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For More Information Contact: Michael Theo, WRA President and CEO, 608-241-2047, mtheo@wra.org
or
David Clark, Economist, C3 Statistical Solutions and Professor of Economics, Marquette University, 414-803-6537, dclark@c3stats.com

MAY EXISTING HOME SALES DECLINE EVEN AS MEDIAN PRICES RISE

MADISON, WI – Existing home sales continued to lag behind 2013 levels but median prices rose by a solid margin in Wisconsin according to the most recent housing market report released by the Wisconsin REALTORS® Association (WRA). 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.

“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,” said Steve Lane, Chairman of the WRA Board of Directors. He pointed out that state 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,” said Lane. “But we haven’t seen that bounce yet.”

According to Michael Theo, WRA President and CEO, an additional 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,” Theo said. 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,” said Theo.

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 and they 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.

“In spite of weaker sales compared to last year, our median home prices continue to rise,” said Mr. Theo. Median prices are up 3.8 percent in May and they are up 3.6 percent year-to-date. The regional picture was mixed with prices up in three regions (southeast, west and northeast) up between 4.6 percent and 5.4 percent in May and the 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,” said Theo.

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,” said Theo. “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,” he said.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 14,500 real estate brokers, sales people and affiliates statewide. All county figures on sales volume and median prices are compiled by the Wisconsin REALTORS® Association and are not seasonally adjusted. Median prices are only computed if the county recorded at least 10 home sales in the quarter. All data collected by Wisconsin REALTORS® Association are subject to revision if more complete data become available. Beginning in 2010, all historical sales volume and median price data at the county level have been re-benchmarked using the Techmark system which accesses MLS data directly and in real time. The Wisconsin Housing Affordability Index is updated monthly with the most recent data on median housing prices, mortgage rates, and estimated median family income data for Wisconsin. Data on state foreclosure activity is compiled by Dr. Russ Kashian at the University of Wisconsin – Whitewater.