

# HOUSING REPORT

WASHTENAW | AUGUST 2018

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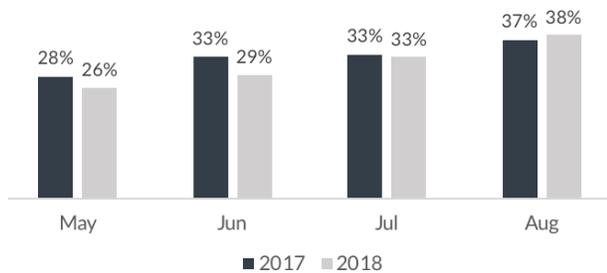
Washtenaw County

# Is the Market Shifting?

## Increasing Numbers of Price Reductions

Over the past few months, there has been an increasing number of listings with price reductions. In May, 26% of Washtenaw County active listings had at least one price reduction. By August, 38% had reductions. Is this a sign that the market is shifting?

Active Listings Price Reduction Frequency  
2017 vs. 2018



Comparing last year to this year (the dark columns represent reduced 2017 active listings), we see the same pattern with the frequency of price reductions rising through the summer. The rising numbers are primarily seasonal. As sellers sense the end of summer approaching, they often adjust their prices in their attempt to land buyers who may be looking to be settled before the start of the new school year.

## July Closed Washtenaw County Sales

Year	Closed Sales	Avg Sale Price	% of Price Reductions
2015	2242	\$281k	26%
2016	2270	\$300k	25%
2017	2218	\$316k	21%
2018	2097	\$339k	19%

When comparing YTD closed sales from this year with sales from the previous 3 years, the Washtenaw County market is holding its own. Although closed sales have been down, closed volume and average sale

price were both up and the percentage of properties that had price reductions prior to selling were lower than any other year.

This year, 57% of Washtenaw single family sales were at or above the full asking price—the highest in the past 4 years. A market shift will come, but the current numbers suggest that while there has been some leveling, the 2018 market is still holding its own even when compared to some record setting prior years.

## Declining Affordability

Real estate values have been appreciating faster than incomes for the past 7 years. Interest rates are roughly one point higher than they were a year ago. While a 1% shift in interest rate doesn't sound like much, on a \$100k home it increases the payment \$58/month. That's just the interest.

The average sale price also rose 6% over the past year. Combining the interest with price appreciation, a home that cost \$100k last year will now cost \$106k and will be financed at roughly 4.5% instead of 3.5%. What would have been a \$449/month payment (principal and interest) for that \$100k house last year will be \$537 this year—\$88 higher.

Whatever the price range, by combining the rise in interest plus a 6% increase in average price, the monthly payment of the same home this year will be about 20% more than what it would have been last year. Buyers who have been struggling to find quality inventory in the past are now faced with eroding affordability.

## Looking Ahead

While there is some shifting and leveling, Washtenaw County values continue to climb. With declining affordability expected to continue, both buyers and sellers who are thinking of moving should act sooner rather than waiting. Historically, interest rates in the mid 4's are still amazing low. It might be a mistake to assume they will remain this low.



# Summary



**Inventory**—While still below last year’s levels, available listing inventory has risen every month since March. Inventory has nearly doubled in that time.

**Closed Units**—While July’s 400 closed units was 20 higher than July of 2017, closed sales were down compared to the prior month. YTD, closed sales were down 6% from last year.

**Values**—The \$339k average sale price was up 7% compared to last year and the average price per square foot was up 8%.

**Summary**—Despite YTD sales falling off 6%, values have risen enough to lift closed sales volume compared to last year. The best move-in-ready listings are selling fast and high with 57% of homes selling at or above full asking price.

**Inventory**— Inventory levels have risen every month this year. The 215 unit current inventory level is more than double that of January. It is also up 41% from last year.

**Closed Units**—The 101 closed July sales tied with May for the highest number of the year. YTD closed sales are down 19% from last year.

**Values**— The 16% YTD increase in price per square foot is a little misleading in that much of that increase resulted from a change in the mix of what sold (as opposed to change in value of the individual properties). The average price per square foot was up 9%.

**Summary**—YTD sales were off significantly. With 36% fewer under-\$225k closed sales and 24% more over-\$400k sales, average price jumped more than actual property value. YTD closed volume was down 7% from last year.

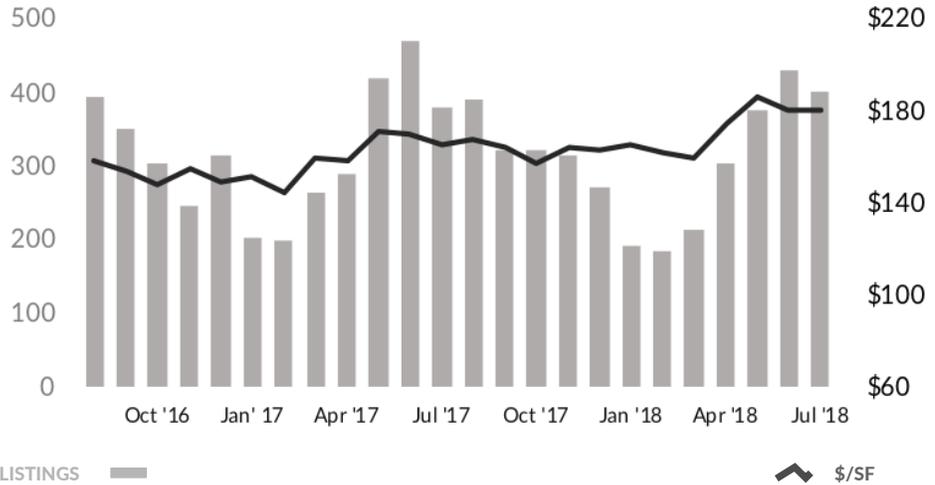


# Washtenaw County

## Single Family Homes



### Closed Sales



### Summary

Inventory levels have nearly doubled since March while sales continue to run 6% behind last year's pace. As prices have been rising over the past few years, the lower-end (under \$200k) market continues to shrink. With 425 properties sold, the number of under \$200k sales this year is down by 150. The most market growth has been in the \$400k to \$800k price range where sales have been up 16% and price per square foot is up 5%. The over \$800k market has been even with last year—with one more YTD sale and level on values.

### Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	790	8%	390	-6%	2.0	15%
\$10-200k	72	33%	73	-13%	1.0	53%
\$200-400k	289	14%	199	-7%	1.5	22%
\$400-800k	336	1%	107	3%	3.1	-2%
\$800k+	93	-1%	11	-31%	8.5	44%

### YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	2097	-6%	\$175	8%
\$10-200k	425	-26%	\$115	11%
\$200-400k	1084	-4%	\$163	6%
\$400-800k	525	16%	\$203	5%
\$800k+	63	-2%	\$239	-3%

Data source: Realtor.com MLS using Great Lakes Repository Data. Value Change= Change in price per square foot (\$/SF)



# Washtenaw County

## Condos

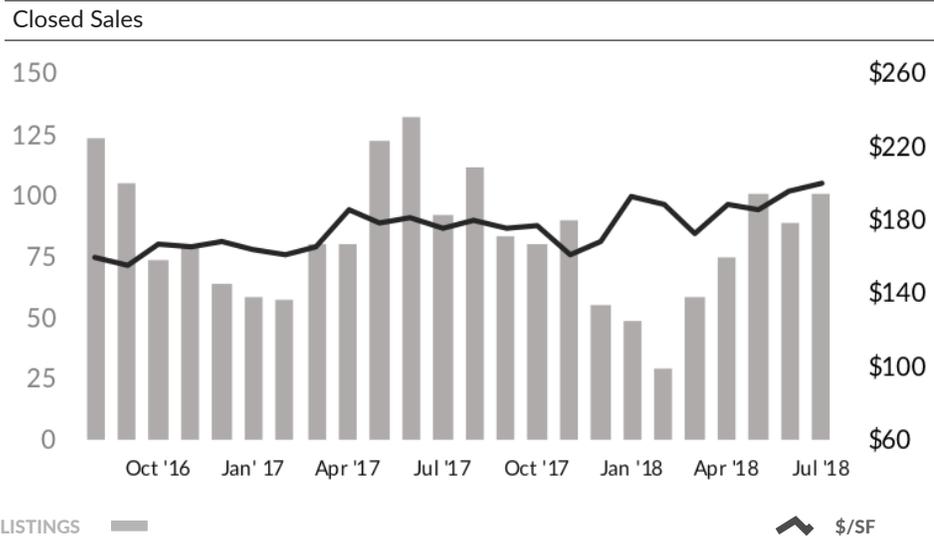
215  
AVAILABLE CONDOS  
+5% from last month

98  
NEW PENDINGS  
+23% from last month

510  
YTD CLOSED SALES  
-19% from last year

\$254K  
YTD AVG SALE PRICE  
+16% from last year

\$190  
YTD PRICE PER SQ FT  
+9% from last year



### Summary

Inventory levels have more than doubled from 101 to 215 units since the beginning of the year. The gray columns in the chart above illustrate that this year's peak season has had significantly lower closing activity compared to the prior two years. As prices have been rising for the past 7 years, the lower-end under-\$225k markets have been shrinking while the upper-end markets have been expanding. There is a tendency to equate the increase in average sale price with an increase in value. The 16% increase in average sale price is inflated. Much of it comes from a change in the mix (fewer low-end and more high-end sales). Here the 9% increase in price per square foot is more representative of value change.

### Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	215	5%	98	23%	2.2	-14%
\$10-150k	10	-23%	18	0%	0.6	-23%
\$150-225k	49	-2%	26	-7%	1.9	6%
\$225-400k	61	3%	33	18%	1.8	-12%
\$400k+	95	14%	21	250%	4.5	-67%

### YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	510	-18%	\$191	9%
\$10-150k	105	-35%	\$121	11%
\$150-225k	147	-37%	\$155	0%
\$225-400k	204	9%	\$193	2%
\$400k+	54	32%	\$319	-11%

Data source: Realcomp MLS using Great Lakes Repository Data. Value Change= Change in price per square foot (\$/SF)



# Ann Arbor

## Single Family Homes

164  
AVAILABLE HOMES  
+12% from last month

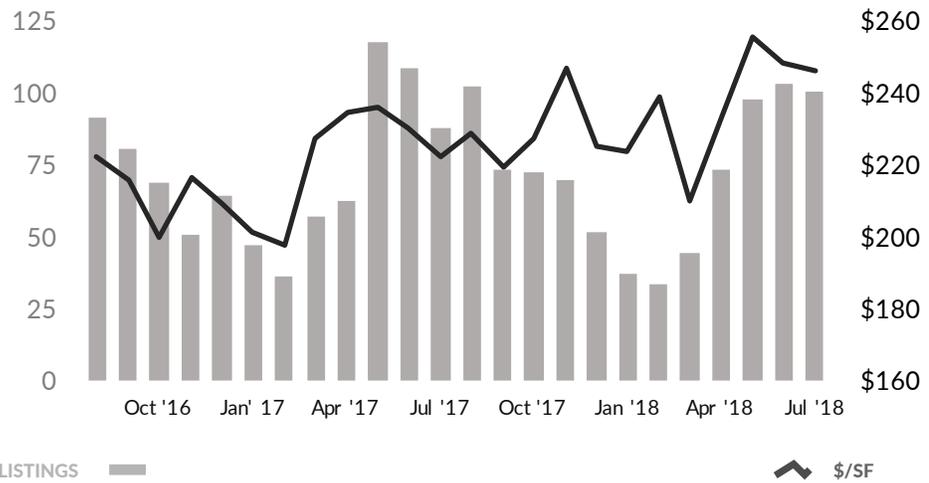
99  
NEW PENDING  
+3% from last month

487  
YTD CLOSED SALES  
-5% from last year

\$427K  
YTD AVG SALE PRICE  
+6% from last year

\$236  
YTD PRICE PER SQ FT  
+5% from last year

### Closed Sales



### Summary

Inventory levels and prices continue to rise while the number of closed sales lags behind last year's levels. Year to date, closed sales are down 5% but prices are up 6%. Entry and mid-level markets continue to shrink while sales in the over-\$400k markets expand. The number of year to date Ann Arbor sales priced over \$400k through July was 214, compared to 182 last year. The best listings at all price ranges continue to sell quickly and often at or over asking price. Sixty-seven percent of this year's sales have been at or above full asking price.

### Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	164	12%	99	3%	1.7	8%
\$10-200k	3	0%	3	200%	1.0	-67%
\$200-400k	59	9%	50	-4%	1.2	14%
\$400-800k	76	17%	39	8%	1.9	8%
\$800k+	26	4%	7	0%	3.7	4%

### YTD Closed Activity

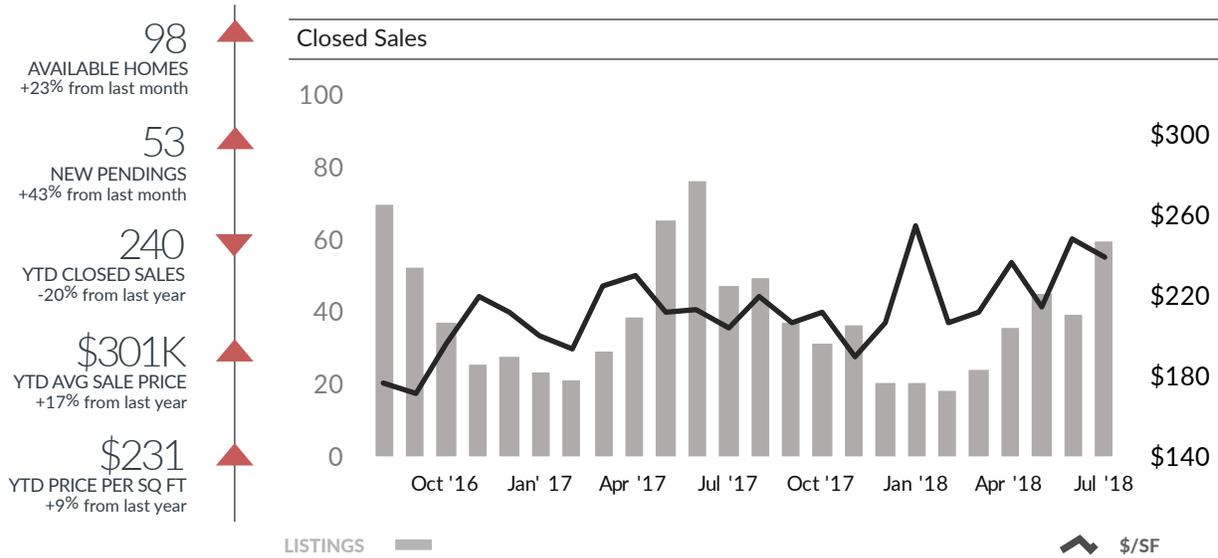
	YTD Closed	Change	YTD \$/SF	Change
All	487	-5%	\$241	7%
\$10-200k	23	-32%	\$159	10%
\$200-400k	248	-16%	\$227	8%
\$400-800k	184	16%	\$245	5%
\$800k+	32	19%	\$285	0%

Data source: Realcomp MLS using Great Lakes Repository Data. Value Change= Change in price per square foot (\$/SF)



# Ann Arbor

## Condos



### Summary

Inventory levels continue to rise. While the July closed sales were higher than they've been all year, YTD closed numbers were down by 20% compared to last year. YTD average sale price jumped 17% from \$256k last year to \$301k through July. That was caused in large part by a shift in the mix of the price ranges of the condos sold. The number of sales price under \$225k dropped from 157 last year to 98 this year while the number of sales priced over \$225k remained even at 142 units. Actual rates of value appreciation were more in the 5% range for most properties under \$400k and flat for properties above \$400k. The best properties continue to sell high and fast—61% of this year's sales have been at or above asking price.

### Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	98	23%	53	43%	1.8	-14%
\$10-150k	0	-100%	5	-29%	0.0	-100%
\$150-225k	12	100%	9	-44%	1.3	256%
\$225-400k	28	17%	21	91%	1.3	-39%
\$400k+	58	21%	18	500%	3.2	-80%

### YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	240	-20%	\$231	9%
\$10-150k	40	-31%	\$149	3%
\$150-225k	57	-42%	\$187	5%
\$225-400k	102	-9%	\$203	4%
\$400k+	41	32%	\$357	-13%

Data source: Realcomp MLS using Great Lakes Repository Data. Value Change= Change in price per square foot (\$/SF)

