

**Date:** 2/20/17  
**For Release:** Immediately  
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### Limited Supply of Homes for Sale Impacts Prices and Sales

**MADISON, Wis.** — After a record-setting 2016, the tight inventories in the state’s housing market are moderating the pace of sales even as prices continue to rise, according to an analysis of the January existing home market by the Wisconsin REALTORS<sup>®</sup> Association (WRA). Home sales were strong in January 2017, up 1.7 percent compared to January 2016, which is the strongest January since the WRA recalibrated its sales tracking system in 2005. However, this growth rate is lower than the brisk 5.9 percent growth of sales throughout 2016. Home prices continued to rise in January, with the median sales price increasing 6.4 percent over the last 12 months to \$158,000. This is similar to the pace of median price growth for 2016, which was 6.1 percent for the year.

“The mild winter has helped January sales somewhat, but it’s really the solid economic fundamentals that are supporting this strong market,” said Erik Sjowall, WRA board chairman. He noted homes that closed in January likely had accepted offers in late November or early December. “What has pushed these sales to record levels is the fact that mortgage rates are still very low, and the state economy is adding jobs,” said Sjowall. Even with the recent actions by the Federal Reserve to raise short-term interest rates, a 30-year conventional fixed-rate mortgage was still at just 4.15 percent in January, and the Wisconsin unemployment rate stood at 4 percent in December. “Buyers may not know what the weather will be on moving day in January, but they do know that mortgage rates and unemployment rates near 4 percent translate into good opportunities in the housing market,” he said. Three of the six regions in the state saw modest positive sales growth in January, with the strongest growth found in the South Central region, up 5.1 percent; followed by the Central, up 3 percent; and the Southeast, up 2 percent. The West and the North regions were flat, and the Northeast saw its sales fall 1.8 percent.

“This was a strong January, especially given how far our inventories have slipped over the last year,” said WRA president and CEO Michael Theo. Statewide, the supply of homes on the market dropped to just 4.3 months. “We typically consider a balanced market to have approximately six months of supply; anything lower than that is considered to be a seller’s market,” he said. The home markets in cities are particularly tight, with just 3.2 months of inventory available in the 26 metropolitan counties in Wisconsin. Theo pointed to three sources of supply: existing homes listed on the market, new single-family construction, and homes in foreclosure. “Thankfully the foreclosure crisis during the Great Recession is over, and we are now at the lowest level of foreclosure activity since 2000, but lower foreclosures combined with the reduction in new listings results in dramatically fewer available homes for sale,” said Theo. “New construction has picked up, but the growth in new single family construction is insufficient to offset the losses in the existing home inventory,” he said.

While strong demand and tight supply have increased home prices, moderate income growth and relatively low mortgage rates has kept housing affordable in Wisconsin. The Wisconsin Home Affordability Index measures that portion of the median-priced home that a buyer with median family income can afford to buy, assuming the buyer can finance 80 percent with a 30-year fixed-rate mortgage. The index value was 239 in January, down just slightly from this time last year. “This means a typical buyer can afford to buy 239 percent of the median-priced home, which is better than the nation as a whole and the entire Midwest,” said Theo. According to the National Association of REALTORS<sup>®</sup>, the national index was 162.3 in December and the Midwest index was 215.2. “The problem for buyers is not affordability; it’s finding a home to buy,” said Theo. He added, “A REALTOR<sup>®</sup> who is experienced is your best bet when trying to find a home in this tight market, but buyers need to be ready to move quickly so they should also work with a lender to get prequalified if they want to be successful in this market.”

*The Wisconsin REALTORS<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> 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.*