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Record Home Sales Through Third Quarter as Prices Continue to Rise

MADISON, Wis. — Wisconsin sold 63,398 homes in the first nine months of 2017, slightly beating the record pace established in the third quarter last year, according to the most recent analysis of the existing housing market by the Wisconsin REALTORS® Association (WRA). Through three quarters, sales were up slightly, rising 0.4 percent compared to that same period in 2016. Median prices for the first nine months of the year rose 6 percent to \$174,900, compared to the January-through-September period of 2016. Very tight inventories have constrained sales activity and pushed up prices throughout the year and also in the month of September. September sales were down slightly, falling 1.2 percent below September 2016, but median prices rose 4.8 percent to \$175,000 over that period.

“This is a solid economy that under normal circumstances would fuel both home prices and home sales, but these are not normal times, at least on the supply side,” said Peter Sveum, WRA board chairman. Although median home prices in Wisconsin have increased 17.5 percent since September 2014, new listings of existing homes continued to fall in September, and year to date, they are down 2.6 percent relative to the first nine months of 2016. “The statewide inventory picture looks okay at 5.5 months of available supply, but that hides the significant variability within the state,” said Sveum. For example, the North region had 10.9 months of available supply in September, and its sales were actually up 7.6 percent year to date. Likewise, the Central region had 6.7 months of supply and saw sales grow 3.9 percent for the first nine months of 2017, relative to that period in 2016. “If you’re looking for a cabin or vacation home in the northern regions of the state, this is a great time to buy, but supply is very tight in the more urban regions, which is keeping sales down in those areas,” Sveum said. The Northeast region had six months of supply in September, and year-to-date sales were down 0.4 percent; home sales dropped 0.2 percent year to date in the West region, which had 4.8 months of supply; the Southeast region had 4.3 months of supply and sales were down 0.1 percent year to date; and sales fell 1.8 percent year to date in the South Central region where there was just 4.4 months of supply. Sveum speculated about several reasons why owners are less motivated to sell even when they can get top dollar for their homes. “Retirees may have decided to age in place now that their homes are paid off, and pre-retirement owners may be reluctant to sell because they would have to buy or rent in the same, low inventory market,” said Sveum.

“Strong demand and tight supply continues to put upward pressure on home prices,” said WRA President and CEO Michael Theo. Every region of the state experienced strong price appreciation through the first nine months, relative to that same time period in 2016. The growth in median prices ranged from 4 percent in the Central region to 7.7 percent in the South Central region over that period. Housing affordability dropped 6 percent in September compared to September 2016. “Our state still has very affordable housing, due in part to very favorable mortgage rates,” said Theo. The Wisconsin Housing Affordability Index shows the fraction of the median-priced home that a buyer with median family income in the state can afford to buy, assuming a 20 percent down-payment and the remaining balance financed with a 30-year fixed-rate mortgage. The index indicates that a qualified buyer could afford to buy 218 percent of the median-priced home in September.

Theo suggests tight supplies will remain a market reality for the next six to 12 months. He is more optimistic looking further into the future as baby boomers retire at a national pace of approximately 10,000 per day, according to recent estimates. For the time being, he suggested that buyers need to do their part. “A REALTOR® who is experienced can find you the home that fits your needs, but the key to success is to have your financing lined up so you can move quickly in this tight market,” he said. He also noted that the fall and winter months are typically a good time to buy a home. “Home prices follow a regular seasonal pattern just like outdoor temperatures, heating up in the summer and cooling off in the fall and winter months, so buyers are more likely to find good values during the off-peak periods,” said 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.