

NOVEMBER 2014 HOUSING STATS – TALKING POINTS

NOVEMBER HOME SALES FALL AS MEDIAN PRICES INCREASE

Overview

- Existing home sales in November were down 6 percent whereas median prices rose 6.6 percent to \$145,000 between November 2013 and November 2014.

Sales Data

- The last couple of months have been a bit of a roller coaster in terms of sales.
- October sales were up over last year but sales in November were down.
- Comparing year-over-year sales for the two months, October sales rose 658 units compared to October 2013 whereas November homes sales declined 288 units relative to November 2013.
- Putting these numbers into perspective, our housing market remains strong in Wisconsin.
 - We had the strongest September to November sales period since 2006, before the Great Recession began.
 - In a typical year, November accounts for only about 7 percent of total annual sales.
- There was a big contrast between the October and November sales data.
- All areas of the state experienced increased sales in October, and then moved in the opposite direction in November with every area of the state experiencing decreased sales compared to the same month last year.
- Most regions were down in November between 3 and 6 percent -
 - The smallest decline was seen in the south central region (-2.9 percent)
 - Followed by the central region (-3 percent).
 - Slightly higher was the reduction in home sales in the southeast region which fell 3.8 percent.
 - The north region saw a decline of 5.6 percent.
 - The west region was down 8.6 percent.
 - The weakest performance was in the northeast region where November sales dropped 12.5 percent compared to November of 2013.

Price Data

- The median price of a home in Wisconsin increased 6.6 percent compared to November last year, which was the largest increase since February of this year, when the median price rose 7.4 percent on an annual basis.
- Throughout most of the year, housing prices have grown at just over the rate of inflation so hopefully this spike is just an aberration.
 - For most months this year, the median price increases ranged between 1.3 percent and 4.2 percent compared to the same month in 2013.
 - This compares to annual inflation rates between 1.1 percent and 2.1 percent for each of the first 11 months of 2014.

Affordability

- Housing is an asset that has gained value in Wisconsin for 32 of the last 33 months, yet it remains affordable for those with solid credit who qualify for a mortgage.
- The Wisconsin Housing Affordability Index remains high at 230, which indicates that the household with median family income can afford to purchase 230 percent of the median priced

home, assuming they had a 20 percent down payment and assuming they took out a 30 year fixed rate mortgage at current rates.

- The index is very similar to the level of last year, due to modest estimated gains in median family income and a slight reduction in mortgage rates.

Inventory / Supply Data

- The state currently has 8.4 months of unsold inventory, given the current annual pace of sales.
- Inventories are down slightly, but that's to be expected as we move into the winter months
 - On a seasonal basis, inventories tend to be highest in the summer months and then tend to shrink through the fall and winter, bottoming out in January.
- This inventory reduction however should not put undue upward pressure on home prices.
- Given the fact that sales also follow the same seasonal pattern, there should be ample inventory to keep home prices growing at a modest and sustainable pace over the next few months.

Conclusion

- The winter is actually a good time for potential buyers to consider a home purchase because often those selling homes during the winter are doing so because the home didn't sell during the previous summer and fall.
- The bottom line is that both buyers and sellers who are in the market during this time of year tend to be highly motivated.
- Using an experienced REALTOR® is a good way to get these motivated parties together to get a sale done during the off-peak season for housing.