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Tight Inventories Reduce July Sales as Prices Continue to Rise

MADISON, Wis. — Wisconsin home sales in July were at the second best level since 2005 but lower than last July, with sales down 7.6 percent from one year ago, according to a report of the state existing home market conducted by the Wisconsin REALTORS® Association (WRA). Fewer homes on the market in 2016 caused this first decline in sales this year. Home prices in July, however, continued to increase, up 4 percent over July 2015, to a statewide median of \$170,000.

“Year-to-date sales remain strong at 3.3 percent above the first seven months of 2015,” said K.C. Maurer, WRA board chairman. “But tight inventories have slowed sales and pushed up prices,” Maurer said. However, he noted that this was still a very solid performance for July. “We need to keep this in perspective because July sales were very strong last year,” said Maurer. There were only three times since 2005 where July sales topped 8,000 units: July 2005 when 8,020 units closed, July 2015 when 8,866 homes were sold, and July 2016 where the state closed on 8,189 homes. Weak inventory levels kept sales down in every region of the state. The Central region fell 1 percent, whereas the Southeast region declined 2.7 percent relative to July 2015. The West region dropped 7.4 percent; and the North, Northeast and South Central regions slid between 10.4 percent and 13 percent.

“No matter how you slice it, this points to an inventory problem and not weakness tied to economic factors,” said WRA President and CEO Michael Theo. “The economy is in solid shape, with state unemployment rates low, solid job creation and very low mortgage rates by historical standards,” he said. The state unemployment rate remained at 4.2 percent, which is the level that economists usually point to as evidence of full employment. Even factoring in those workers who are discouraged and quit looking for work, or who are working part time when they would prefer a full-time job, unemployment rates are at pre-recession levels. In addition, private sector job growth between July 2015 and July 2016 exceeded 45,000 jobs, according to the U.S. Bureau of Labor Statistics. Finally, the 30-year fixed-rate mortgage was 3.44 percent in July, which is more than a half percent below the rate of 4.05 percent seen in July last year. Theo noted several barometers of housing market activity that point to severe supply constraints. “We’ve got just under 46,000 available homes on the market, and that represents seven months of available supply given the pace of sales over the last year,” said Theo. Inventories are down by more than 8,000 homes in just the last year, and unfortunately new listings are also down 14.3 percent.

The tight supply of homes on the market continues to push median prices upward with the statewide median price growing 4 percent to \$170,000 over the last 12 months. This consistent trend of rising prices is in its fourth year, and year-to-date, prices have grown at about the same pace, rising 4.1 percent compared to the January-through-July period of 2015. Since July 2012, median prices have grown 19.7 percent, which is an annual compounded rate of growth of about 4.5 percent. Still, housing remains affordable in the state due to low mortgage rates. The Wisconsin Housing Affordability Index shows that a household with median family income and a 20 percent down payment with the remaining balance financed using a 30-year fixed mortgage at current rates can afford to buy 226 percent of the median-priced home. “Buyers need to move quickly when they find that home that meets their needs because they don’t sit on the market long,” said Theo. Average days on the market are down to 83 days, which is the lowest level since summer 2005 when they fell to 81 days. “Being pre-approved for financing and working with an experienced REALTOR® remains the best way to realize the dream of homeownership in this tight market,” said Theo.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 14,000 real estate brokers, salespeople 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.