



Date: 6/20/16
For Release: Immediately
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Wisconsin Home Market Remains Strong through Spring

Madison, Wis. — The state housing market continued its growth trend in May with both home sales and median prices increasing over their levels a year ago according to the most recent monthly analysis of the home market by the Wisconsin REALTORS® Association. Sales of existing homes increased 2.9 percent over May of 2015, which represents the strongest May sales since 2005. The statewide median price in May was \$165,000 which represented a 3.1 percent increase over May of 2015.

“We’ve had a fabulous start to the year which was fueled by a strong overall economy and very good mortgage rates,” said K.C. Maurer, WRA board chairman. The state seasonally adjusted unemployment rate dropped to 4.2 percent in May and the 30 year fixed rate mortgage was at 3.6 percent in that same month. He noted that May is second only to June in terms of typical volume of sales. “A lot of buyers don’t like to move during the school year and they also don’t like to move when the weather turns cold, so not surprisingly, the late spring and summer months are periods of high activity in the state,” said Maurer. “It’s great to see the market continue its momentum as we move into the peak season for sales,” he said.

Four of the six regions saw their sales increase between May 2015 and May 2016 with the strongest sales growth seen in the Southeast region (+6.6 percent) followed by the Northeast (+5.5 percent). The South Central and Central regions grew between 1 percent and 2 percent over the period whereas the North region dropped slightly less than 1 percent. The only region which fell more substantially was the West region, which was 5.5 percent below the May 2015 level of sales. Maurer noted two points regarding the West. “May of 2015 was the strongest May sales that region had seen in more than 10 years, and inventory levels remain very tight in the region,” he said. In fact, the West region has just 6 months of inventory, down from 7.5 months a year ago, and the tightest supply in the state is found in La Crosse County which has just 3.7 months of available inventory. Tight inventory is certainly hampering sales in that area.

The median price rose 3.1 percent to \$165,000 in May, and through the first 5 months of the year, they are up 5 percent to \$157,500 compared to the first 5 months of 2015. “As is typically the case, tight housing markets lead to rising prices so it’s not surprising to see the median price continue to grow statewide,” said WRA President and CEO, Mike Theo. Like home sales, home prices follow a regular seasonal pattern with lower prices in the winter when there is less activity and higher prices in the heat of the spring and summer markets. The last time we saw May prices hit \$165,000 was May 2007, and they had fallen to \$136,000 by May of 2011. “These figures are another indication we’ve finally recovered from the significant impact the recession had on home prices,” said Theo.

Theo also pointed out that housing affordability continues to be high in the state due primarily to the relatively low mortgage rates even in light of modest price appreciation over the past year. The Wisconsin Housing Affordability Index stood at 228, which is slightly lower than its level of 231 in May of 2015. The index shows the portion of the median priced home that a borrower with median family income can afford to purchase assuming they qualify for a mortgage, and finance 80 percent of the purchase price using a 30-year fixed rate mortgage. “Even though our prices have been rising for more than 4 years, Wisconsin housing is still one of the best values when compared to other housing markets in the country,” said Theo. The National Association of REALTORS® indicates April affordability stood at 161.5 for the entire country, and it was at 215.3 for the Midwest region. “The market has been fueled in part by low mortgage rates, and with 30 year rates below 4 percent, this remains an excellent time for buyers to find real value in this tight housing market,” said Theo. “With the Fed continuing to suggest a short-term rate hike is on the horizon, using an experienced REALTOR® is still the best way for both first-time buyers as well as those trading up, to find the home that’s right for them,” he said.

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.