



Date:

5/22/17

For Release:

Immediately

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

April Home Sales Suffer as Inventories Continue to Tighten

MADISON, Wis. — After a strong first quarter, existing home sales weakened in April, according to an analysis of the housing market by the Wisconsin REALTORS® Association (WRA). Specifically, the number of closed sales dropped 10.7 percent in April 2017 compared to that same month last year, and this pushed median prices up to \$171,000, a 6.9 percent increase over April 2016. Inventory levels have consistently dropped over the past year, and there are now just 5.3 months of supply statewide, which is indicative of a seller's market.

"While REALTORS® have been doing more with less for the better part of two years, eventually the lack of supply catches up with you, and that's exactly what's happening here," said WRA board chairman Erik Sjowall. To put the current inventory levels in perspective, there were 50,258 available homes on the market in Wisconsin in April 2015. That fell to 43,516 homes this time last year, and it further dropped to 36,173 available homes in April 2017, which represents a two-year slide of 28 percent. "The regional picture is generally consistent with this characterization of an inventory constrained market," said Sjowall. Home sales slipped in five of the six regions, with most regions falling by double-digit margins. The only region that saw a slight increase in sales was the Central region of the state, up 0.9 percent, and this was followed by the North region, which fell just 3.1 percent over the period of April 2016 to April 2017.

Interestingly, both of these regions had ample supply with the Central region showing 6.9 months of available supply in April, and the North region with 10.5 months of supply. In contrast, sales dropped 5.8 percent in the Southeast region with 4.1 months of supply); they fell 11.8 percent in the South Central region with 4.2 months of supply; and they fell 14.3 percent in the West with 4.7 months of supply. The one exception to this pattern was in the Northeast region, which had 6.1 months of supply, and yet saw sales slide 23.4 percent in April 2017 relative to April 2016. However, April 2016 sales were at record levels in that region.

"The tight inventories are not just a Wisconsin phenomenon; they are hitting a lot of regions hard," said WRA president and CEO Michael Theo. Indeed, the National Association of REALTORS® reports that on a seasonally adjusted basis nationally, there were just 4.1 months of supply in March 2017, and that has been relatively consistent throughout 2017. "When demand conditions are strong and supply is limited, something has got to give to relieve that pressure, and that something is the price," said Theo. Market prices increased 6.9 percent between April 2016 and April 2017. "With so many buyers chasing so few homes, homes don't stay on the market very long," he said, noting that average days on the market dropped from 103 days in April of last year to just 87 days in April 2017. Demand conditions will remain strong in the state, with the seasonally adjusted unemployment rate falling to 3.2 percent in April.

Affordability has slipped but remains relatively high despite the price increases. The Wisconsin Housing Affordability Index shows that percent of the median-priced home that a household with median family income can afford to purchase, assuming a 20 percent down payment and a 30-year fixed-rate mortgage on the remaining balance. The index stood at 218 in April, down from 233 a year earlier. "Even though we've seen strong price appreciation and mortgage rates are up about a half percent compared to last year, we've benefited from income growth to keep our affordability above national levels," said Theo. The median family income level grew at an estimated annual pace of 2.1 percent, according to WRA calculations. Theo noted that continued erosion of affordability is inevitable in the short term. "The Fed has indicated that short-term rates will continue to go up this year, and so even robust income growth is unlikely to maintain affordability when mortgage rates and prices are increasing," he said. Buying while housing is still affordable requires a REALTOR® who is experienced and can help buyers navigate these tight markets, but timing is important. "Buyers who don't have their financing arranged will be edged out by pre-qualified buyers or those with cash offers, so moving quickly is crucial in this market," warned 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.