

## OCTOBER 2016 HOUSING STATS – TALKING POINTS

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### Solid October Home Sales Support Record Year

#### Overview

- Solid sales in October support a likely record-setting year for Wisconsin's existing home market.
- October 2016 sales matched last October's extraordinarily strong market, capping off the strongest 10 months of sales in Wisconsin since 2005.
- This strong market has continued to push median prices higher, rising 6.5 percent to \$165,000 over the past 12 months, and continuing a trend of price escalation over the past four and a half years.
- The growth in median prices rose at more than four times the inflation rate, which increased at an annual pace of 1.6 percent in October.
- Prices for the first 10 months of 2016 were up 5.1 percent of the same period in 2015.

#### Sales Data

- Even though sales activity starts to wind down as we get closer to winter, it's clear we are on pace for a very strong 2016.
- With nearly 70,000 homes sold thus far, we should surpass last year's total sales.
- At the current pace, home sales for 2016 are projected to reach 80,000, compared to just over 76,700 homes sold in 2015.

#### Inventory / Supply

- This is impressive given the fact that inventory levels continue to fall in the state.
- There were 40,373 homes on the market in October, which represents 6.1 months of available supply.
- This is well below the October peak of 66,068 homes in 2010 when there was 14.6 months of available inventory.
- Low inventory levels are a concern, especially in our metropolitan counties, which had just 4.6 months of supply in October.

#### Regional Sales Data

- The regional picture was mixed, with two regions growing and four others either flat or declining relative to October 2015.
  - Specifically, home sales in the North region rose 7 percent
  - Sales were up 5.6 percent in the Southeast region
  - In contrast, home sales fell slightly in the West, down 0.9 percent
  - and home sales dropped 1.7 percent in the Northeast region
  - Finally, larger reductions were seen in the South Central region, down 4.3 percent,
  - and the Central region, down 19.2 percent.
- Still, on a year-to-date basis, all regions grew between 2.8 percent and 6.6 percent compared to the first 10 months of 2015.

#### Price Data

- A strong economy, low interest rates and affordable housing are a recipe for a strong existing home market.
- The Wisconsin economy is at or near what economists consider to be full employment, with unemployment at 4.1 percent in October.
- Over the past year, private sector job growth was solid at 27,900 jobs, including 3,200 jobs in the manufacturing sector.
- Mortgage rates stood at 3.47 percent in October, down from 3.80 percent this time last year.
- Now that the election is over, the Federal Reserve Board has begun signaling its intention to raise short-term rates as soon as next month, so this will likely push mortgage rates up in the near future.
- The Fed's actions are not necessarily a bad thing since keeping inflation under control is critical if we are to avoid significant increases in mortgage rates.

**Affordability**

- Housing affordability remains quite strong in the state.
- The Wisconsin Housing Affordability Index shows the fraction of a median-priced home that a borrower with a median family income can afford to purchase, assuming a healthy 20 percent down payment and the remainder financed with a 30-year fixed mortgage.
- The index has been remarkably stable over the past year, with the October 2016 figure at 236 as compared to 235 last year.

**Closing**

- The pressure on housing prices has been growing as our inventories have declined, and the combination of higher interest rates and higher prices will cut into affordability going forward.
- Still, there are excellent opportunities.
- Moving during the winter can be inconvenient, but it's important to remember that housing prices tend to soften during the winter months so buyers may find some excellent opportunities if they are buying during the off-peak season.
- An experienced REALTOR® who knows the local markets can help match buyers with the home that best fits their needs in this market.