



Date:
For Release:
For More Information Contact:

7/22/19
Immediately
Michael Theo, WRA President & CEO, 608-241-2047, mtheo@wra.org
or
David Clark, Economist, ECON Analytics, LLC and Professor of
Economics, Marquette University, 414-803-6537, prof.clark@gmail.com

Weak Supply Hurts Home Sales and Pushes Prices up in First Half of 2019

MADISON, Wis. — Sales of existing homes turned down sharply in June, which is traditionally the strongest month of the year for home sales, while prices continued to rise at well above the rate of inflation, according to the latest analysis of the housing market by the Wisconsin REALTORS® Association (WRA). June home sales fell 9.7 percent relative to June 2018, and the median price rose 10.3 percent to \$215,000 over that same 12-month period. Comparing the first half of 2019 to that same period in 2018, sales dropped 5.1 percent, and the median price rose 7.7 percent to \$195,000.

“Normally, a strong economy and low mortgage rates produce solid sales growth, but our persistent lack of homes for sale kept June sales well below last year’s levels,” said WRA Chairman Jean Stefaniak. The strong demand for housing was fueled in part by record-setting low unemployment rates of just 2.8 percent for both April and May.

Although inventories do tend to rise during the peak sales periods, Wisconsin’s seller’s market continued in June, with just five months of supply. This was only slightly lower than June 2018 when inventories stood at 5.1 months.

“Inventories were especially tight in the larger cities in the state,” said Stefaniak. Specifically, the counties that comprise metropolitan areas, which are counties with cities of least 50,000 population, had just 4.1 months of supply in June. Counties with smaller towns and cities, which the U.S. Census defines as micropolitan areas of 10,000 to 49,999 persons, had relatively balanced markets with 5.8 months of available supply. Finally, the small rural counties had the most supply at 8.6 months and would be considered a buyer’s market.

“We’ve been on a bit of a roller coaster with sales over the last few years, but the price appreciation has been consistent,” said WRA President & CEO Michael Theo. Since January 2016, the year-over-year sales growth has ranged between minus 12.2 percent in December 2018 and 23.3 percent in November 2016. In contrast, prices have increased at an annual pace ranging from 3.2 percent in May 2016 to a high of 10.3 percent in June of this year. “It’s no surprise that we’re seeing steady price increases with our strong demand and limited supply,” said Theo. In fact, the statewide median price exceeded \$200,000 for the first time on record in May, and that continued in June. It should be noted that WRA records date back to January 2007. Moreover, three of the six regions of the state were above that benchmark in June. The highest-priced region was the South Central region where the median price was \$260,250. The median price was \$230,000 in the Southeast region and \$205,000 in the West.

“While affordability continues to slip, Wisconsin’s housing affordability remains well above the nation and the Midwest region,” said Theo. The Wisconsin Affordability Index represents the fraction of the median-priced home that a buyer with median family income can afford to buy, assuming a 20 percent down payment and the remaining 80 percent financed through a 30-year fixed-rate mortgage at current rates. The index slipped from 189 in June 2018 to 185 in June of this year. “Even though home prices increased by double-digit margins over the last year, mortgage rates dipped below 4 percent, so we only saw a minor drop in affordability,” said Theo. The last time mortgage rates were below 4 percent was June 2017, and it stood at 3.8 percent this past June.

The economic expansion has now moved into its 11th year, which makes this recovery the longest in post-war history. “With a good economy, the weak supply has kept sellers in the driver’s seat, so buyers need to work with a REALTOR® who is experienced and be prepared to move quickly when the right opportunity presents itself,” said Theo.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 16,500 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 is subject to revision if more complete data becomes 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 that accesses MLS data directly and in real-time. Data prior to January 2015 is derived from the Techmark system that 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 the protocol 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 upon request.