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## January Sales Moderate as Inventory Problems Persist

**MADISON, Wis.** — January sales of existing homes failed to keep pace with sales in January of last year, according to the most recent analysis of the housing market by the Wisconsin REALTORS® Association (WRA). Continued tight inventories kept sales down and pushed prices up over the last 12 months. Specifically, statewide home sales in January 2019 were 8.9 percent lower than 12 months earlier, whereas the median price rose 3.5 percent over last January to \$175,000.

“It’s important to keep these figures in perspective because the early part of 2018 was actually quite strong,” said WRA Chairman Jean Stefaniak. In fact, January 2018 was the strongest January since the WRA recalibrated its data collection methods in 2007. “Even though we have a solid economy in the state, inventories remain very tight, so falling short of a record January is not surprising,” said Stefaniak. The state had just 3.5 months of supply, which is well below the six-month point that marks a balanced market. “Without enough homes to sell, we’re not going to set any records,” she said.

Every region of the state experienced a decline in sales over the 12-month period between January 2018 and January 2019, and all but one of those regions also saw its months of inventory decline. The one exception was the South Central region, which experienced a 14.1 percent reduction in sales, but months of inventory were virtually unchanged at 3.1 months of supply. “With inventory levels already so low, they couldn’t go much lower, so even this suggests that a severe supply constraint is keeping sales low,” said Stefaniak.

“The other consequence of the tight supply of homes is the consistent upward movement in home prices,” said WRA President & CEO Michael Theo. Housing prices fell significantly during the Great Recession and didn’t begin to rebound until the spring of 2012. With so many foreclosures to absorb, the Wisconsin housing market remained a solid buyer’s market from 2012 to 2015, and it was relatively balanced through most of 2016. Theo noted, however, as the economy continued to strengthen and housing supply continued to decline, sellers got the upper hand, and Wisconsin has been a strong seller’s market since 2017. “When demand is strong and supply is low, it’s the price that becomes the pressure release valve,” said Theo. “That’s why home prices rose at two to three times the inflation rate throughout 2018,” he said.

“We have gotten some recent relief as mortgage rates have settled down the last couple of months,” said Theo. The 30-year fixed-rate mortgage peaked at 4.87 percent in November, and it has dropped nearly half a percent to 4.46 percent in January. This has helped to keep the state’s housing affordable. The Wisconsin REALTORS® Home Affordability Index shows the percent of the median-priced home that a buyer with median family income qualifies to buy, assuming the buyer has a healthy 20 percent down payment and a 30-year fixed-rate mortgage to finance the remainder of the balance. The index stood at 206 in January, which improved from 218 in December 2018, but it was down from 227 in January 2018.

Theo pointed out that the winter is actually a good time for buyers to find good values. Prices follow the same seasonal patterns as do home sales, so persistent buyers will find lower prices during the winter months where there’s relatively lower demand. But as soon as we move closer to the summer months, buyers can expect those prices to increase. “Working with a REALTOR® who is experienced really increases the odds you will find the home that matches your needs in this very tight market,” he said.

*The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 16,400 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. Note that the WRA employs a slightly different protocol to determine inventory levels than is used by the REALTORS® Association of South Central Wisconsin (RASCW). For consistency, the summary tables for the South Central region reported in the WRA release employ the WRA approach. However, a modified table employing the RASCW methodology is available from the WRA on request.*