

OCTOBER 2015 HOUSING STATS – TALKING POINTS

SURGING WISCONSIN HOUSING MARKET CONTINUES

Overview

- The Wisconsin home market continued to expand in October as both existing home sales and the median price increased relative to October of 2014.
- Home sales rose 2.4 percent while prices increased 4.7 percent over last October to a statewide median of \$155,000.

Sales Data

- We've had good weather this fall and that's helped to maintain positive momentum in the state's housing market.
- Year to Date: For the first 10 months of the year, home sales totaled just over 66,347 - the strongest January through October sales pace since 2005 when 68,279 homes were sold.
- Regional sales data: However, regional sales varied across the state in October.
 - Home sales rose in the more urban regions with sales up 6.3 percent in the South Central region compared to October 2014.
 - Sales increased 4.2 percent in the Southeast region
 - rose 1.9 percent in the Northeast.
 - The strongest regional sales were seen in the Central region which increased 8.4 percent.
 - In contrast, sales fell 5.9 percent in the West
 - dropped 5.7 percent in the North in October relative to October 2014.
- It's important to remember that through the first 10 months of the year, all regions of the state are up by double-digit margins.
 - Comparing January through October sales this year to last year shows increases of between 11 percent and 12.6 percent in all regions of the state.

Price Data

- Wisconsin's median price rose 4.7 percent to \$155,000 for homes sold in October with all regions posting increases compared to last year.
- Regional price data:
 - Regionally, prices ranged from a modest October 2014 to October 2015 increase (+0.7 percent in the Southeast) to significant median price appreciation (+16.1 percent in the Central region).
 - The other regions saw increases in the range of 3.1 percent to 7.5 percent this October compared to last October.
 - Comparing the 10 month year-to-date period, all regions of the state showed increases ranging from 3.8 percent to 7.6 percent relative to last year.

Affordability / Inventories

- While prices have been rising, our housing remains very affordable.
- The Wisconsin Housing Affordability Index stood at 230 in October. (The index measures the fraction of the median priced home that a buyer with median family income can qualify to purchase. This assumes a 20 percent down payment and the remaining 80 percent financed with a 30 year fixed rate mortgage.)
- The index is essentially unchanged from last year, and that's mainly due to the fact that mortgage rates are about a quarter of a point lower this year compared to last year.

- The 30 year conventional mortgage was 3.80 percent in October, which is a mere half percent above the 44 year low of 3.35 percent for that rate in November and December of 2012.
- Interest rates are extremely favorable and are helping fuel this market.
- However, affordability will likely begin to fall in the next calendar year.
- We've been closely watching two key factors; our statewide inventory levels and the Federal Reserve's statements about raising short term interest rates.
 - Home inventory levels fluctuate with the season, but after accounting for that seasonal variation, Wisconsin's home inventory levels have been consistently falling since early 2010.
 - Specifically, the seasonally adjusted inventory levels have fallen from a high of 72,000 available homes in March 2010 to about 47,000 homes today.
 - A shrinking supply of homes will lead to higher prices which hurts affordability
 - Regarding interest rates, once the Fed begins raising the Federal Funds rate, long term mortgage rates will also likely increase.
 - It's not that the Fed is setting mortgage rates, but when it raises short term rates, it signals higher expected inflation, and that's what causes lenders to raise mortgage rates.
 - The bottom line is that home affordability will likely decline over the course of the next year which makes this an excellent time to talk to a REALTOR® about finding that home that best fits your needs.