

JUNE 2016 HOUSING STATS – TALKING POINTS

Tight Inventories Reduce July Sales as Prices Continue to Rise

Overview

- Wisconsin home sales in July were at the second best level since 2005 but lower than last July, with sales down 7.6 percent from one year ago.
- Fewer homes on the market in 2016 caused this first decline in sales this year.
- Home prices in July, however, continued to increase, up 4 percent over July 2015, to a statewide median of \$170,000.

Sales Data

- Year-to-date sales remain strong at 3.3 percent above the first seven months of 2015, but tight inventories have slowed sales and pushed up prices.
- However, this was still a very solid performance for July.
- We need to keep this in perspective because July sales were very strong last year.
- There were only three times since 2005 where July sales topped 8,000 units:
 - July 2005 when 8,020 units closed
 - July 2015 when 8,866 homes were sold
 - July 2016 where the state closed on 8,189 homes
- Weak inventory levels kept sales down in every region of the state.
 - Central region fell 1 percent,
 - Southeast region declined 2.7 percent relative to July 2015
 - West region dropped 7.4 percent
 - North, Northeast and South Central regions slid between 10.4 percent and 13 percent

Inventory / Supply

- No matter how you slice it, this points to an inventory problem and not weakness tied to economic factors.
- The economy is in solid shape, with state unemployment rates low, solid job creation and very low mortgage rates by historical standards.
 - The state unemployment rate remained at 4.2 percent, which is the level that economists usually point to as evidence of full employment.
 - Even factoring in those workers who are discouraged and quit looking for work, or who are working part time when they would prefer a full-time job, unemployment rates are at pre-recession levels.
 - In addition, private sector job growth between July 2015 and July 2016 exceeded 45,000 jobs, according to the U.S. Bureau of Labor Statistics.
 - Finally, the 30-year fixed-rate mortgage was 3.44 percent in July, which is more than a half percent below the rate of 4.05 percent seen in July last year.
- Several barometers of housing market activity that point to severe supply constraints.
 - We've got just under 46,000 available homes on the market, and that represents seven months of available supply given the pace of sales over the last year.
 - Inventories are down by more than 8,000 homes in just the last year, and unfortunately new listings are also down 14.3 percent.

Price Data

- The tight supply of homes on the market continues to push median prices upward with the statewide median price growing 4 percent to \$170,000 over the last 12 months.
- This consistent trend of rising prices is in its fourth year, and year-to-date, prices have grown at about the same pace, rising 4.1 percent compared to the January-through-July period of 2015.
- Since July 2012, median prices have grown 19.7 percent, which is an annual compounded rate of growth of about 4.5 percent.

Affordability Data

- Still, housing remains affordable in the state due to low mortgage rates.

- The Wisconsin Housing Affordability Index shows that a household with median family income and a 20 percent down payment with the remaining balance financed using a 30-year fixed mortgage at current rates can afford to buy 226 percent of the median-priced home.

Closing

- Buyers need to move quickly when they find that home that meets their needs because they don't sit on the market long.
 - Average days on the market are down to 83 days, which is the lowest level since summer 2005 when they fell to 81 days.
- Being pre-approved for financing and working with an experienced REALTOR® remains the best way to realize the dream of homeownership in this tight market.