

JANUARY 2017 – HOUSING STATS TALKING POINTS

LIMITED SUPPLY OF HOMES FOR SALE IMPACTS PRICES AND SALES

Overview

- After a record setting 2016, the tight inventories in the state's housing market are moderating the pace of sales even as prices continue to rise.
- Home sales were strong in January, up 1.7 percent compared to January 2016, which is the strongest January since WRA recalibrated its sales tracking system in 2005.
- However, this growth rate is lower than the brisk 5.9 percent growth of sales throughout 2016.
- Home prices continued to rise in January, with the median sales price increasing 6.4 percent over the last 12 months to \$158,000.
- This is similar to the pace of median price growth for 2016, which was 6.1 percent for the year.

Sales Data

- The mild winter has helped January sales somewhat, but it's really the solid economic fundamentals that are supporting this strong market. (Note: homes that closed in January likely had accepted offers in late November or early December.)
- What has pushed these sales to record levels is the fact that mortgage rates are still very low, and the state economy is adding jobs.
- Even with the recent actions by the Federal Reserve to raise short-term interest rates, a 30-year conventional fixed rate mortgage was still at just 4.15 percent in January, and the Wisconsin unemployment rate stood at 4 percent in December.
- Buyers may not know what the weather will be on moving day in January, but they do know that mortgage rates and unemployment rates near 4 percent translate into good opportunities in the housing market.
- Three of the six regions in the state saw modest positive sales growth in January:
 - the strongest growth found in the South Central region (+5.1 percent)
 - followed by the Central (+3 percent)
 - Southeast (+2 percent)
 - Two regions were flat (West and North), and one region (Northeast) saw its sales fall 1.8 percent.

Inventory / Price Data

- This was a strong January, especially given how far our inventories have slipped over the last year.
- Statewide, the supply of homes on the market dropped to just 4.3 months of supply.
- We typically consider a balanced market to have approximately 6 months of supply - anything lower than that is considered to be a seller's market.
- The home markets in cities are particularly tight, with just 3.2 months of inventory available in the 26 metropolitan counties in Wisconsin.
- There are three sources of supply; existing homes listed on the market, new single-family construction, and homes in foreclosure.
- Thankfully the foreclosure crisis during the Great Recession is over and we are now at the lowest level of foreclosure activity since 2000, but lower foreclosures combined with the reduction in new listings results in dramatically fewer available homes for sale.
- New construction has picked up but the growth in new single family construction is insufficient to offset the losses in the existing home inventory.

Affordability

- While strong demand and tight supply have increased home prices, moderate income growth and relatively low mortgage rates, has kept housing affordable in Wisconsin.
- The Wisconsin Home Affordability Index measures that portion of the median priced home that a buyer with median family income can afford to buy, assuming the buyer can finance 80 percent with a 30-year fixed rate mortgage.
- The index value was 239 in January, down just slightly from this time last year.
- This means a typical buyer can afford to buy 239 percent of the median priced home, which is better than the nation as a whole, and the entire Midwest.
 - According to the National Association of REALTORS®, the national index was 162.3 in December and the Midwest index was 215.2.

Closing

- The problem for buyers is not affordability, it's finding a home to buy.
- An experience REALTOR® is your best bet when trying to find a home in this tight market, but buyers need to be ready to move quickly so they should also work with a lender to get pre-qualified if they want to be successful in this market.