



MAY 2014 HOUSING STATS – TALKING POINTS

MAY EXISTING HOME SALES DECLINE EVEN AS MEDIAN PRICES RISE

Overview

- Existing home sales continued to lag behind 2013 levels but median prices rose by a solid margin in Wisconsin.
- May home sales dropped 6.9 percent compared to the May 2013 volume of sales.
- In contrast, median prices increased over the same period, rising 3.8 percent to \$150,000.

Sales Data

- This is the fifth straight month of reduced home sales compared to where we were this time last year, and there are multiple potential reasons why.
- The state's economy appears to be steadily improving. The unemployment rate continues to drop and at 5.7 percent in May, it stands a more than a percentage point below where we were last year.
- In addition the state has added more than 38,300 jobs over the last year according to the U.S. Bureau of Labor Statistics.
- The harsh winter contributed to slower sales in the first four months, but it can't explain the slower sales in May.
- Even though last year was a strong year for sales, we expected a slight bounce in May sales as the prolonged winter ended. But we haven't seen that bounce yet.
- One reason for the slowdown might be tied to lending reforms resulting from the Dodd-Frank financial overhaul law.
 - Federal regulators had proposed a 20 percent down-payment required if a loan is to be sold in the secondary market and while this provision was not implemented, other tighter lending restrictions did take effect in January.
 - The combination of a slight increase in mortgage rates, rising home prices and these tighter lending regulations may have kept some potential buyers out of the market so far this year.
 - Indeed national home sales have also been weak this year with existing home sales in the U.S. down nearly 7 percent over the first four months of the year compared to the pace set last year.
 - In light of the recent weakness in home sales, federal regulators are reconsidering some of these regulations.
 - It's important to strike the right balance between prudent lending practices and enabling credit-worthy buyers to get into housing, and it appears that Washington is still fine-tuning its policies to strike that balance.
- Existing home sales for May were either flat or down in every region of the state in May.
 - The northeast region was essentially unchanged from May of last year with sales down 0.1 percent.
 - Existing home sales fell 2.2 percent in the west region
 - Sales were down 3.8 percent in the north region.
 - However, sales fell between 9.3 percent and 12.5 percent in the south central, southeast and central regions, comparing May 2014 with May of 2013.

Price Data

- In spite of weaker sales compared to last year, our median home prices continue to rise.
- Median prices are up 3.8 percent in May and they are up 3.6 percent year-to-date.
- The regional picture was mixed:
 - Prices were up in three regions (southeast, west and northeast) up between 4.6 percent and 5.4 percent in May
 - South central region essentially flat.
 - In contrast, median prices in the central region fell 3.3 percent and they were up 20.6 percent in the north region.
 - Median prices are often volatile in these two regions due to the shifting mix of primary versus vacation homes that sell in any given month.

Affordability

- Home affordability did slip somewhat in May.
- The Wisconsin Housing Affordability Index, which measures the percent of the median priced home that the household with median family income can afford to buy at current mortgage rates assuming a 20 percent down payment, fell to 217 in May compared to 246 in May of 2013.
- Both new listings and inventory levels were up slightly in May which should keep our housing affordability relatively high.
- With median home prices up in 27 of the last 28 months, buying a home continues to be a good way to accumulate wealth and it's a physical asset that should keep pace with inflation over the long term.