

# May Home Sales Down 21.1%

## Highlights

- **Buyers Are Still Very Active**
- **Low Listings & Buyer Interest Pushed Prices Up 1.6%**
- **Market Is Stuck In A Frustrating Cycle**

## Market Summary

Home sales were down 21.1% in the Metropolitan Milwaukee area in May compared to the same time in 2022.

As has been the case all year so far, residential unit sales will most likely be down through June because sales in the first half of 2022 were still part of the “Pandemic Market,” when the market saw intense competition and record sales.

The mid-year increase in interest rates in 2022 made any comparison between May 2022 and May 2023 difficult because market dynamics are so different between the two periods.

With little to no new construction of single-family houses or condominiums, and an overabundance of apartment construction, current homeowners cannot move because there simply is nowhere to move to.

On top of that, many current homeowners have mortgage interest rates in the 3% range, which may be a financial disincentive to sell if they would have to take out another mortgage for a new property.

This scenario has created a frustrating cycle: Empty-nesters and elderly homeowners who would downsize to a smaller property – opening up “move-up” properties – are stuck because they cannot find one. Young families who need more space and would buy those “move-up” properties are trapped in their small homes and apartments. And first-time

## May Sales

County	2022	2023	% Change
Milwaukee	1171	906	-22.6%
Waukesha	525	414	-21.1%
Ozaukee	123	122	-0.8%
Washington	176	132	-25.0%
<b>Metro Area</b>	<b>1,995</b>	<b>1,574</b>	<b>-21.1%</b>
Racine	268	209	-22.0%
Kenosha	196	170	-13.3%
Walworth	167	121	-27.5%
<b>SE WI Area</b>	<b>2,626</b>	<b>2,074</b>	<b>-21.0%</b>

## May Listings

County	2022	2023	% Change
Milwaukee	1462	1061	-27.4%
Waukesha	688	537	-21.9%
Ozaukee	165	126	-23.6%
Washington	213	216	1.4%
<b>Metro Area</b>	<b>2,528</b>	<b>1,940</b>	<b>-23.3%</b>
Racine	361	246	-31.9%
Kenosha	273	201	-26.4%
Walworth	197	210	6.6%
<b>SE WI Area</b>	<b>3,359</b>	<b>2,597</b>	<b>-22.7%</b>

buyers have to spend another year renting (and not building any equity) because young families that are stuck in their first house can't escape.

This scenario has also led to rising prices, with average prices up 1.6% in May in the metropolitan area to \$373,610 from \$367,625.

The market is nowhere near becoming a balanced market in the near-term with new listings falling 23.3% from May 2022. That is because, as noted above, the metropolitan market is contending with a years' long trend of not creating enough new or existing homes to satisfy buyers' needs.

To reach a balanced market (commonly understood to be 6 months of inventory) the four county area needed 5,700 additional units in May. That month there was only enough inventory to satisfy 2.3 months of buyer demand, and if we subtract units with an offer on them that level drops to 0.8 months.

The systemic problem with the market is the lack of new construction of single-family houses and condominiums, and over reliance on apartments to satisfy demand. That bottleneck combined with the demographic surge of Millennial and GenZ buyers and reasonable interest rates have all contributed to a historically tight market.

The imminent danger for the region if it does not create additional supply in the form of more single-family and condominium units, is that thousands of would-be homeowners will be forced to continue to rent, foregoing the opportunity to build wealth through a home's equity and all of the other benefits of homeownership. Rather they have been, and will continue to, pay thousands of dollars a year in rent with no ability to save for a down payment – pushing off their opportunity to achieve the American Dream even further.

## **Where to go**

Buyers should seek the counsel of a REALTOR® in determining their best housing options, and sellers need a REALTORS® expert advice in making correct marketing decisions for their home.

The Greater Milwaukee Association of REALTORS® is a 5,500-member strong professional organization dedicated to providing information, services, and products to help REALTORS® help their clients buy and sell real estate. Data for this report was collected by Metro MLS, Inc. a wholly owned subsidiary of the GMAR.

\* Sales and Listing figures differ between the "Monthly Stats" and quarter or year-end numbers, because the collection of Monthly Stats ends on the 10<sup>th</sup> of each month, whereas quarters are a continuous tally to 12/31. For example, if a sale occurred on the 29<sup>th</sup> of the month, but an agent does not record the sale until the 5<sup>th</sup> of the next month, that sale would not be included in the sales figures of the reported month (or any subsequent month's total) but would be added to the quarterly and annual total sales figures.

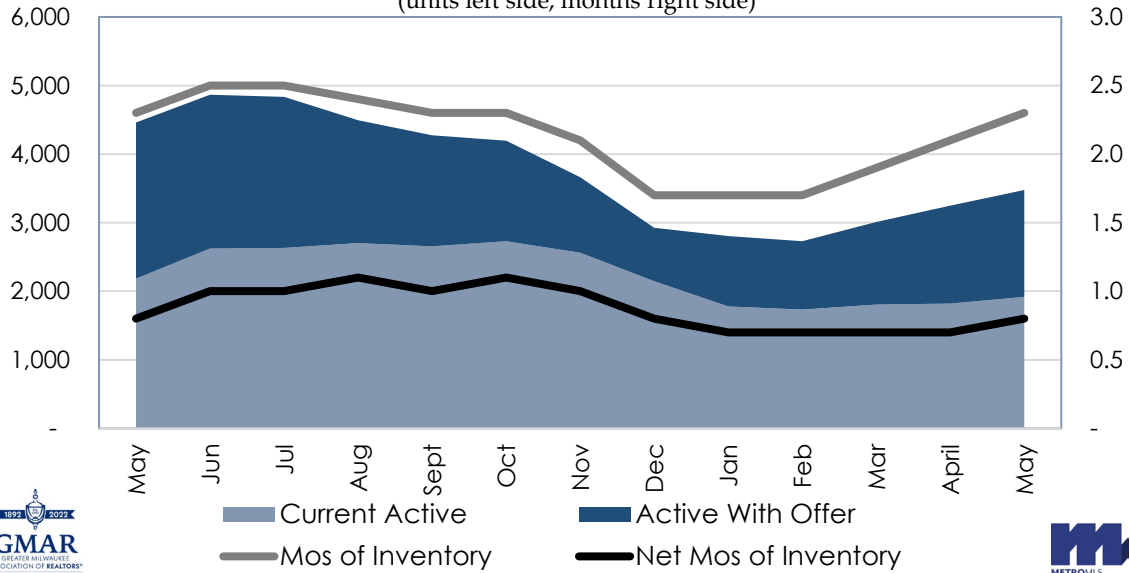
\*\* All references to the "metropolitan" area denotes the four counties of Milwaukee, Waukesha, Ozaukee, and Washington Counties. The "region" or "Southeast Wisconsin" refers to the four metropolitan counties (Milwaukee, Waukesha, Ozaukee, and Washington), plus the three counties to the south, Racine, Kenosha, and Walworth Counties.

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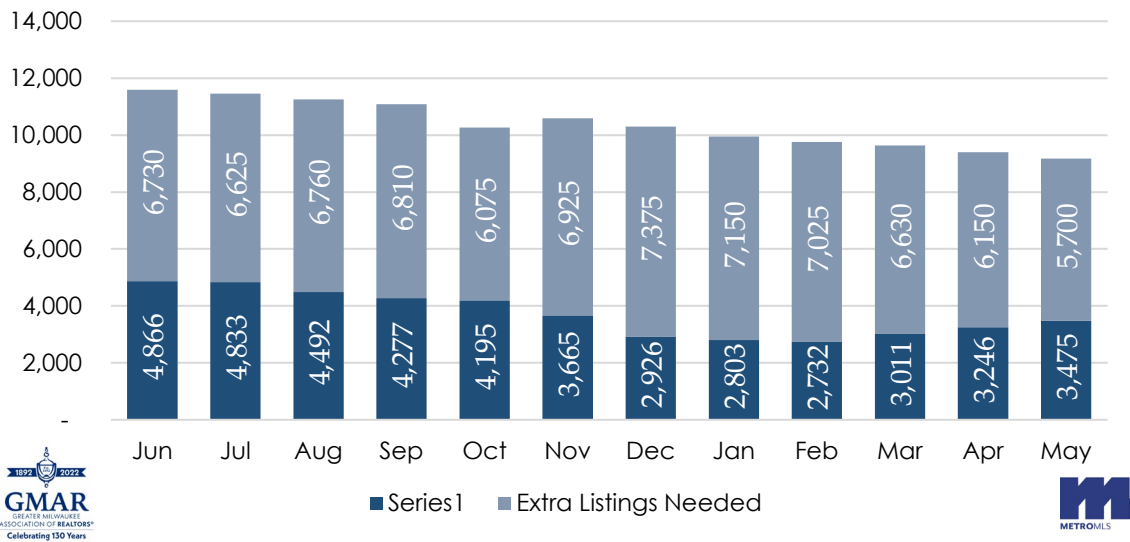
## Seasonally Adjusted Inventory

(units left side, months right side)



Seasonally adjusted **inventory** tells us how many months it would take to sell the existing homes on the market. The seasonally adjusted **inventory level for May was 2.3 months**. Subtracting listings that have an “active offer” from those available for sale (about 80% of listings with an offer sell) yields **2,848 listings, which equals 0.8 months of inventory**.

## New Units Needed To Reach 6.0 Months



With 3,475 current listings providing 2.3 months of inventory, **the market would need an additional 5,700 units to push inventory to six months**. Six months of inventory is considered a “balanced” market. If inventory falls below six months, the market favors sellers, and when inventory exceeds six months, it is a buyer's market.

