

JANUARY 2016 HOUSING STATS – TALKING POINTS

Wisconsin Housing Market Remains Hot in January

Overview

- The sales of existing homes grew rapidly in January, which is putting strong upward pressure on prices.
- Home sales in January jumped 10.4 percent over January 2015, and statewide median prices surged 10.1 percent over that same period, increasing to \$148,700.

Sales Data

- The winter is always our slowest season, but this has been an unusually strong winter thus far.
- We will certainly see home sales pick up as we move into the spring, which signals a strong real estate market for the first half of 2016 and hopefully beyond.
- Compared to the same month last year, sales were up 10.2 percent in December and 10.4 percent in January.
- The mild winter certainly helped, but this is really just a continuation of the strong pattern seen throughout 2015.
- Every region in the state saw home sales grow between January 2015 and January 2016:
 - the most robust sales growth occurred in the Northeast, which increased 17.2 percent,
 - as well as the West region, which grew 16.1 percent,
 - sales in the Southeast region rose 10.2 percent,
 - followed by the North, South Central and Central regions, which grew between 5.5 percent and 6.7 percent.

Price / Inventory Data

- Prices, however, also rose significantly in January, up 10.4 percent over last year.
- This is the strongest price increase we've seen since the middle of 2013.
- We're seeing a confluence of a solid state economy but also a very low and falling supply of homes on the market.
- The state unemployment rate stood at 4.3 percent in December, compared to a national rate of 5 percent for that month.
- However, inventories of homes for sale have dropped to the lowest level since the WRA began tracking inventory levels at the end of 2009.
- We had just 36,450 unsold homes in January, which is the first time we have seen supply fall below 40,000 units.
- The absorption rate shows how many months it would take to sell the statewide inventory, given the average monthly sales over the last year.
 - We've got just 5.7 months of unsold inventory, and it's gotten tighter throughout the state.
 - Statistics show metropolitan areas of the state have just 4.3 months of supply while rural areas have fallen to 9.3 months of supply.

Affordability Data

- Increased demand and dwindling supply have hurt housing affordability in Wisconsin, but not as much as expected.
- While it has slipped a little, housing affordability in Wisconsin remains strong due to modest estimated family income growth and low mortgage rates.
- The Wisconsin Housing Affordability Index measures the percent of the median-priced home that a buyer with median family income can afford to buy. This assumes a healthy down payment of 20 percent with the remainder financed with a 30-year fixed-rate mortgage.

- For January, the index was 244, which is down from 268 last January.
- With current mortgage rates at just under 4 percent, we're only about half a percent higher than where rates bottomed out during the housing recession in late 2012.
- The Federal Reserve has begun to raise short-term interest rates, and while the pace of the increase is uncertain, it will eventually put upward pressure on mortgage rates.
- These double-digit housing price increases will eventually take their toll on affordability, so this is an ideal time for buyers to enter the market.
- Using an experienced REALTOR® is one of the best ways to find the best values in this tight housing market.