

Date: 2/19/18
For Release: Immediately
For More Information Contact: Michael Theo, WRA President & CEO, 608-241-2047, mtheo@wra.org
or
David Clark, Economist, C3 Statistical Solutions and Professor of Economics, Marquette University, 414-803-6537, dclark@c3stats.com

Even with Tight Inventories, Winter Home Sales Hit New Record

MADISON, Wis. — Extremely strong demand propelled usually slow winter Wisconsin home sales to record levels, according to the most recent examination of the existing home market by the Wisconsin REALTORS[®] Association (WRA). The three-month period between December 2017 and February 2018 saw 13,471 homes sold, which is the highest winter season seen since the WRA recalibrated its data systems beginning in 2005. Winter home sales exceed the previous winter by 1.8 percent, and they are 15.8 percent higher than winter sales five years ago.

February housing statistics were also in record territory, with sales and prices hitting new peaks. February home sales rose 5.8 percent relative to February 2017, and median prices rose 7.4 percent to \$166,000 over that same period.

“Winter is typically the slowest season for home sales in Wisconsin for obvious reasons, and given our extremely low inventory of single-family homes, it wouldn’t be surprising that this winter would see fewer sales,” said Peter Sveum, WRA board chairman. “But instead, with such robust demand, we’re actually seeing a record winter by historical standards,” Sveum said.

Home sales can be volatile in February, especially at the regional level. Wisconsin’s Northeast region saw sales fall 3.4 percent compared to February 2017, but most other regions grew in the range of 1.4 percent to 7.1 percent. The outliers include the West region, where sales were up 10.8 percent, and the Central region, which saw its home sales grow 40 percent over that period. Note: The Central region had an unusually weak February 2017, which is exaggerating the 2018 statistics. However, the most recent sales totals still represent a record February for the region.

“Inventories do tend to improve as we get closer to the spring,” according to Sveum, “but we are still well below where we were this time last year.” On a seasonal basis, inventories hit their lowest point in January, and they tend to improve in the spring and peak in the summer before tailing off again in the fall, according to the WRA report. Thus, it is not surprising that we saw a slight improvement to 3.7 months of supply in February compared to 3.5 months in January. However, once the regular seasonal patterns are removed from the inventory data, the seasonally adjusted state inventory levels are at the lowest point since the WRA began tracking months of inventory at the end of 2009. “A seller’s market is defined as less than six months of supply, so we technically crossed into a seller’s market in September 2016, and inventories have been falling ever since,” said Sveum.

Other economic factors are boosting housing demand. “The economy is healthy with the statewide unemployment rate sitting at 3.1 percent in January,” said WRA President & CEO Michael Theo. The state re-benchmarked its labor market data in January, and the revision showed that Wisconsin added 23,300 private sector jobs over the period between January 2017 to January 2018, with 9,100 of those jobs in the manufacturing sector. Theo noted that strong demand and tight supply are why prices have gone up so quickly the last couple of years. Median prices rose 7.4 percent over past 12 months and are up 14.4 percent over the past 24 months.

Nationally, the Federal Reserve increased short-term interest rates to counter the inflationary pressures brought about by the tight labor markets. As a result, the 30-year fixed mortgage increased by nearly a half percent between the first week of January and the first week of March, when it reached 4.46 percent. The 15-year fixed mortgage rose by more than half a percent to 3.94 percent over that same period. This interest rate hike has reduced housing affordability. The Wisconsin Housing Affordability Index shows the portion of the median-priced home that a household with median family income can afford to buy assuming a healthy 20 percent down payment, and the remainder financed with a 30-year fixed mortgage. The index was at 213 in February, down from 227 in February 2016. “With the Fed tightening monetary policy to keep inflation in check, mortgage rates will continue to rise over the course of 2018, but it’s important to remember that rates are still quite low by historical standards,” said Theo. “Still, buyers would be well advised to move quickly before rising rates further hinder their housing options,” he said.

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.