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Home Sales Up slightly as Prices Continue to Rise on Tight Inventories

MADISON, Wis. — Home sales rose by a modest margin in May, but tight inventories kept upward pressure on median prices, according to the most recent analysis of the existing housing market by the Wisconsin REALTORS® Association (WRA). May home sales were up 1.3 percent relative to that same month last year, and median prices rose 5.8 percent over that same period to \$174,500. Despite a solid first quarter for sales this year, weakness during April and only slight growth in May have kept year-to-date home sales slightly below the first five months of 2016. The first five months of 2016, however, set a record for sales, and to be within a half percent of that pace puts 2017 as the second strongest start to the year since the WRA recalibrated its data collection methods in 2005.

“I keep reminding people that REALTORS® are still moving a lot of homes even though there are fewer homes on the market this year,” said WRA board chairman Erik Sjowall. The absorption rate is the months of available supply based on the number of available homes for sale in May relative to the monthly pace of sales established over the last 12 months. The absorption rate is a good barometer of just how tight Wisconsin’s housing market is right now. When the absorption rate falls below six months of supply, the market is classified as a seller’s market; and above six months, it’s a buyer’s market. “With 5.6 months of supply statewide, the state is characterized as a slight seller’s market, but that hides a more complex picture,” said Sjowall. He noted that there are only 4.3 months of supply in the urban counties, making them strong seller’s markets. In fact, there are six counties that have less than four months of available supply, including Waukesha at 3.9 months, Kenosha at 3.8 months, Rock and Racine at 3.7 months, Dane at 3.4 months, and La Crosse at just 2.8 months of supply. “In contrast, the 46 nonmetropolitan counties have 9.2 months of available supply, and so buyers are clearly in the driver’s seat in those areas,” said Sjowall.

“As we enter the peak sales season, we had hoped to see inventories improve, but relative to this time last year, new listings are down slightly, and that continues to drive prices higher,” said WRA President and CEO Michael Theo. He noted that Wisconsin’s home prices bottomed out in early 2012 and have consistently grown since that time. Since May 2012, median prices have increased 26.4 percent, and this far outpaces the general price level as reflected in the Consumer Price Index, which increased just 6.6 percent over that same period.

“Remarkably, our affordability continues to be high relative to other parts of the country, but there is no doubt that it is slipping,” said Theo. The Wisconsin Housing Affordability Index shows the percent of the median-priced home that a household with median family income and good credit can afford to purchase, assuming a healthy 20 percent down payment, and the remaining balance financed using a 30-year fixed-rate mortgage. The Wisconsin index stood at 220 in May, which is down 4.3 percent from last May. In contrast, the national affordability index stood at 156.2 in April, falling 5.3 percent from April of last year. “We’ve been lucky to have solid job growth and low statewide unemployment, but the steady increase in home prices and the ongoing actions of the Fed to raise interest rates are going to continue to reduce affordability,” said Theo. “If you’re looking for a home in the rural parts of the state, you may have the luxury of time, but if you’re buying in the tighter urban markets, you must be prepared to move quickly,” he said. “A REALTOR® who is experienced is really the key to success whether you are looking to buy or sell a home in this market,” said Theo.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 14,000 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 at Whitewater.