

NOVEMBER 2016 HOUSING STATS – TALKING POINTS

Housing Market Heats Up in November as Inventories Tighten

Overview

- Wisconsin's exceptionally robust housing market continued in November with both sales and median prices rising by significant margins.
- November sales rose 19 percent compared to November 2015, setting a new sales record for the month.
- Healthy sales combined with very low inventory levels to push median prices up 8.3 percent to \$162,400.
- The state is on pace to have its strongest year since the WRA recalibrated its system for recording sales in 2005.
- Through the first 11 months of the year, sales are up 5.9 percent and median prices have increased 5.4 percent compared to the same period last year.

Sales Data

- This has been an excellent year for sales, and unless the tight inventories keep December sales down, we should see a record year for the Wisconsin housing market.
- Every region in the state saw healthy growth in sales in November with all but one region up by double-digit margins over the past year.
- Four regions grew in excess of 20 percent between November 2015 and November 2016, including:
 - the Northeast region, which was up 27.5 percent;
 - the North region, which rose 26 percent;
 - and the Southeast and the West regions, which both increased just over 22 percent.
 - The Central region was up 10.8 percent over the period,
 - and the South Central region increased 4.1 percent.

Inventory / Supply

- One factor that constrained the South Central region was the very tight inventories in Dane County, the largest county in the region.
- Inventories were tight in all the urban counties, but they were especially tight in Dane County.
- There were just three months of available supply in that county, which represents the lowest inventory level for any county in the state.
- We've been concerned about the limited supply all year, and inventories fell even further in November.
- The number of homes for sale statewide fell to just 36,231 in November, down from 43,181 last November.
- Metropolitan counties across the state had 5.3 months of supply in November 2015 but only 4.1 months available supply in November this year.

Price Data

- The steady increase in prices is predictable given our low inventory situation
- Real U.S. GDP grew at 3.2 percent in the third quarter, according to the U.S. Bureau of Economic Analysis, which is the highest quarterly growth rate since the third quarter of 2014.
- The GDP growth is definitely fueling demand, as are the low mortgage rates.
- A 30-year fixed-rate mortgage was just 3.77 percent in November, down from 3.94 percent a year ago.

Affordability

- These low mortgage rates and modest growth of median family income have also helped keep Wisconsin housing affordable.

- The Housing Affordability Index for the state shows the portion of the median-priced home that a borrower with median family income and good credit can purchase assuming a healthy 20 percent down payment and the remainder financed for 30 years at current rates.
- The index stood at 235 in November. This is down from 244 last year but still well above national levels.
- However, interest rates are likely to go up in the near future.
- The Federal Reserve just increased the Federal Funds rate by a quarter percent and signaled its intention to increase rates another 75 basis points in 2017, followed by another full percent in 2018.
- The Fed is clearly concerned that the strengthening economy is going to be inflationary unless it raises rates, so this will likely put upward pressure on mortgage rates over the next year.

Closing

- It's important to emphasize that we are only about a half percent above the all-time low for the 30-year fixed-rate mortgage, so this is still an excellent time to get a mortgage, but buyers need to be prepared to move quickly when they find the right home.
- Getting prequalified for a mortgage and using an experienced REALTOR® is the best way to take advantage of the opportunities in this market.