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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

Another Record Year for Wisconsin Housing

MADISON, Wis. — While tight inventories continue to constrain sales, the robust economy has fueled demand and pushed sales to record levels for the third straight year, according to the most recent analysis of the existing home market by the Wisconsin REALTORS® Association (WRA). December home sales actually fell 3.3 percent compared to December 2016, and the statewide median price rose 6.5 percent to \$170,420 over that same period. Despite December sales, annual sales for all of 2017 were up 1.4 percent over 2016, setting an all-time record for Wisconsin's housing market, with just over 83,000 units sold. Prices were also higher in 2017, with the annual median price of \$174,000, which was 5.5 percent higher than 2016.

"Given our extremely low inventory levels throughout the year, hitting a new record high in sales shows just how hot Wisconsin's housing market really was in 2017," said Peter Sveum, WRA board chairman. Sveum pointed to very strong housing demand conditions in the state, driven by low unemployment rates, solid job growth and continued low mortgage rates. The unemployment rate fell to just 3 percent in December 2017 compared to 4.1 percent in December 2016. The state unemployment record goes back to 1976, and the only other time when the Wisconsin unemployment rate hit 3 percent was the summer of 1999. Moreover, the unemployment rate dropped even as the labor force in Wisconsin expanded. The state added just over 55,700 workers to the labor force in the last 12 months, but it added nearly 87,000 jobs over that same period. Finally, mortgage rates have remained very favorable, dropping from 4.20 percent at the end of 2016 to 3.95 percent in December 2017. "We're only about a half percent higher than the all-time low for the 30-year fixed-rate mortgage, which occurred five years ago," said Sveum. The 30-year fixed mortgage rate stood at 3.35 percent in both November 2012 and December 2012.

"We had a very good year for sales, but we would have sold a lot more homes had there been more homes on the market," said WRA President & CEO Michael Theo. "This translates into excess demand for homes, which means homes are selling quickly," he said. Statewide, the average home sold in about 80 days in December 2017, which is down from 99 days on average at the end of 2016. "The other pressure point is price, with median home prices appreciating at more than twice the rate of inflation," said Theo. The median price of existing homes was up 5.5 percent in 2017 compared to 2016, whereas the general price level as measured by the Consumer Price Index rose at an average rate of 2.1 percent in 2017, according to the U.S. Bureau of Labor Statistics.

"The good news is that Wisconsin housing remains relatively affordable, even though it has slipped from last year," said Theo. The Wisconsin Home Affordability Index gives the portion of the median-priced home that a buyer with median family income qualifies to buy, assuming a 20 percent down payment and the remainder financed using a 30-year fixed-rate mortgage. The index was 218 in December, which is down from 228 a year ago. "Higher prices were at least partially offset by two things; a drop in mortgage rates and an increase in median family income over the last year," said Theo.

Looking ahead, there are a number of factors likely to impact the existing home market in 2018. On the demand side, millennials continue to enter the housing market, which will fuel demand pressures. Although mortgage rates will likely inch upward as the Fed raises short-term rates, as long as inflation remains in check, mortgage rates should remain low by historical standards. The tight labor market, which keeps unemployment rates low, should increase income levels allowing more potential buyers to afford more expensive homes. On the supply side, foreclosure activity continues to decline, falling now to the pre-recession levels last seen in the early 2000s. New construction will play a modest role, but tight labor markets continue to be a challenge as that industry faces shortages for the skilled trades.

But a key to increasing housing supply is tied to demographics: The oldest baby boomers just turned 70, and eventually health-driven transitions will increase the supply of existing homes on the market. "We may see a slight uptick in listings over the next year as aging boomers move to assisted living alternatives," said Theo. These factors could yield minor improvements in supply in 2018, but it will be several years before we get substantial relief. "There remain excellent opportunities in this market, but you have to be ready to move quickly when your REALTOR® finds you that home that best suits your needs," said Theo.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 15,700 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.