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Tight Inventories in March Push Prices Up but Sales are Down Slightly

MADISON, Wis. — The lack of homes for sale in March caused existing home sales to drop and prices to rise, despite a very strong state economy, according to the most recent analysis of the Wisconsin existing home market by the Wisconsin REALTORS[®] Association (WRA). With year-over-year inventories down 17.1 percent, sales slipped 2.3 percent in March 2018 compared to March 2017, while prices rose 7 percent to \$174,900 over that same period. On a year-to-date basis, sales were up 2.1 percent, and median prices rose 6.3 percent relative to the first three months of 2017.

“Weak inventory is holding us back even as the state economy is growing at a robust pace, creating jobs and keeping unemployment at record-low levels,” said WRA Chairman Peter Sveum. The national unemployment rate is 4.1 percent, which is indicative of full employment, but the Wisconsin rate is even lower. For the second straight month, the state unemployment rate was 2.9 percent, which is the lowest level for Wisconsin since the U.S. Bureau of Labor Statistics began tracking state unemployment rates in January 1976. Private sector employment grew by 27,800 jobs over the past 12 months, and that includes 13,200 jobs in the relatively high-paying manufacturing sector. “REALTORS[®] are helping people buy homes, but sales would be much higher if more homes were available for sale,” said Sveum. The state has just 4 months of inventory statewide, but in the heavily urbanized metropolitan areas, there are only 3.1 months of available supply, making for a strong seller’s market in more urban parts of Wisconsin. In contrast, the rural counties are more balanced with 6.2 months of housing supply in March. “There are great opportunities for sellers as we enter the all-important spring and summer seasons for the housing market, and hopefully we will see some improvement on the supply side,” Sveum said.

“Strong demand and tight supply have pushed our prices up at nearly three times the rate of inflation over the last year,” said WRA President & CEO Michael Theo. Headline inflation derived from the Consumer Price Index has been at 2 percent or higher since September of last year, and it reached 2.4 percent in March. In contrast, median prices rose 7 percent between March 2017 and March 2018. The tight labor market is pushing income levels up, but overall, affordability has slipped as both home prices and mortgage rates continue to rise. The 30-year fixed-rate mortgage averaged 3.99 percent in 2017, and it has increased nearly a half point to 4.44 percent in March. The Wisconsin Housing Affordability Index represents the fraction of the median-priced home that a household with median family income can afford to buy, assuming a 20 percent down payment and the remaining 80 percent financed with a 30-year fixed mortgage. The index was at 201 in March 2018, but it stood at 219 in March 2017 and was 235 just two years ago. The good news is that Wisconsin’s affordability remains well above the national rate, which was at 159.2 in February. “Still, declining affordability is likely to be the norm this year as rising mortgage rates and rising prices are likely to continue throughout 2018,” said Theo.

Theo noted that it is important for buyers and sellers to be ready for a quick sale once the home hits the market. “Buyers need to be pre-approved on their financing, and they need to recognize that coming in with a clean offer without contingencies is important in today’s fast-moving market,” he said. Likewise, sellers need to recognize that a home in good condition will fetch a strong price but won’t remain on the market very long, so they need to have their alternative housing plans in place, anticipating a relatively rapid process once their home is listed. “Using a REALTOR[®] who is experienced is a great asset to both buyers and sellers as they navigate this very tight housing market,” said Theo.

The Wisconsin REALTORS[®] Association is one of the largest trade associations in the state, representing over 15,700 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 the 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.