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Wisconsin Home Sales and Prices Both Increase in May

MADISON, Wis. After two consecutive months of decline, Wisconsin's home sales reversed course and increased in May, which pushed home prices up, according to the latest analysis of the existing home market by the Wisconsin REALTORS® Association. May home sales rose 3.2 percent compared to May 2018, and the median price was up 9.1 percent over the past 12 months, rising to \$203,000. The improvement in May home sales was not enough to move year-to-date sales growth into positive territory, but it did help to close the gap from last year. Specifically, sales for the first five months of 2019 were just 4.3 percent lower than sales over the January-through-May period of 2018, and median prices rose 7.9 percent over that same period to \$189,900.

"This improvement in sales is good to see as we move into the summer sales season," said WRA Chairman Jean Stefaniak. During a typical month of May, Wisconsin sells about 10.5 percent of its annual volume, which is second only to June, which accounts for 11.5 percent of the annual closings on existing homes. In fact, nearly 43 percent of annual homes are typically sold over the four-month period between May and August. She cautioned that even though demand conditions remain strong, weak supply will continue to plague this market until inventories improve. There were just 4.7 months of supply in May, down from 4.9 months 12 months earlier. "We still lag well behind last year in terms of total listings, and until that turns around, this will continue to be a solid seller's market," said Stefaniak.

Stefaniak did note that the inventory problem was most severe in the larger urban areas of the state. The U.S. Census classifies metropolitan areas as those cities and their surrounding counties with a population of 50,000 or more. Smaller towns and cities and their surrounding counties with a population between 10,000 and just under 50,000 persons are classified as micropolitan areas, and rural counties have fewer than 10,000 persons. "The more urban, the tighter the supply," said Stefaniak. Specifically, metropolitan counties had just 3.9 months of supply in May, whereas micropolitan counties had 5.1 months of inventory and the small rural counties had 7.8 months of available supply. "There is healthy supply in the rural areas, but the vast majority of people in Wisconsin actually live in the metropolitan areas," she said. According to 2017 U.S. Census data, just over 74 percent of the state population lived in a metropolitan county, whereas 13.4 percent were in micropolitan counties, and just 12.4 percent lived in rural areas.

"The demand pressure continues to intensify, which is why we've seen such strong price appreciation," said WRA President & CEO Michael Theo. The state unemployment rate has been at or below 3.1 percent since October 2017, and it fell to its lowest point, 2.8 percent, in April of this year. "With such low unemployment levels, it's tough to grow employment," said Theo. Still, the state managed to add 15,100 nonfarm jobs between April 2018 and April 2019. Strong demand and tight supply leads to home price appreciation well above the rate of inflation. April estimates of headline inflation were just 2 percent.

Not surprisingly, affordability continues to slip, according to Theo. The Wisconsin Affordability Index shows the fraction of the median-priced home that a buyer with median family income can afford to buy, assuming 20 percent down, and a 30-year fixed-rate mortgage on the remaining balance. The index stood at 198 in May 2018, and it dropped to 190 in May 2019. "The drop in affordability would have been steeper had mortgage rates not also dropped by about a half a percent over the last 12 months," said Theo. With this market so tight, prospective buyers need to work with a REALTOR® who is experienced to find the right home. "There are still deals out there, but they don't stay on the market long, so moving quickly and going in with a clean offer is the key to success," he said.

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.