



Date: 10/17/2016
For Release: Immediately
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Record Year on Track for Wisconsin Housing Market

MADISON, Wis. — The Wisconsin housing market could set a record high this year, according to the latest analysis of existing home sales by the Wisconsin REALTORS® Association (WRA). September sales were up 6.9 percent over September 2015, and median prices increased 7.9 percent over that same period to \$167,450. Through the first nine months of 2016, home sales were up 5 percent and median prices rose 4.8 percent to \$165,000 over the first nine months of 2015.

“Home sales are the highest we’ve seen in more than 10 years,” said WRA board chairman Erik Sjowall. “Whether you look at the month of September, the third quarter or year-to-date, home sales are at the highest levels since at least 2004,” Sjowall said. Sales comparisons before 2005 are not possible due to a re-benchmarking of data in that year.

Demand outpaced supply again in September, continuing a concern REALTORS® have expressed throughout the year. “Unfortunately, we could have sold more if we had more to sell,” said Sjowall. Inventory levels fell to 43,363 homes in September, which represents 6.5 months of available supply. “Usually we consider six months of supply to be a balanced market, but the available supply in the cities is much lower than the rural areas,” Sjowall noted. For example, Wisconsin’s two largest cities, Milwaukee and Madison, had 4.5 months and 4.1 months of supply of homes, respectively. In contrast, nonmetropolitan counties in the state had 10.9 months of supply. However, even with the tight supply of homes for sale, every region has seen steady sales growth through the first nine months of this year. The growth in existing home sales across the six regions of the state ranged between 3.4 percent and 6.3 percent this year compared to the first nine months of 2015. “Despite this inventory shortage, sales are going gangbusters,” said Sjowall.

The median price increased 7.9 percent to \$167,450 over the period between September 2015 and September 2016. “It is important to remember that home prices do follow a regular seasonal pattern,” said WRA President & CEO Michael Theo. “Prices move higher when the market volume peaks in the summer and then ease as the market activity tails off in the winter,” Theo said. Comparing the median price in September 2016 to past Septembers illustrates how much home prices have moved up since the market bottomed out in 2011. In September 2011, the median price was \$134,900. Since then, prices have grown 24.1 percent, or 4.3 percent on a compounded annual basis. “While price growth has clearly outpaced inflation, which has been quite low over the past four years, these price increases are sustainable given how affordable housing remains in the state,” said Theo. The Wisconsin Housing Affordability Index shows the percent of the median-priced home that a household with median family income can qualify to purchase, assuming a 20 percent down payment with the remaining principle financed with a 30-year fixed-rate mortgage. The index has been stable over the last 12 months and stood at 231 in September 2016, which is nearly identical to the value from 2015. As a point of comparison, the national index stood at 156.4 in July this year. “Our housing offers great value, but the Fed keeps hinting that it intends to increase short-term interest rates,” Theo said. “When that happens, affordability will begin to slip especially if inventories remain so tight.” Theo added, “Now is the perfect time to take advantage of low rates to get into the home that best fits your family’s needs, and an experienced REALTOR® can help make that happen.”

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.