



Wisconsin **REALTORS®** Association

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## **WISCONSIN HOME SALES OUTPERFORM MOST STATES**

**Madison** – Softening sales but steady home values in the third quarter made Wisconsin’s housing market stronger than many other states, according to figures released by the Wisconsin REALTORS® Association (WRA). The sale of existing homes in the third quarter fell 9.8 percent compared to the same quarter last year, but median prices actually rose 2.4 percent according to the REALTORS® report.

“While home sales in Wisconsin have certainly slowed when compared to the record levels of 2005, our local markets are far less volatile than housing markets elsewhere in the country,” said WRA Chairman Michael Spranger. “While our markets don’t rise as quickly during periods of rapid economic expansion, the good news is they don’t fall as far when the market contracts either,” he noted. “We’re not in the same kind of trouble you read about in other markets around the country. The fundamental elements of a stable real estate market remain strong in Wisconsin.”

Key points about third quarter housing sales in Wisconsin:

- Home sales in Wisconsin outperformed the nation, which dropped 13.7 percent in the third quarter, and the Midwest region, which fell 10.8 percent over the period.
- Wisconsin’s experience was similar to some Midwestern states (Iowa was down 9.3 percent and Indiana was off its Q3 2006 pace by 9.4 percent) and better than others

(Ohio was down 11.6 percent, Illinois fell 17.6 percent, and Minnesota dropped 20.2 percent over the period). Only Michigan, which is coming off a huge slide in sales volume since 2001, fell at a slower pace this quarter (-4 percent).

- Declines in other parts of the country were much higher, with existing home sales volume sliding 21.5 percent in the West and sales down 14.3 percent in the South over the period.
- Among the worst performing states in terms of existing home sales in the third quarter were Nevada (-35.3 percent), Florida (-32 percent), Arizona (-30.9 percent), Maryland (-28.6 percent) and California (-27.8 percent).

Unlike other regions of the country, Wisconsin's median home prices actually rose by a modest margin (+2.4 percent) over the Q3 2006 to Q3 2007 period. "This should dispel any notion that Wisconsin is in the midst of a real estate bubble," said WRA President William Malkasian. "While this is a great time for buyers to get into the housing market as interest rates remain low and inventories are healthy, housing remains an excellent way to maintain and grow household wealth," said Malkasian.

Key points about third quarter median prices in Wisconsin:

- Since sales peaked in 2005, statewide median prices have continued to rise, increasing 7.5 percent since the first quarter of 2006.
- All regions, with the exception of the Western region of the state, experienced slight to modest median price appreciation in Q3 2007 as compared to Q3 2006. The reduction in the median price in the West was primarily due to weakness in the Wisconsin suburban counties around Minneapolis.
- The majority of counties experienced moderate increases in their median sales price in the third quarter. Those counties that reported substantial changes in median prices (either up or down) most likely experienced a change in the mix of homes that sold in Q3 2007 as compared to Q3 2006.
- Mortgage rates remain low and stable with 30-year fixed rate mortgages at 6.38 percent in September. Recent Federal Reserve actions should keep interest rates low for the foreseeable future, and mortgage rates are a key determinant of home sales.

Much of the current market concerns focus on lending and credit issues according to the REALTORS®. "Lax underwriting standards that existed in the subprime mortgage market have largely been corrected, but not before they created serious problems in financial markets and in a number of housing markets, especially in the Western and Southern regions of the country," said Malkasian. "While quick action by the Federal Reserve has helped to mitigate the immediate crisis, this problem will continue to impact some regional housing markets. However, it is important to emphasize that

the Wisconsin housing market is far less impacted by the subprime mess than places like California, Nevada, Arizona, and Florida as indicated by foreclosure figures,” said Malkasian. “Wisconsin has a smaller fraction of its mortgage loans that are subprime than is the case elsewhere, and our foreclosure rate is only about one third the rate of the nation, and far lower than the rate of these problem states,” he noted.

Key points about subprime mortgage issues in Wisconsin:

- According to the Chicago Federal Reserve Bank, Wisconsin’s share of the mortgages that are subprime was below the national average at the end of 2006.
- According to RealtyTrac, a leading national firm that maintains the most comprehensive database tracking foreclosures, the rate of foreclosure eased slightly nationwide in September relative to August of this year, but still remains far above the levels of last year.
- Nationally, there was one foreclosure for every 566 households in the U.S. in September, and in contrast, there was one foreclosure for every 1,669 households in Wisconsin for that same month.
- According to RealtyTrac’s September 2007 analysis, the states with the most serious problems with foreclosures include:
  - o Nevada (one for every 185 households)
  - o Florida (one for every 248 households)
  - o California (one for every 253 households)
  - o Michigan (one for every 314 households)
  - o Arizona (one for every 316 households)
  - o Georgia (one for every 458 households)

While sellers would always prefer stronger markets, a softer market represents an excellent opportunity for buyers according to the REALTORS®. “Many communities are seeing increasing inventories, which, when combined with the current low interest rate environment, affords many credit-worthy first-time buyers the opportunity to get into homes that would otherwise be out of reach,” said Spranger. He also noted that more substantial upward price pressure will result when the existing home market rebounds. “In fact, even after the recent softening in the housing market, it is important to point out that median prices have grown 32.2 percent since emerging from the last recession in late 2001, making housing a solid investment for households,” he said.

*The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 17,000 real estate brokers, sales people and affiliates statewide. Sales estimates for the state are provided by the National Association of REALTORS®, which seasonally adjusts quarterly sales figures. All county figures on sales volume and median prices are compiled by the Wisconsin REALTORS® Association and are not seasonally adjusted. Median prices are only computed if the county recorded at least 10 home sales in the quarter.*