An Examination of Housing Prices, Mortgage Foreclosures and Residential Building Permits in the US, Wisconsin, and the Chippewa Valley

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We gratefully acknowledge funding support from the UWEC Office of Research and Sponsored Programs and Differential Tuition as well as Xcel Energy and Northwestern Bank of Chippewa Falls.

An Examination of Housing Prices, Mortgage Foreclosures and New Residential Building Permits in the US, Wisconsin, and the Eau Claire Metropolitan Statistical Area.

Nearly all Americans have been impacted by the recent economic crisis. Perhaps the most far-reaching effects of this economic downturn have been associated with the housing market as well as the building and construction industries. Mortgage foreclosures have risen dramatically, housing prices have plummeted, home sales are stagnant, and new home construction has stalled. Our research tracks recent developments in each of these areas and compares the impact of this recession to other periods of economic turmoil in the US. In addition, we will examine the regional and local effects the current recession in Wisconsin and the Eau Claire Metropolitan Statistical Area (EC).

Residential Building Permits

In this section we examine the relationship between single family residential building permits and economic downturns for the US, WI, and EC. Figure 1 shows an index of the annual number of single family residential building permits issued for each area from 1980-2008.

In general, declines in residential building precede economic downturns with some exceptions. Specifically, building in all areas was already on the decline when our data begins in 1980 and continuing to drop through 1982. Figure 1 shows a decline in building between 1980-82 with the US, WI, and EC falling by 23.1%, 33.3%, and 31.5% respectively. Again looking at Figure 1 for the years 1986-92, the US experienced a decline in building between 1980-82 with the US, WI, and EC falling by 23.1%, 33.3%, and 31.5% respectively. Figure 2 illustrates the same trends described above for the total value of single family residential building permits in all three areas.

Existing Home Sales Market

In this section we examine the relationship between existing home sales and economic downturns for the US, WI, and EC. Figure 3 shows the number of existing homes sold for each area from 2000-2008 indexed from the base year 2000.

In general, the US, WI, and EC followed the same trend over this period. The number of homes sold increased in all three areas from 2000-05 and has subsequently decreased in all three areas ever since. The increase in home sales during the boom period was larger in EC than in both the US and WI.

Figure 4 shows that real median home price increased 27.2%, 20.4%, and 11.4% in the US, WI and EC from 2000-06. In contrast, real median home prices have been falling since 2006. From 2006-2008 prices fell 9.8%, 9.7%, and 2.2% in the US, WI, and EC, respectively. It is also important to note that US home prices are significantly higher than they are in both WI and EC.

Foreclosure Filings

In this section, we examine the home foreclosure filings for the US, WI and EC. Figures 6-8 show total foreclosure filings for the given areas over the period 2006-08.

The overall trend for foreclosure filings is clearly rising. In EC filings have more than doubled from 127 in 2006 to 316 in 2008 (+148.8%). WI saw foreclosure filings more than tripled from 7372 in 2006 to 26,164 in 2008 (+223.8%). Total foreclosure filings for the US doubled from 1.24 million in 2006 to 3.18 million in 2008 (+113.8%).

The increase in residential building and home sales between 2000-05 actually coincided with falling home mortgage rates (Figure 9). As the increase in mortgage rates could be the result of a reactionary lowering of interest rates (Figures 1 and 3) actually coincided with falling home mortgage rates (Figure 9). At the same time, interest rates increased followed by a rise in foreclosures. The subsequent decline in mortgage rates could be the result of a reactionary lowering of interest rates by the Federal Reserve Bank.

Data Sources

United States Census Bureau
RealtyTrac
Coldwell Banker
Economagic