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Home Sales and Prices Hit Record Levels in June Even as Inventories Remain Tight

MADISON, Wis. — The Wisconsin housing market continued its expansion in June, with both sales volume and prices reaching record levels, according to an analysis of the existing home market by the Wisconsin REALTORS® Association (WRA). Specifically, June home sales were up 0.9 percent compared to June last year, which is the second straight month where the annual pace of sales increased at a modest rate. In contrast, home prices continued to grow at a robust pace in June, with the median price increasing 6.3 percent over the past 12 months to \$186,000. In fact, these figures represent the highest levels for price and sales volume since the WRA recalibrated its methodology for data collection in 2005. The year-to-date figures paint a similar picture with sales up 0.3 percent and median prices increasing 5.3 percent relative to the first six months of 2016.

“We have a very strong state economy, which has fueled housing demand, but the shortage of homes on the market has kept sales only slightly above the very high levels established last year,” said Erik Sjowall, WRA board chairman. The Wisconsin seasonally adjusted unemployment rate stood at 3.1 percent in May, which is well below the U.S. rate of 4.3 percent for that month. In addition, it ranks among the lowest rates in the upper Midwest. Specifically, the May unemployment rate was 3.1 percent in Iowa, 3.2 percent in Indiana, 3.7 percent in Minnesota, 4.2 percent in Michigan and 4.6 percent in Illinois, which is struggling to get its fiscal house in order. “The main factor keeping sales from growing more is our lack of homes for sale,” said Sjowall. The state had just 5.8 months of inventory in June compared to 7.1 months in June last year, a decline of 18.3 percent. “As we’ve been pointing out for the last couple of years, inventories are in good shape in the rural parts of the state, but they are very tight in the cities,” noted Sjowall. Rural counties had 9.3 months of supply, suggesting a buyer’s market, whereas sellers are in control in the metropolitan counties with just 4.4 months of available supply in June. This has led to much quicker closings than has historically been the case, with average days on the market falling to just 73 days in June. That compares to 86 days from the initial listing to closing in June last year.

“The Fed, with some help from low energy prices, has managed to keep inflation under control even as home prices have been rising significantly over the last few years,” said WRA President and CEO Michael Theo. He noted inflation did tick up this year with the annual inflation rate in the range of 2.2 percent to 2.8 percent between January and April but dipped to 1.9 percent in May as oil prices moderated. In contrast, Wisconsin’s June median home prices bottomed out at \$140,000 in June 2011. Since that time, prices have increased at an annual rate of 4.7 percent, which compares to an annual pace of inflation of just 1.4 percent over that same period. “Home prices this June are now 32.8 percent higher than that same month six years ago,” said Theo. “As long as our inventories remain tight, there will be pressure on prices.” He noted this is good news for sellers, but it has a negative impact on affordability. The Wisconsin Housing Affordability index measures the fraction of the median-priced home that a household with median family income can afford to buy, assuming a solid 20 percent down payment combined with a 30-year fixed-rate mortgage for the remaining balance. The higher the index, the more affordable housing is in the state. The index was at 210 in June 2017, which is about 3.2 percent below the level of June 2016. “We’ve had the good fortune to have solid job growth, which has pushed income levels up in the state and at least partially offset the slight increase in mortgage rates and the more rapid growth in home prices,” said Theo. However, affordability will continue to slip over the remainder of the year, and REALTORS® will encourage potential buyers to move quickly when they find the right opportunity. “A REALTOR® who is experienced will find you the house that fits your needs, but being ready with your financing and quickly writing an offer is vitally important if you want to successfully close the deal,” said Theo.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 15,000 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.