



HOUSING REPORT

WASHTENAW | SEPTEMBER 2018

 **JOHNSTONE
&
JOHNSTONE**
REALTORS

Washtenaw County

Recovery Run—How Much Longer?

This month marks the 10-year anniversary of the market peak prior to the burst of the housing bubble. The nationwide median home value is currently 9% higher than it was at the peak, but the extent of the recovery varies within areas and markets.

Across the country, 21 of the top 35 metro areas have fully recovered with current values higher than they were before the bust. Areas such as San Jose and Denver have led the recovery with huge gains, while Las Vegas, Orlando and Chicago have been among the slowest to recover. The Metro Detroit area is ranked right in the middle.

The housing market is still thriving in most areas and price ranges, but signs of change are on the horizon. Inventory has been rising, and for the first time in years, it's higher than it was at the same time last year. Prices generally continue to rise, but the rate of rise is slowing. In many markets, upper-end values have flattened out and some are even declining. Although interest rates are higher than they were, buyers continue to lock in rates lower than they will be in the near future.



The last housing bubble was a rare historic moment when markets across the country moved in sync—market movements are typically more regional. As time passes, people are looking for early indicators so they can be prepared for the next bubble.

Red Flags and Indicators

Rising Interest Rates

Although mortgage rates have reached a 4-year high, they have not reached the 5% mark since 2011. Interest rates impact real estate markets and history shows that they tend to hit their highs shortly after property values peak.

According to Freddie Mac, interest rates reached their peak at 6.7% in July 2007 shortly after property values had peaked in 2006.

Increase in Mortgage Defaults

Rising number of mortgage defaults are another strong indicator that a crash is on the horizon. That being said, U.S. foreclosures dropped to a 12 year low in 2017. Nationwide there has been a continuous drop in foreclosures since 2010. Tighter lending laws have also been a factor contributing to this positive statistic.

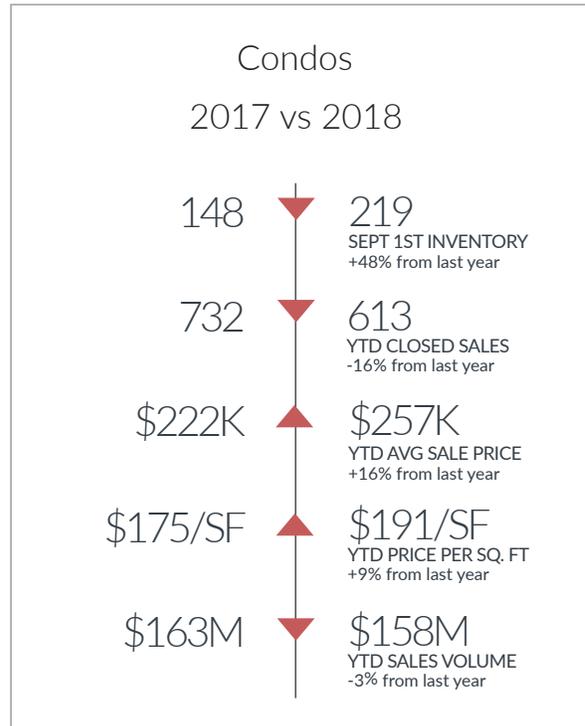
Role of Legislation

The recently-enacted Trump tax bill includes many benefits for real estate investors. As these laws are implemented, time will tell whether the tax plan will have a positive or negative impact on the housing market.

Local Market Trends

Real Estate markets shift at various speeds depending on factors and conditions within local markets—and even the price ranges within those markets. These Housing Reports are designed to help us stay current with local market trends affecting buyers and seller.

Summary



Inventory—While inventory levels continue to rise, they were down 4% compared to the same time last year.

Closed Units—Closed sales have been running about 5% behind last year's pace. It appears that, like last year, closed sales peaked in June and will continue to tail off.

Values—Both average sale price and price per square foot were up 7% and 8% respectively compared to last year. Part of those increases came from a shift in the mix of what sold as opposed to actual value increases.

Summary—The \$400k-\$800k market was the only segment with YTD growth as it jumped from 529 sales last year to 625 sales this year. The best homes sell high and fast while average and below-average properties sit. Market times for August closed sales averaged 54 days, while current active listings average 119 DOM and 56% of this year's sales were at or above full asking price.

Inventory—Condo inventory continues to rise each month. It was 48% higher than the same time last year.

Closed Units—Despite the extra available inventory, YTD sales have been down 16% compared to last year.

Values—Average sale price increased \$35k in the past year, but much of that was the result of a change in the mix of which price ranges sold. The number of under-\$225k sales dropped from 474 last year to 310 this year, while over-\$225k sales went up from 258 to 303. Price per square foot dropped 11% in the past year for sold condos priced over \$400k.

Summary—Despite the significant increase in average sale price, values have been relatively flat and, in some cases, declining. Market times have also been increasing at all price levels. The over \$400k market times were up 25%.

Washtenaw County

Single Family Homes

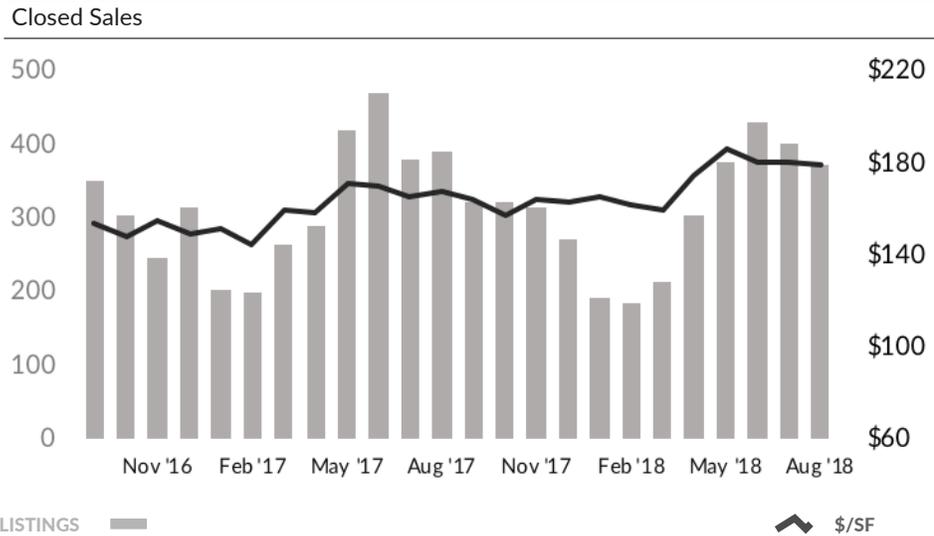
812
AVAILABLE HOMES
+3% from last month

368
NEW PENDINGS
-6% from last month

2,466
YTD CLOSED SALES
-5% from last year

\$340K
YTD AVG SALE PRICE
+7% from last year

\$176
YTD PRICE PER SQ FT
+8% from last year



Summary

Available single-family listings have been increasing but inventory remains lower than a year ago. YTD closed units were down 5%, but average price was up 7%. Sales in the \$400k-\$800k price range have been up 18% while sales in all other price ranges have fallen off. Ironically, market times are down in all but that \$400k-\$800k price range. The best listings continue to sell fast and at higher prices. Fifty-six percent of this year's sales have been at or above full asking price. The average market time for closed properties this year is about half as long as it is for current active listings (60 vs. 119 days).

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	812	3%	368	-6%	2.2	9%
\$10-200k	87	21%	87	19%	1.0	1%
\$200-400k	312	8%	173	-13%	1.8	24%
\$400-800k	317	-6%	92	-14%	3.4	10%
\$800k+	96	3%	16	45%	6.0	-29%

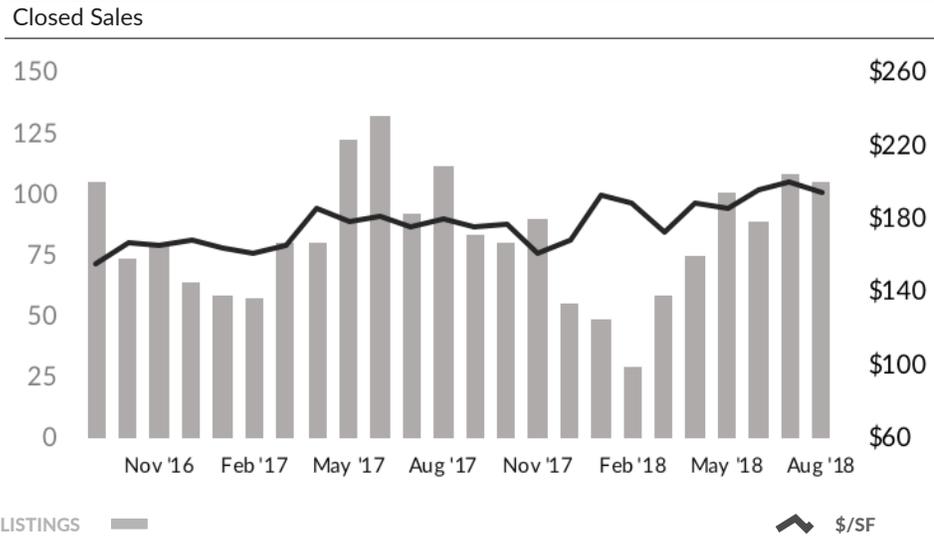
YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	2466	-5%	\$176	8%
\$10-200k	501	-26%	\$116	12%
\$200-400k	1267	-4%	\$163	5%
\$400-800k	625	18%	\$204	6%
\$800k+	73	-9%	\$244	0%

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

Washtenaw County

Condos



Summary

Condo inventory continues to grow and is 48% higher than it was at this time last year. Despite the additional inventory, YTD sales have fallen by 16%. The YTD number of under-\$250k condo sales dropped 34% while the number of over-\$250k sales jumped 17%. That shift alone accounts for most of the 16% increase in average sale price. Values for over-\$400k sales dropped 11% and they rose only 2% for \$225k-\$400k sales. Look for the best properties to continue to sell fast and high while other properties sit. Average DOM for closed sales was 52 days compared to 164 days for current active listings. That gap will grow.

Monthly Activity

	Listings	Change	New Pending	Change	Months Supply	Change
All	219	2%	98	0%	2.2	2%
\$10-150k	11	10%	23	28%	0.5	-14%
\$150-225k	49	0%	34	31%	1.4	-24%
\$225-400k	62	2%	30	-9%	2.1	12%
\$400k+	97	2%	11	-48%	8.8	95%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	613	-16%	\$191	9%
\$10-150k	128	-30%	\$121	11%
\$150-225k	176	-39%	\$155	0%
\$225-400k	241	14%	\$192	2%
\$400k+	68	31%	\$317	-11%

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

Ann Arbor

Single Family Homes

158
AVAILABLE HOMES
-4% from last month

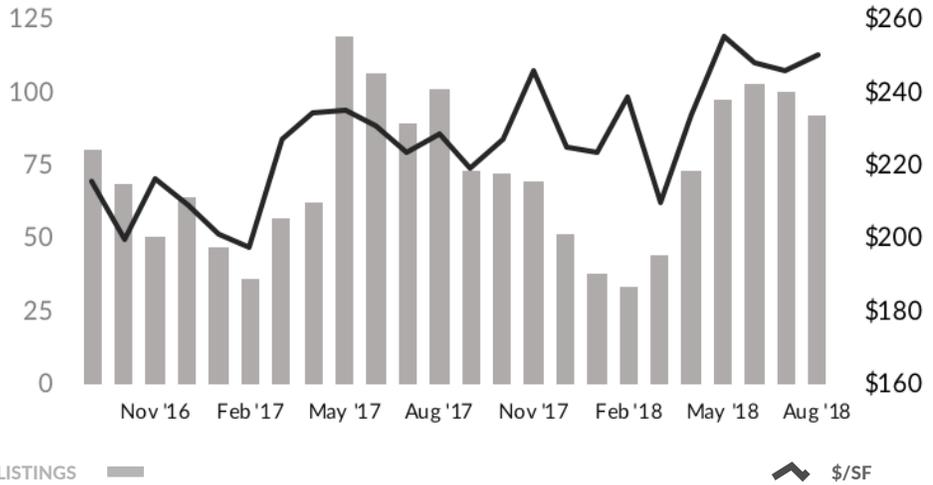
87
NEW PENDING
-12% from last month

580
YTD CLOSED SALES
-6% from last year

\$428K
YTD AVG SALE PRICE
+6% from last year

\$242
YTD PRICE PER SQ FT
+7% from last year

Closed Sales



Summary

September 1st inventory and August new pending sales fell off slightly from the previous month. YTD sales are down 6% but average sale price and price per square foot are up by nearly the same amount. Entry and mid-level markets under \$400k continue to shrink as prices rise. Market times have been down slightly in all but the over \$800k price range where they jumped from 86 days last year to 103 this year. The best listings continue to sell high and fast. Sixty-three percent of this year's sales sold at or above full list price.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	158	-4%	87	-12%	1.8	10%
\$10-200k	3	0%	2	-33%	1.5	50%
\$200-400k	68	15%	37	-26%	1.8	56%
\$400-800k	62	-18%	42	8%	1.5	-24%
\$800k+	25	-4%	6	-14%	4.2	12%

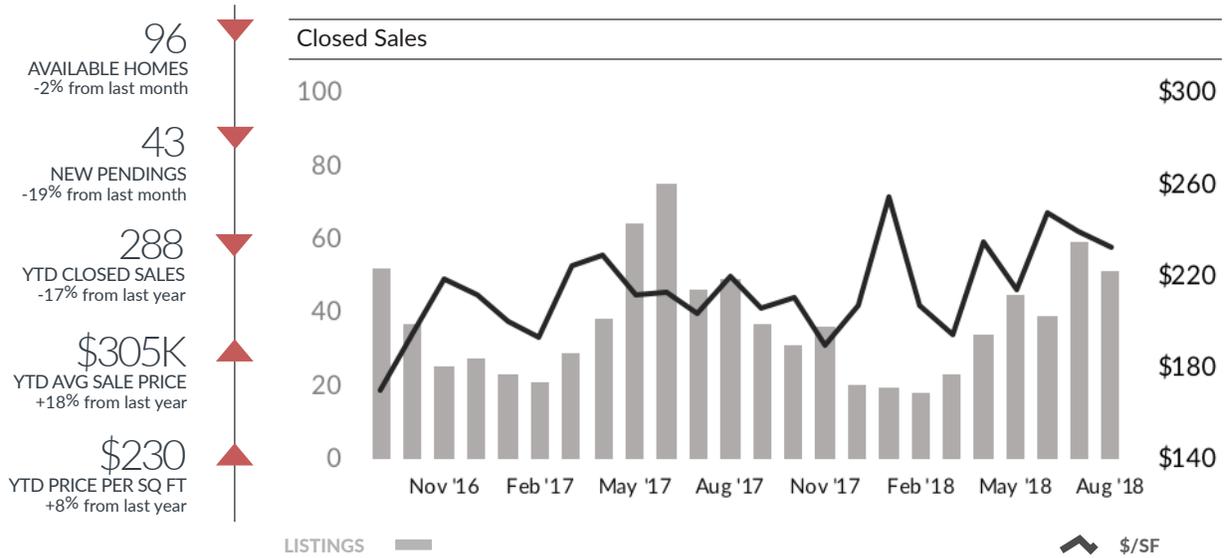
YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	580	-6%	\$242	7%
\$10-200k	26	-33%	\$162	11%
\$200-400k	289	-19%	\$226	6%
\$400-800k	229	21%	\$249	6%
\$800k+	36	6%	\$289	3%

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

Ann Arbor

Condos



Summary

Condo inventory, which had been rising in past months, has leveled off. It's 25% higher than at the same time last year. YTD sales are down 17% but average sale price is up 18%. The big jump in average sale price is misleading in that most of it comes from a shift in the mix of price ranges sold as opposed to an increase in value. Under-\$225k sales fell from 185 units last year to only 110 this year, while over-\$225k sales rose from 160 last year to 178. That change in the mix of price ranges accounts for most of the increase in average sale price. Value changes within those price ranges are closer to 4% for properties under \$400k. YTD price per square foot for the 53 properties that sold for over \$400k dropped 14% in the past year from \$407 to \$349.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	96	-2%	43	-19%	2.2	21%
\$10-150k	3	-	5	0%	0.6	-
\$150-225k	9	-25%	10	11%	0.9	-33%
\$225-400k	27	-4%	18	-14%	1.5	13%
\$400k+	57	-2%	10	-44%	5.7	77%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	288	-17%	\$230	8%
\$10-150k	47	-27%	\$151	4%
\$150-225k	63	-48%	\$184	4%
\$225-400k	125	3%	\$201	4%
\$400k+	53	36%	\$349	-14%

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