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For More Information Contact: Michael Theo, WRA President & CEO, 608-241-2047, mtheo@wra.org
or
David Clark, Economist, C3 Statistical Solutions and Professor of Economics, Marquette University, 414-803-6537, dclark@c3stats.com

Record Year for Wisconsin Housing Market

MADISON, Wis. — Wisconsin’s housing market ended a record-setting year with solid growth, pushing annual sales to an all-time high and driving prices up well above the pace of inflation, according to the most recent analysis of the existing home market by the Wisconsin REALTORS® Association (WRA). December home sales rose 4.1 percent compared to December 2015, and median prices rose 7.4 percent to \$161,000. Home sales for the year 2016 increased 6.1 percent compared to 2015, making this the strongest year for sales since the WRA recalibrated its tracking system in 2005. Median prices for the year rose to \$165,000, which is 5.9 percent higher than 2015. By comparison, the average inflation rate for 2016 was just 1.3 percent according to the U.S. Bureau of Labor Statistics.

“This has been a truly remarkable year for housing in the state with sales exceeding 81,000 units for the first time on record,” said WRA board chairman Erik Sjowall. The previous peak recorded using the current tracking system was last year when just over 76,000 homes sold. Comparing 2016 sales to the previous year, solid growth was seen in every region of the state. The most robust sales were seen in the North region, up 7.8 percent; the Southeast region, up 7.2 percent; and the Northeast region, up 6.8 percent. Home sales were also healthy in the West, which was up 5.9 percent; the South Central, up 3.7 percent; and the Central, up 3.6 percent. “We’ve been experiencing very low inventory this past year, and the supply continued to tighten in December, which makes these record sales all the more impressive,” said Sjowall. Statewide, there were just 4.9 months of inventory in December, with the available homes dropping to 33,560. While inventory levels naturally fall during winter months, this is the lowest level seen since the WRA began tracking these figures in late 2009.

“There are several factors that have been pushing prices up, including tight inventories, but also a solid economy, favorable mortgage rates and a very low rate of foreclosure statewide,” said WRA President & CEO Michael Theo. Since the recession ended in mid-2009, nonfarm employment increased by 197,600 jobs through the end of 2016, including 28,700 jobs created between December of 2015 and December 2016. This has driven the statewide unemployment rate down to 4 percent, which is at the level economists widely consider to be full employment. While mortgage rates began to move up in December following the Federal Reserve’s increase in short-term rates, they remain low by historical standards. The 30-year fixed-rate stood at 4.20 percent in December, up from 3.96 percent at the end of 2015. “These low rates have kept our affordability at high levels for creditworthy buyers,” said Theo. The Wisconsin Home Affordability Index measures the fraction of the median-priced home that can be purchased by a buyer with median family income, assuming a healthy 20 percent down payment, and a 30-year mortgage on the remaining 80 percent of the purchase price, financed at current rates. In December, the index stood at 234, which is only down about 2.9 percent from December 2015. Finally, annual single-family foreclosures are down 19.4 percent in just the last year, and they are down 69.8 percent from their peak 2009 levels. Indeed, foreclosures are at their lowest levels since 2000, well before the housing crisis emerged. “It’s good to see foreclosure levels stabilize, but that’s one of the reasons there are fewer homes to buy,” said Theo.

For 2017, there is no doubt that mortgage rates will rise as the Fed pushes the short-term rates up to control inflationary pressures in the economy. “In fact, rates have already begun to increase, rising nearly a half point between November and December,” said Theo. He advised buyers that moving quickly is the key. “There are excellent values and opportunities in this market, even in an environment of rising prices and rising rates, but buyers must be decisive,” he said. Working with a REALTOR® who is experienced and who knows your neighborhood can make a new home a reality, but only if buyers are ready to write an offer quickly after touring a home they want to buy. “This really is a ‘you snooze, you lose’ market,” 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.