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October Sales Moderate as Median Prices Continue to Grow

MADISON, Wis. – Wisconsin’s red-hot real estate market cooled in October, with sales of existing homes nearly identical to October of last year, according to the most recent housing report issued by the Wisconsin REALTORS® Association. October sales were just 0.1 percent lower than last October, representing the first time since July of 2011 that monthly sales did not increase over the previous year. The median sales price however continued to rise, increasing 5.6 percent to \$142,500 in October relative to October 2012. On a year-to-date basis, median prices increased 7.5 percent compared to the first 10 months of 2012.

“While somewhat surprising, these numbers are not totally unexpected,” said Steve Lane, Chairman of the WRA board of directors. “We are comparing sales between two very strong years and two very healthy markets,” said Lane. Year-to-date sales in the state are 12.4 percent higher than the first 10 months of 2012.

Lane noted that the National Association of REALTORS® Pending Home Sales Index, a barometer of future home sales in the U.S., has been declining throughout the June-to-September period. “Wisconsin’s third quarter sales were very strong even in light of the changes in this index, and so it’s too soon to draw too many conclusions from one month of data,” said Lane. Still, he suggested that even if this were an aberration, Wisconsin’s growth rates of existing home sales were expected to moderate over time. “The base for comparison has been essentially growing at double-digit rates for more than two years, and that can’t continue indefinitely,” he said. Lane suggested that some of the decline might also be attributed to rising mortgage rates. Thirty-year fixed mortgage rates rose more than 1 percent between January and September this year before dropping about 30 basis points in October. “We need to remember that most of the October closings locked their interest rates in between late August and the first half of September, just as these rates were peaking,” he said.

Sales softened in all regions of the state. The strongest regional growth was in the South central region, where sales were up 3.9 percent and they rose 2.2 percent in the Northeast region of the state in October 2013 relative to October 2012. The Southeast region was nearly unchanged, with sales rising 0.6 percent, and they dropped 0.5 percent in the West region over the period. Finally, the Central region declined 12.5 percent, and sales in the northern part of the state fell 5.3 percent. “When we see regional volatility, it’s more common that the North and Central regions have fewer sales given they have significant second home markets,” said Lane.

“The change in median prices was similar to that seen in September, although price increases have been moderating over the last few months,” said Michael Theo, WRA President and CEO. Specifically, the median sales price increased 5.6 percent in October, which is relatively close to the 6.6 percent in September, but much lower than the unsustainable year-over-year increases of 12 percent in June and 9.2 percent in July. “The healthy influx of new listings throughout the year is paying dividends, keeping prices from overheating,” said Theo. New listings are up 5.4 percent through the first 10 months of the year. As a result, housing in the state continues to be affordable to homebuyers in Wisconsin. The Wisconsin Housing Affordability Index, which measures the percent of the median-priced home that a buyer earning the median family income can afford to buy given current mortgage rates and a 20 percent down payment, stood at 225 in October. This is slightly up from the September figure but down from its level of 257 a year ago. Housing in Wisconsin continues to be more affordable than housing nationwide. The national housing affordability rate was at 156.1 in August, according to the most recent figures available. “Wisconsin housing remains an excellent value, and given the increase in mortgage rates over the course of this year, this is a good time for potential buyers to get into the market to secure the most value” said Theo.

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The Wisconsin REALTORS® Association is one of the largest trade associations in the state, representing over 13,500 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.