

February Home Sales Down 22.6%

Highlights

- **Market Has Slowed, But Buyers Are Still Very Active**
- **Low Listings & Continued Buyer Interest Pushed Prices Up 1.9%**
- **Market Desperately Needs More New Construction**

Market Summary

Home sales were down 22.6% in the Metropolitan Milwaukee area in February compared to the same time in 2022.

Residential unit sales will most likely be down for the next few months, because the first half of 2022 was still part of the “Pandemic Market.” That period was marked by unusually intense competition for homes resulting in record sales. Any comparison to the pandemic market will most likely be down.

An increase in interest rates last summer also played a role, slowing demand and causing some buyers to reassess their ability to purchase a home, lowering unit sales.

The bottom line is that ... the market needs to develop more single-family and condo units.

Typically, decreasing sales leads to lower prices, but with exceptionally tight inventory average prices were up 1.9% in February. Although it is noteworthy that February’s increase was much slower than January or December, which were 9.5% and 6.6%, respectively.

The bottom line is that in order to moderate price increases and satisfy the demand for residential dwellings – in the form of ownership opportunities not rental – the market needs to develop more single-family and condo units.

February Sales

County	2022	2023	% Change
Milwaukee	730	534	-26.8%
Waukesha	247	223	-9.7%
Ozaukee	78	57	-26.9%
Washington	78	63	-19.2%
Metro Area	1,133	877	-22.6%
Racine	209	142	-32.1%
Kenosha	132	95	-28.0%
Walworth	112	60	-46.4%
SE WI Area	1,586	1,174	-26.0%

February Listings

County	2022	2023	% Change
Milwaukee	934	703	-24.7%
Waukesha	380	292	-23.2%
Ozaukee	92	84	-8.7%
Washington	125	98	-21.6%
Metro Area	1,531	1,177	-23.1%
Racine	166	144	-13.3%
Kenosha	145	124	-14.5%
Walworth	102	90	-11.8%
SE WI Area	1,944	1,535	-21.0%

The market is nowhere near becoming a buyer's market in the near-term, despite new listings falling 23.12% from February 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 7,025 additional units in February. That month there was only enough inventory to satisfy 1.7 months of buyer demand, and if we subtract units with an offer on them that level drops to 0.7 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 good 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 10th of each month, whereas quarters are a continuous tally to 12/31. For example, if a sale occurred on the 29th of the month, but an agent does not record the sale until the 5th 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.

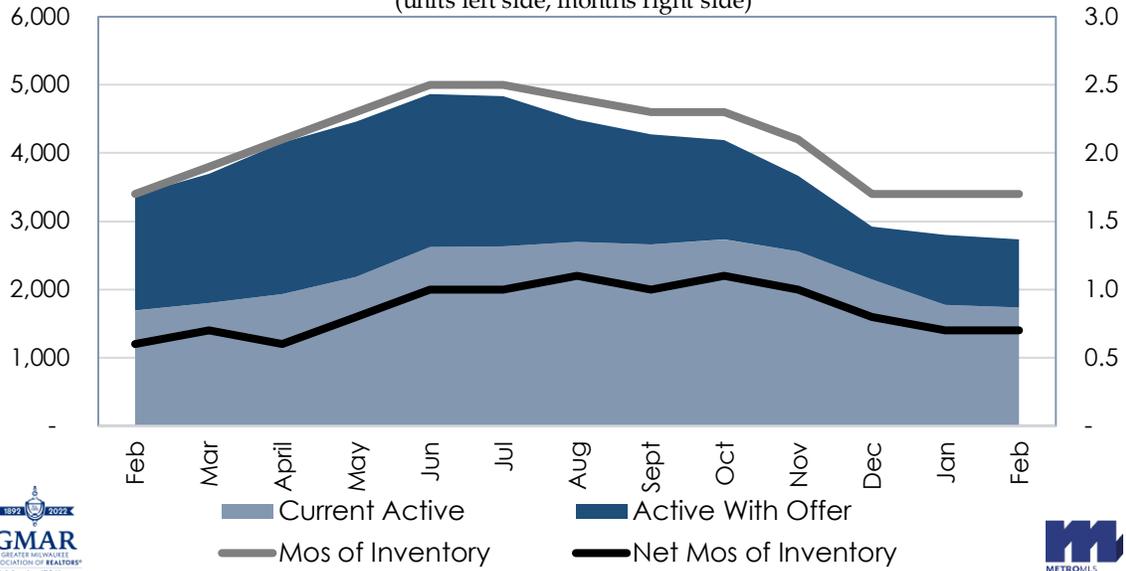
Correction: There was an error in the January 2023 sales figures released on February 15, 2023. The January 2023 sales for Washington County was reported to be 47 units, down 61.2% from 121 units in January 2022. The correct Washington County sales number was actually 63 units, making the comparative decrease 47.9%, year-over-year. The Metro Area total should have been down 31.6%, not 32.9%, and SE WI Area total should have been 30.5%, not 31.5%. We regret the error.

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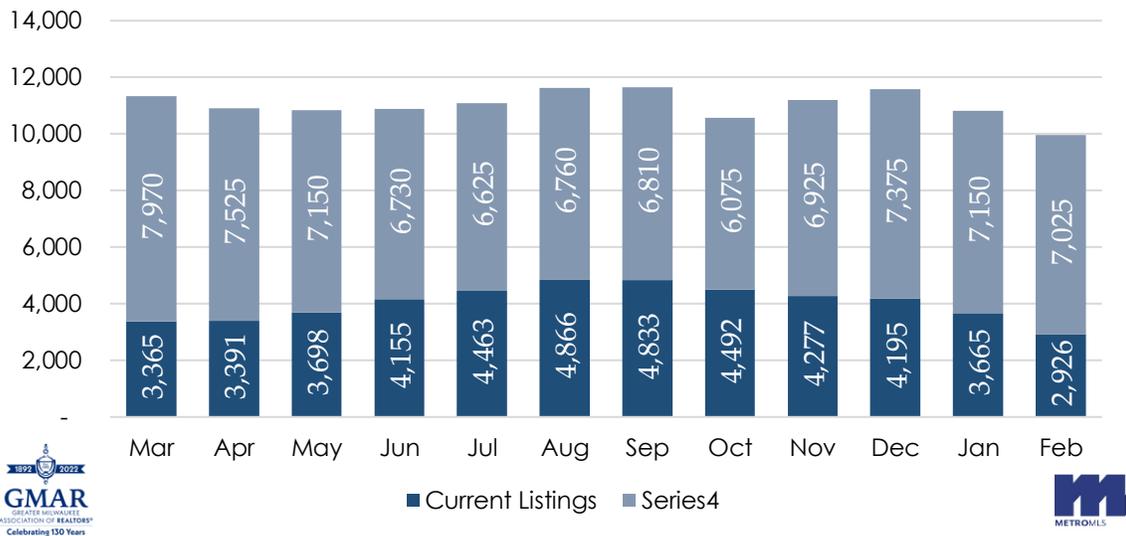
Seasonally Adjusted Inventory

(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 February was 1.7 months**. Subtracting listings that have an “active offer” from those available for sale (about 80% of listings with an offer sell) yields **1,778 listings, which equals 0.7 months of inventory**.

New Units Needed To Reach 6.0 Months



With 2,926 current listings providing 1.7 months of inventory, **the market would need an additional 7,025 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.

