Summer was a three-month record for home sales

Posted on Thursday, Sep 24, 2020

Wisconsin this summer set a three-month record for home sales, according to the Wisconsin Realtors Association.

This record was due to a combination of the state reopening in June and record-low mortgage interest rates over the summer, the association said.

Summer home sales grew 2.8 percent compared to the June-through-August period of 2019. Although June home sales saw a modest decline relative to June 2019, robust sales growth in July and a slight improvement in the August market pushed summer home sales to 27,795 — the strongest summer sales volume on record for the state.

Sales for August alone rose 0.7 percent relative to August 2019. Year to date, existing home sales were just 1 percent below the first eight months of last year, and median prices rose 8.8 percent to $219,500.

“We’ve seen remarkable resilience in this market, given the strong headwinds we faced this year,” said WRA Chairman Steve Beers.

One was low inventories, which kept the state in a strong seller’s market for the last three years and limited buying opportunities. The other was the economic shutdown due to COVID-19, which shut down the housing market in the latter part of the spring.

“The good news is that mortgage rates have never been lower,” Beers said.

The 30-year fixed-rate mortgage continued its downward trend, falling to 2.94 percent in August from 3.02 in July. That new record low for the fifth straight month has fueled housing demand, according to WRA.

Tight supply and strong demand have driven up home prices, said WRA President and CEO Michael Theo.

The median price in August spiked up 14.1 percent over the last 12 months, and the median price for the first eight months of 2020 increased 8.8 percent compared to that same period last year.

“The low mortgage rates have been our salvation on the affordability front,” despite affordability falling 7.8 percent in August compared to this time last year, Theo said. “Wisconsin housing will remain affordable as long as mortgage rates remain low.”

A further promising sign is new construction, according to WRA. Through July, single-family housing units authorized by building permits were up 9.3 percent over the first seven months of 2019.

“Hopefully this trend will continue and help to eventually ease the supply problem in the state,” Theo said.

At the federal level, efforts to keep short-term interest rates near zero for the next three years should continue to stimulate housing market demand even though the unemployment rate is still high compared to January 2020, said Marquette

University economist David Clark.

“The national economy appears to be on a solid growth path in the third quarter, according to the New York Fed, and this has helped improve the labor market,” said Clark, who is also a consultant to the WRA. “We’re still well above the pre-recession unemployment rate of 3.6 percent in January, but it’s important to note that the rate spiked to 14.7 percent in April, so we’ve made up a lot of ground in just four months.”

The strongest regional home sales in Wisconsin were seen in the rural, north region.

According to WRA, this was not a surprise as rural regions generally have more available inventory compared to urban regions of the state.

The north region had 5.9 months of supply in August, and sales were up 16.5 percent over August 2019. The central region had sales up 5 percent with 4.1 months of supply. The more densely populated counties in the northeast, southeast and south central regions had between 3.5 and 3.9 months of supply, and their home sales were relatively flat over the past 12 months.

“These regional differences also show up in measures of time on the market,” said Beers.

Homes in the north region were on the market an average of 130 days in August, and they averaged 103 days in the central region. By comparison, they averaged between 72 and 93 days on the market in the other regions of the state.

"The clear takeaway is that if you are looking for a home in the northern and central part of the state, you have some options. But if you want to find a home in the bigger cities, you better be ready to move quickly," Beers said.