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Home Sales Return to Pre-Recession Levels as Median Prices Continue to Grow

MADISON, WI – The Wisconsin housing market continued to expand in May according to the most recent analysis of home sales released by the Wisconsin REALTORS® Association (WRA). Statewide existing home sales increased 7.8 percent between May 2014 and May 2015. This is the strongest five month start to the year since 2007 before the Great Recession began and it is the strongest sales for the month of May since 2006. The solid sales have also continued to fuel prices. Median prices increased 6.7 percent to \$160,000 over the same period.

“This is an impressive market with May sales the strongest in 9 years,” said Dan Kruse, the Chairman of the WRA Board of Directors. He noted that sales in every region of the state were in positive territory in May as well as on a year-to-date basis. The North region was up by the largest margin, growing 16.1 percent in May 2015 relative to May 2014. Also increasing by double-digits over that period was the Central region, which grew 11.5 percent. “The solid growth in both the Central and North regions suggests a very healthy second home market,” said Kruse. The South Central, Southeast and West regions all increased between 7.8 percent and 8.4 percent over the period, whereas the Northeast region increased by a modest 1.6 percent. Even though the Northeast region grew by the smallest margin in May, it’s still the strongest May growth seen in that region since before the recession.

The robustness of this market is also seen in the sustained pattern of price growth, now in its fourth year. Median prices grew well above the rate of inflation in May, with the median price up 6.7 percent to \$160,000. Comparing May 2015 with May 2011, prices have grown at a compounded rate of 4.1 percent which is 3.1 times the comparable inflation rate over that same period. Inflation derived from the Consumer Price Index between May 2011 and May 2015 averaged 1.3 percent per year. “While we usually don’t like to see housing appreciating at three times the rate of inflation, it’s important to remember that we’ve been in a very low inflationary period since the recession,” said WRA President and CEO, Michael Theo. In contrast, the inflation rate over the past 30 years has averaged 2.6 percent. “Home price growth in the 4 percent range is sustainable when compared to longer term trends in inflation,” he said.

Housing affordability remains high in the state. The Wisconsin Housing Affordability Index shows the percent of the median priced home that a buyer with median family income can afford to buy with 20 percent down and the remainder financed at current market rates on a 30 year fixed mortgage. The index stood at 226 in May, which is virtually unchanged from May of last year. Although median prices are up, this is offset somewhat by modest improvements in median family income, and mortgage rates which were 3.84 percent in May, about a third of a percent lower than this time last year.

“Our housing is affordable, there is ample supply, and long term it’s a great way to accumulate household wealth,” said Theo. Statewide, there are 9 months of available inventory, although metropolitan counties have just 6.9 months compared to the 14.4 months of available supply in non-metropolitan counties. “Our statewide inventory is in good shape but it’s been shrinking for some time which has put upward pressure on prices,” he said. He noted that once the Fed starts raising short term rates, this will likely lead to higher mortgage rates. “Summer is always the preferred season to make a move, but given tightening inventories and an impending Fed rate increase, this is an ideal time to buy from an investment perspective,” said Theo. Using an experienced REALTOR® is still the best way to identify the best value in this tightening market.

The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 14,000 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.