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First Quarter Home Sales Decline as Prices Continue to Rise

MADISON, Wis. — Existing home sales fell sharply in March, and declining inventories put more pressure on home prices, according to the most recent examination of the state housing market by the Wisconsin REALTORS® Association (WRA). Home sales fell 14.1 percent in March 2019 compared to that same month last year, and median prices were up 6.3 percent to \$185,000 over that same period. The first quarter picture was similar but a bit brighter, with first quarter home sales down 7.4 percent, relative the first quarter of 2018, and the quarterly median price up 5.5 percent to \$179,300 over the past year.

“The economy is in good shape, and that puts a lot of pressure on a housing market with limited supply,” said WRA Chairman Jean Stefaniak. In fact, the Wisconsin unemployment rate has ranged between 2.9 percent and 3.1 percent over the last 12 months, and the most recent estimate for February is at the low end of that range. In addition, while job growth is not as robust as it has been the last couple of years, there were still 11,400 nonfarm jobs created over the 12 months ending in February 2019.

“The bitter temperatures and heavy snowfall likely slowed buyer traffic in January and February, which contributed to fewer closed sales in March,” Stefaniak said, but she blamed most of the slowdown on the sparse supply of homes for sale, not the weather-related reduction in demand. “REALTORS® can’t sell properties that aren’t on the market, and the available supply continues to be very tight,” she said. In fact, there were just 3.8 months of supply in March, which is down from 4.3 months a year earlier. Metropolitan counties, which include Wisconsin’s larger cities, had just 3.2 months of supply in March, whereas micropolitan counties, which include towns and smaller cities, had 4.4 months of supply. “The housing market has tightened up everywhere, but it’s really tight in the urban communities,” said Stefaniak. Only the less populated rural counties had a balanced market, at 6.4 months of available housing supply.

“With this level of price pressure, we would expect to see a significant erosion in housing affordability,” said WRA President & CEO Michael Theo, but he noted there have been mitigating factors. “Luckily a slight reduction in mortgage rates, combined with moderate growth in family income, has helped keep Wisconsin housing relatively affordable,” he said. The Wisconsin Affordability Index measures the portion of the median-priced home that a buyer with median family income can afford to buy, assuming a healthy 20 percent down payment and a 30-year fixed-rate mortgage on the remaining balance. The index fell from 214 in March 2018 to 203 in March 2019.

“The index still shows that a typical buyer is qualified to purchase more than twice the median-priced home, which is remarkable given how much housing prices have appreciated over the past seven years,” said Theo. Median prices began rising in spring 2012, after a significant slide resulting from the Great Recession. Since March 2012, the median price has increased by slightly over 50 percent. “Although housing is less affordable today than in 2012, there are still good deals to be had in today’s market,” said Theo, but he indicated that buyers need to have their financing lined up and they need the guidance of a REALTOR® who is experienced. “Sellers definitely have the advantage in this market, so moving quickly is critical when your REALTOR® finds the right home for your needs,” said Theo.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 16,400 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.