

2016 YEAR END / DECEMBER 2016 - HOUSING STATS TALKING POINTS

Record Year for Wisconsin Housing Market

Overview

- Wisconsin's housing market ended a record-setting year with solid growth, pushing annual sales to an all-time high and driving prices up well above the pace of inflation.
- December home sales rose 4.1 percent compared to December 2015, and median prices rose 7.4 percent to \$161,000.
- Home sales for the year 2016 increased 6.1 percent compared to 2015, making this the strongest year for sales since the WRA recalibrated its tracking system in 2005.
- Median prices for the year rose to \$165,000, which is 5.9 percent higher than 2015. By comparison, the average inflation rate for 2016 was just 1.3 percent according to the U.S. Bureau of Labor Statistics.

Sales Data

- This has been a truly remarkable year for housing in the state with sales exceeding 81,000 units for the first time on record.
- The previous peak recorded using the current tracking system was last year when just over 76,000 homes sold.
- Comparing 2016 sales to the previous year, solid growth was seen in every region of the state.
 - The most robust sales were seen in the North region, up 7.8 percent;
 - Southeast region, up 7.2 percent;
 - Northeast region, up 6.8 percent.
 - Home sales were also healthy in the West, which was up 5.9 percent;
 - South Central, up 3.7 percent;
 - Central, up 3.6 percent.

Inventory / Supply Data

- We've been experiencing very low inventory this past year, and the supply continued to tighten in December, which makes these record sales all the more impressive.
- Statewide, there were just 4.9 months of inventory in December, with the available homes dropping to 33,560.
- While inventory levels naturally fall during winter months, this is the lowest level seen since the WRA began tracking these figures in late 2009.

Price Data

- There are several factors that have been pushing prices up, including tight inventories, but also a solid economy, favorable mortgage rates and a very low rate of foreclosure statewide.
- Since the recession ended in mid-2009, nonfarm employment increased by 197,600 jobs through the end of 2016, including 28,700 jobs created between December of 2015 and December 2016.
- This has driven the statewide unemployment rate down to 4 percent, which is at the level economists widely consider to be full employment.
- While mortgage rates began to move up in December following the Federal Reserve's increase in short-term rates, they remain low by historical standards.
- The 30-year fixed-rate stood at 4.20 percent in December, up from 3.96 percent at the end of 2015.

Affordability

- These low rates have kept our affordability at high levels for creditworthy buyers.

- The Wisconsin Home Affordability Index measures the fraction of the median-priced home that can be purchased by a buyer with median family income, assuming a healthy 20 percent down payment, and a 30-year mortgage on the remaining 80 percent of the purchase price, financed at current rates.
- In December, the index stood at 234, which is only down about 2.9 percent from December 2015.

Foreclosures

- Finally, annual single-family foreclosures are down 19.4 percent in just the last year, and they are down 69.8 percent from their peak 2009 levels.
- Indeed, foreclosures are at their lowest levels since 2000, well before the housing crisis emerged.
- It's good to see foreclosure levels stabilize, but that's one of the reasons there are fewer homes to buy.

Closing

- For 2017, there is no doubt that mortgage rates will rise as the Fed pushes the short-term rates up to control inflationary pressures in the economy.
- In fact, rates have already begun to increase, rising nearly a half point between November and December.
- Buyers are advised that moving quickly is the key.
- There are excellent values and opportunities in this market, even in an environment of rising prices and rising rates, but buyers must be decisive
- Working with a REALTOR® who is experienced and who knows your neighborhood can make a new home a reality, but only if buyers are ready to write an offer quickly after touring a home they want to buy.
- This really is a 'you snooze, you lose' market.