly two-thirds (62%) of those 55 and older say they have sold a home. Interestingly, more than half of those ages 35 to 44 (56%), those who describe themselves as white collar workers (54%) and those making more than $80,000 a year (61%) report having sold their homes.

An examination of how recently people sold their homes reveals an even more important piece of information about today's market. About one in four homeowners report selling a home within the past five years. Another 20 percent say they sold a home six to 10 years ago, while more than half (54%) indicate that their home selling experience occurred more than a decade ago.

When one looks more closely at the 26 percent of homeowners who said they sold homes within the past five years, an interesting profile emerges. While those between the ages of 35 and 54 comprise less than 40 percent of the population reporting sale of homes, they account for two-thirds of those reporting home sales in the past five years. In today's market, the 35- to 44-year-old population is particularly important. Two-thirds of this population report having college or post college degrees, and of those who are employed, nearly two-thirds view themselves as white collar workers. Also, nearly half of those 35- to 44-year-olds who are employed full time report incomes in excess of $80,000 a year and a sizeable majority (63%) ages 35 to 44 are women. More importantly, 60 percent of this group reported selling a home in the past five years and they accounted for more than one in three (38%) of all reported recent sales.

Use of REALTORS® more likely—satisfaction greater—in today's market

Approximately two-thirds (63%) of homeowners who sold their homes more than 10 years ago report using a REALTOR® to help sell their homes, while more than three out of four (78%) recent home sellers say they used a REALTOR®. Similarly, while 60 percent of those older than 65 say they used a REALTOR® when selling a home, 83 percent of those ages 35 to 44 and 72 percent of those ages 45 to 54 say they used a REALTOR®.

Two out of every five people (40%) who sold their homes more than 10 years ago said they were very satisfied with the "REALTOR® who helped [them] buy or sell [their] home." Nearly half (49%) of those who sold their homes within the past five years describe themselves as very satisfied.

The economy continues to be of concern

More than half of Wisconsin homeowners (55%) believe that their local economy is worse off today than it was a year ago, and two-thirds say they have less money left over at the end of every month than they did a year ago.

Similar percentages of young professionals in the 35 to 44 age bracket who have driven recent home sales express similar concerns. However, much higher percentages of the slightly older 45- to 54-year-olds who also helped drive recent sales report concerns about the economy and disposable income levels. For example, 70 percent of this group says their local economy is worse off now than a year ago, and three out of four (76%) say they have less money at the end of each month.

More changes coming

The most recent Wisconsin Homeowners Alliance survey of Wisconsin homeowners confirms that young professionals recognize the need for, and appreciate the professional skills Wisconsin REALTORS® provide. It also underscores the fact that REALTORS® have played a major role in helping these young families find the housing they needed at a price they could afford.

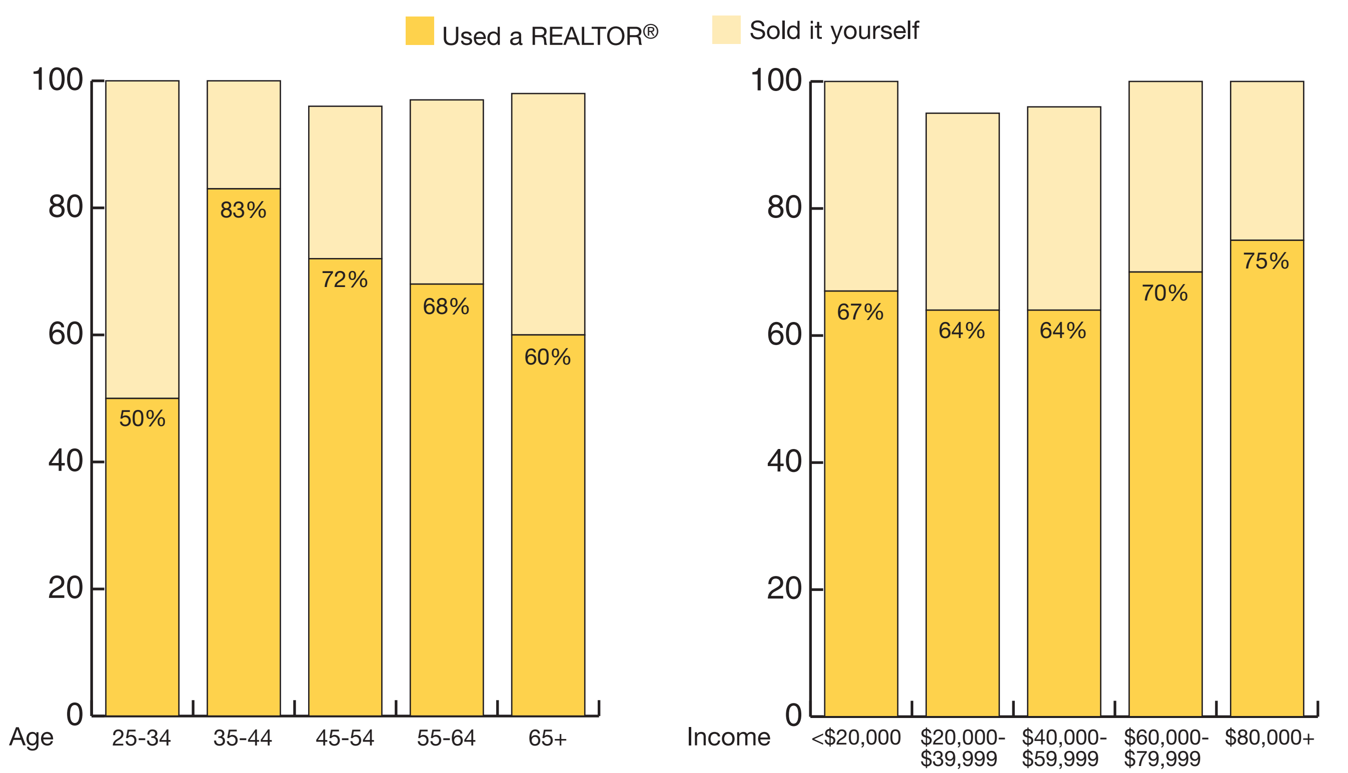
As we acknowledge these two major accomplishments, we should, however, pay close attention to how other factors may affect the market. For example, Wisconsin's 65 and older age group is growing. This age group currently owns more than a half a million homes in our state and 38 percent of the respondents in this group reported that they sold a previous home by themselves, which means that as many as 200,000 homes could go on the market in the foreseeable future without the help of a REALTOR®.

Also of concern—the availability and affordability of housing for the next generation of young professionals Wisconsin is desperately trying to attract; and, how rising costs and taxes will affect the more than 500,000 homeowners between the ages of 45 and 54 in terms of home sales and other home-related costs, like the purchase of major appliances and investments in maintenance and repairs.

In short, there is a great deal of positive news in our most recent findings. But, we are also reminded, once again, how sensitive the housing market is to changes in the economy, taxes, the cost of living, and the age and economic wellbeing of our population.

THE FINDINGS

When you sold your home did you use a REALTOR® or did you sell it yourself?



Rising Pressure on Homeowner Budgets Increase Sensitivity to Taxes

A periodic look at how homeowners feel about their homes, what they are and are not spending money on in their homes and what sets their teeth on edge

For most of us, our homes are the largest single investment we'll ever make. And, we all know that the investment doesn't stop with the purchase. It grows dollar by dollar each year as we pay the mortgage interest, the property taxes and the home insurance premiums. Major and minor repairs, landscaping, second mortgages and interior decorating also add up for many of us.

These expenditures are a large part of most Wisconsin family budgets and play a major role both in funding local schools and services and fueling the private sector economy. This critical relationship between homeowner incomes and budgets on the one hand, and public service revenue demands and retail sales, manufacturing and employment on the other, is under great pressure at the moment. In one recent poll, more than eight in 10 Wisconsinites said they think the cost of basic items, such as groceries, gasoline, utilities and health insurance, is more expensive than it was a year ago. In addition, nearly two-thirds (60%) said they thought the price of basic goods and services was going to get worse. Most telling perhaps is the fact that more than half of Wisconsin homeowners believe the local economy in their area is worse than it was a year ago, and two-thirds report that they have less money left at the end of each month today than they did a year ago.

Given these concerns and financial pressures, it is worth determining which of these items homeowners were most likely to spend money on and which they viewed as costing them the most. So, in our most recent survey we read our respondents "…a list of things people tell us they have spent money on as a result of their being homeowners…," and asked them to tell us, "…whether you and your family have spent a great deal of money, a fair amount of money, not too much money, practically no money or no money at all on each of the items."

Not surprisingly, most of us spent money on buying our homes, paying mortgage interest, purchasing home insurance and covering our property taxes. Less than half of us spent money on second mortgages, major or minor home repairs, or landscaping. Just over half (52%) spent money on interior decorating.

What may come as a surprise, however, is the fact that homeowners identified property taxes as the single item they were most likely to spend money on and as the item they were most likely to spend a "great deal of money" on. Nine out of 10 said they had spent either a great deal (38%) or a fair amount (53%) on paying property taxes. By way of comparison, nearly 80 percent said they had spent either a great deal (19%) or a fair amount (60%) to purchase their home, while two-thirds said they had spent either a great deal (17%) or a fair amount (49%) on mortgage interest.

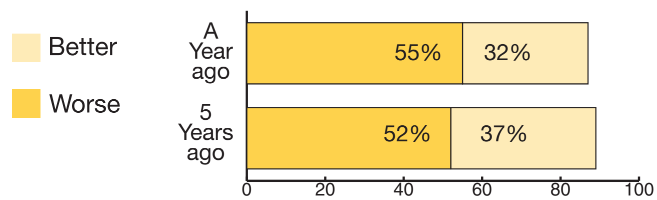
It may also be important to note that the age groups most likely to have sold a home in the past five years are most likely to report having spent a great deal of money on their property taxes. Specifically, the 35- to 44-year-old age group accounted for 38 percent of all sales in the past five years, and 44 percent of this population reported spending a great deal on property taxes. The 45- to 54-year-old age group accounted for 28 percent of all sales during that time and nearly half (49%) said they spent a great deal on property taxes. These responses are particularly telling when one notes that less than a third (30%) of all other age groups reported spending a great deal on property taxes.

These responses suggest that homeowner resistance to tax increases of any kind is significant and unlikely to diminish anytime in the near future. Rising prices, a feeling that they are cash poor, and concerns about their local economies fuel this resistance. An ill-defined sense that government is inefficient fans the flames. Asked recently, for example, about their reaction to state and local government claims that they needed more money, nearly nine out of 10 homeowners said either that, "Government doesn't need more of my money. It needs more efficiency, productivity and creativity and until I see more of that, I'll probably oppose most tax increases," (58%) or "The issue for me isn't whether they need it or not, it's whether I can afford it. I can't; so, I'm going to oppose tax increases that cost me money I don't have," (28%).

The bottom line on all of this appears to be that everyone's bottom line is getting more expensive. Homeowners have already cut back on most of the small "luxuries" we enjoyed. We can't do much about our mortgage rates, or the cost of groceries, gas and health care. That may leave us focused on taxes and the services they pay for. Most homeowners value their local services; so, as the pressure increases, we may want to set the slogans and bumper stickers aside and start searching for new approaches to funding local services that will protect our quality of life without putting an unfair burden on our

THE FINDINGS

When you think about how things are going with the local economy in your area, would you say the economy in your area is in better or worse shape than it was a year ago? Five years ago?



DID YOU KNOW?

Wisconsin Residents Are Resistant to Tax Increases

Debate over the state budget has prompted new talk about taxes and fees needed to fund government spending. A new survey by the Wisconsin Homeowners Alliance shows Wisconsin residents are resistant to the idea of tax increases both because of their belief that government needs to operate more efficiently and because they are financially strapped.

However, the survey also shows a few types of tax increases may be more acceptable than others. While 14 percent of residents grudgingly say they would be willing to pay higher taxes if "there's no other way to make sure important services are provided," the survey shows residents do make distinctions about the relative merits of different tax proposals that have been discussed in conjunction with the state budget.

For example, the state budget proposal includes a measure to increase the tax on cigarettes sold in Wisconsin, from the current 77 cents per pack to $2.02 per pack. The increase would raise an estimated $507 million in new state revenues.

Wisconsin homeowners appear to support arguments of cigarette tax proponents who say the higher per pack taxes will help discourage children from smoking and encourage others to quit. Fifty-nine percent say the higher tax is "a good way of raising money from 'Big Tobacco'" despite concerns about their personal finances.

Women are more likely than men to support the idea of higher cigarette taxes, 61 percent to 57 percent, with the highest support for cigarette taxes coming from young women aged 18 to 34 at 77 percent.

Homeowners were also asked which methods of taxation they would prefer to see used in order to provide additional revenue to meet the needs of local governments. Although public sentiment was clearly on the side of "no tax increases of any kind," (44%), and "increasing productivity of local governments so they don't need as much money," (33%), an "increase in the sales tax" was viewed as the least objectionable way to raise additional funds, with 17 percent support.

Also under discussion in the Legislature is a proposal to tax oil companies for the gasoline they sell in Wisconsin. However, homeowners do not appear inclined to believe arguments that the tax increase would not affect consumers. Although proponents of the oil company tax say the proposal would make it illegal for companies to pass the tax along to consumers, 82 percent of people believe consumers would end up paying more at the pump.

Perhaps because Wisconsin residents place such a high value on the benefits of home ownership, they also stand firmly opposed to a measure that would double the amount of the state's transfer tax—that is, the amount of tax sellers pay to transfer the title of a home.

Under one proposal, the tax would rise from $3 per thousand dollars of value to $6 per thousand dollars of value. So, for example, someone selling a home for $150,000 would have to pay $900 instead of the $450 they would pay under the current transfer tax. Even though the tax would only affect people actually selling their homes, nearly eight in 10 state residents say the proposal is a "bad idea."