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## Tight Inventories Drive Home Prices Up but Sales Still Grow in August

**MADISON, Wis.** — Housing inventories tightened in August, putting strong upward pressure on home prices, but a continuing strong economy resulted in a solid increase in home sales according to the most recent analysis of the existing home market by the Wisconsin REALTORS® Association (WRA). August home sales increased 3.3 percent compared to August 2017, and the median price increased 5 percent to \$189,000 over that same 12-month period. Inventories have remained weak throughout the year, which has kept year-to-date sales down slightly compared to 2017. Specifically, sales for the first eight months of 2018 are 1.9 percent lower than the January through August period of 2017, and median prices were up 6.9 percent over the same period. This is more than twice the annual inflation rate, which has ranged between 2.1 percent and 2.9 percent throughout 2018.

“Summer is a time when we sell a lot of homes in the state, and while it has been a good summer season, we’ve been hurt by weak supply,” said Peter Sveum, WRA chairman. A typical summer accounts for 32 percent of the annual sales of homes, which is the most activity of any season of the year. Weak inventories throughout this summer kept sales 3.2 percent lower than the June-August sales in 2017.\*\* It is important to remember that we are comparing 2017, which was a very strong summer in terms of sale volume.

Sveum noted regional sales tended to be stronger in those regions with more inventory. August sales rose 24.8 percent in the North region, which had 8.8 months of inventory, and they were up 11 percent in the Central region, which had 5.7 months of supply. Sales were up between 6 percent and 7.2 percent in the Northeast and West regions, and both of these areas had inventory in the range of 4.5 to 5.3 months. In contrast, the South Central region had 4.2 months of supply and its sales fell 5.5 percent. Likewise, sales fell 0.9 percent in the Southeast region, which had just 4 months of available supply. “Still, REALTORS® have been doing a great job finding homes for buyers, even with the tight supply,” he said.

“The national economy is growing at a robust pace, which has given a strong boost to consumer confidence,” said WRA President & CEO Michael Theo. The second quarter real GDP growth was 4.2 percent on an annualized basis, and the Conference Board’s Index of Consumer Confidence was at its highest level in nearly 18 years. In Wisconsin, the unemployment rate has been below 3 percent since March this year, and the August rate was 2.9 percent in the state, which was a full percent lower than the national rate. “The strong economy continues to fuel the growth in home prices and has pushed mortgage rates up as well, but it also leads to higher incomes for Wisconsin families,” said Theo. As a result, the impact on affordability has changed only slightly over the last 12 months. The Wisconsin Housing Affordability Index shows the percent of the median-priced home that a buyer with median family income qualifies to purchase, assuming a 20 percent down payment and 30-year fixed-rate mortgage on the remainder of the balance. The index fell from 205 percent in August 2017 to 194 percent in August this year. “First-time buyers can still find real value in this market if they have their financing lined up and are prepared to move quickly,” said Theo. “A REALTOR® who is experienced is still the best way to navigate this tight housing market,” he said.

\*\* A previously undetected coding error falsely indicated inventory improvements over the past two months. The June and July releases, available at [www.wra.org/HomeSalesReports](http://www.wra.org/HomeSalesReports), have been revised to reflect the corrected data. We apologize for any inconveniences.

*The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 15,700 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 June 2018, all historical sales volume and median price data from 2015 forward at the county level have been re-benchmarked using the Relitix system which accesses MLS data directly and in real time. Data prior to January 2015 are derived from the Techmark system which also accessed MLS data directly. 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.*