

Date: 12/19/16
For Release: Immediately
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Housing Market Heats Up in November as Inventories Tighten

MADISON, Wis. — Wisconsin's exceptionally robust housing market continued in November with both sales and median prices rising by significant margins, according to the most recent analysis of existing home sales by the Wisconsin REALTORS® Association (WRA). November sales rose 19 percent compared to November 2015, setting a new sales record for the month. Healthy sales combined with very low inventory levels to push median prices up 8.3 percent to \$162,400. The state is on pace to have its strongest year since the WRA recalibrated its system for recording sales in 2005. Through the first 11 months of the year, sales are up 5.9 percent and median prices have increased 5.4 percent compared to the same period last year.

"This has been an excellent year for sales, and unless the tight inventories keep December sales down, we should see a record year for the Wisconsin housing market," said WRA board chairman Erik Sjowall. Every region in the state saw healthy growth in sales in November with all but one region up by double-digit margins over the past year. Four regions grew in excess of 20 percent between November 2015 and November 2016, including the Northeast region, which was up 27.5 percent; the North region, which rose 26 percent; and the Southeast and the West regions, which both increased just over 22 percent. The Central region was up 10.8 percent over the period, and the South Central region increased 4.1 percent. One factor that constrained the South Central region was the very tight inventories in Dane County, the largest county in the region. "Inventories were tight in all the urban counties, but they were especially tight in Dane County," said Sjowall. There were just three months of available supply in that county, which represents the lowest inventory level for any county in the state. "We've been concerned about the limited supply all year, and inventories fell even further in November," he said. The number of homes for sale statewide fell to just 36,231 in November, down from 43,181 last November. Metropolitan counties across the state had 5.3 months of supply in November 2015 but only 4.1 months available supply in November this year.

"The steady increase in prices is predictable given our low inventory situation," said WRA President & CEO Michael Theo. Real U.S. GDP grew at 3.2 percent in the third quarter, according to the U.S. Bureau of Economic Analysis, which is the highest quarterly growth rate since the third quarter of 2014. "The GDP growth is definitely fueling demand, as are the low mortgage rates," said Theo. A 30-year fixed-rate mortgage was just 3.77 percent in November, down from 3.94 percent a year ago. These low mortgage rates and modest growth of median family income have also helped keep Wisconsin housing affordable. The Housing Affordability Index for the state shows the portion of the median-priced home that a borrower with median family income and good credit can purchase assuming a healthy 20 percent down payment and the remainder financed for 30 years at current rates. The index stood at 235 in November. This is down from 244 last year but still well above national levels.

However, interest rates are likely to go up in the near future. The Federal Reserve just increased the Federal Funds rate by a quarter percent and signaled its intention to increase rates another 75 basis points in 2017, followed by another full percent in 2018. "The Fed is clearly concerned that the strengthening economy is going to be inflationary unless it raises rates, so this will likely put upward pressure on mortgage rates over the next year," said Theo. "It's important to emphasize that we are only about a half percent above the all-time low for the 30-year fixed-rate mortgage, so this is still an excellent time to get a mortgage, but buyers need to be prepared to move quickly when they find the right home," said Theo. "Getting prequalified for a mortgage and using REALTORS® who are experienced is the best way to take advantage of the opportunities in this market," he said.

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 the 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 that 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.