

# Housing market starts new year on record pace

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The Wisconsin market for existing homes started the new year on record pace even as inventories continued to tighten statewide, according to the Wisconsin Realtors Association.

This follows a record year for home sales in 2020.

January home sales increased 9.8 percent compared to that same month last year, and the median price rose 10.5 percent to \$210,000 over that same period. This established a new January record in Wisconsin for both home sales and the median price, according to WRA's most recent analysis.

"January is typically the slowest month of the year, so it's encouraging to see such a strong market to start 2021," said WRA Board Chair Mary Duff. But she cautioned that the record pace is unlikely to continue due to a severe shortage of homes for sale.

Duff added that unfortunately, January ushered in another Wisconsin record — record-low inventories. There were just 2.1 months of available homes for sale in January, down from 3.5 months a year earlier. The last time there was a balanced market in the state was in summer 2017, when there was about six months of supply. It's been a seller's market ever since.

"Going forward, we may be able to surpass the depressed level of home sales last

spring, but we will struggle to keep pace with 2020 unless inventories improve,” Duff said.

Inventories are tight in all regions of the state, ranging from 2.5 months of available supply in the north region to just 1.9 months of inventory in south central and southeast Wisconsin. Duff noted that tight inventories exist in both large cities and rural areas. In the year leading up to January 2021, rural inventory fell from 5.9 months to just 2.7 months of supply.

Very low mortgage rates fuel demand, explained WRA President and CEO Michael Theo. And with such limited supply, it’s driving up home prices. The 30-year fixed-rate mortgage

stood at just over 2.7 percent in January, which is nearly a full percent below last year.

“These are great rates, and as a result, homes are moving quickly, often with multiple

offers, which can push prices above the asking price,” he said.

Wisconsin’s housing affordability barely changed since lower mortgage rates offset the higher prices. But that may be changing, Theo said.

The 30-year rate ticked up slightly in January after recording 12 straight months of decline and hitting a record low of 2.68 percent in December 2020.

“Once mortgage rates begin moving up, the combination of increasing prices and increasing mortgage rates will definitely start to erode our affordability,” Theo explained.

*-By Stephanie Hoff*

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