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Summer Ends Strong as Both Sales and Prices Increase in August

MADISON, Wis. — Summer home sales in Wisconsin ended on a very strong note in August, pushing prices up at a pace well above the rate of inflation, according to the most recent analysis of the state housing market conducted by the Wisconsin REALTORS® Association (WRA). August sales were up 9 percent over August 2015, making this the strongest August since 2005. The median price rose to \$170,000 in August, which was 5.3 percent higher than August 2015. With annual inflation ranging between 0.8 percent and 1.4 percent through July of this year, housing prices are growing at more than three times the rate of inflation.

“This is our most active selling season, and we sold a lot of homes this summer,” said Erik Sjowall of Bunbury & Associates REALTORS® of Madison, the new 2016-17 WRA board chairman. In a typical year, the state sells 32.1 percent of its annual sales volume between June and August; and at just over 26,500 homes sold, this is the strongest summer since before 2005. “That’s a remarkable record given that inventories remained very tight in the state,” said Sjowall. The state had 45,337 homes on the market, down 14 percent compared to August of last year. This translates to just 6.9 months of available supply in August. “This is a very tight market, and it’s especially tight in our cities,” said Sjowall. Buyers have more options in rural counties that have 11.6 months of supply, but the urban counties only have 5.1 months of supply on average.

Nearly every region in the state saw healthy growth in sales over the last 12 months, with the strongest regional growth in the South Central region, up 14.6 percent, followed by the West, up 11.6 percent, the Southeast, up 9.8 percent, and the North, up 8.7 percent. More moderate growth was seen in the Northeast, which was up 4.4 percent. The Central region was actually down slightly by 3.1 percent, but that region is still up 3.5 percent year to date.

“This market continues to be impressive, and it is supported by a good economy in the state and low mortgage rates,” said WRA President & CEO Michael Theo. The unemployment rate in the state stood at 4.2 percent in August, which is in the range of what the Federal Reserve considers full employment, while a 30-year fixed-rate mortgage was 3.44 percent, which is about a half percent lower than August 2015. “Good job prospects and low mortgage rates help offset the fact that median prices have been moving up since March 2012,” said Theo. The median price is up 5.3 percent over the past year, and compared to August 2012, prices have grown 18.8 percent for a compounded annual growth rate of 4.3 percent. “Inflation has been very low, so anyone buying a home has been accumulating real wealth,” he said. The annual inflation rate for 2012 through 2015 has been between 0.7 percent and 1.8 percent, according to the U.S. Bureau of Labor Statistics.

Even with the strong growth in prices, housing remains affordable in the state. The Wisconsin Housing Affordability Index shows the portion of a median-priced home that a household with a median family income and a 20 percent down payment can afford to buy, assuming the remaining 80 percent is financed with a 30-year fixed mortgage. The index stood at 225 in August, which is close to its level last year. “There are excellent opportunities for buyers, and an experienced REALTOR® knows these markets and can help buyers find the right match that best suits their needs, even when the housing market is as tight as it is,” said Theo.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 14,000 real estate brokers, sales people and affiliates statewide. 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. All data collected by Wisconsin REALTORS® Association are subject to revision if more complete data become available. Beginning in 2010, all historical sales volume and median price data at the county level have been re-benchmarked using the Techmark system which accesses MLS data directly and in real time. The Wisconsin Housing Affordability Index is updated monthly with the most recent data on median housing prices, mortgage rates, and estimated median family income data for Wisconsin. Data on state foreclosure activity is compiled by Dr. Russ Kashian at the University of Wisconsin – Whitewater.