

HOUSING REPORT

WASHTENAW | 3RD QUARTER 2018



Consumer Market Perception

Is now a good time to buy a home? Is now a good time to sell? Although real estate markets go through cycles, there will always be people who need to move. But whenever possible, most consumers try to move when they think the market conditions will favor them. Consumer confidence and perceptions play a big role in shaping market movement.

63%  falling

Good Time to Buy a Home

Prices have been rising for several years. In the third quarter of 2018, 63% of U.S. consumers believed that now is a good time to buy a home. While that number is still above half, it's been falling since 2015.

Across all demographics, the majority of consumers still feel that now is a good time to buy. But those who are currently renting, living with someone else, under age 34, or living in urban areas are less confident. Those demographics generally describe the largest population of first-time new home buyers, a.k.a. millennials.

The Midwest scored highest in terms of consumer confidence with 67% of buyers indicating that now was a good time to buy. The Western region was lowest at 55%. Affordability is a big factor. The fewer property options consumers think they can afford, the less likely they will become active in the market.

77%  rising

Good Time to Sell a Home

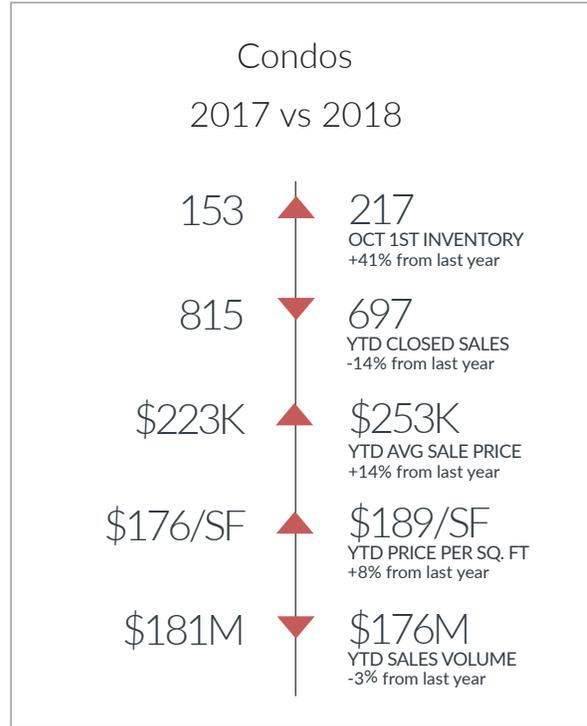
Home prices have been on the rise since 2011. As they continue to rise, increasing numbers of home owners are looking to sell. Seventy-seven percent of U.S. consumers believe that now is a good time to sell. That is the highest since 2015 and is up 14% from the 3rd quarter of 2016. As seller confidence rises, more listing inventory is becoming available.

Both buyers and sellers should keep an eye on these trending mindsets. In western markets like California, respondents to the poll were most likely (85%) to think that now is a good time to sell. This is also the region where the fewest consumers think it's a good time to buy. The Midwest markets usually follows behind the coastal trends.

Final Thoughts:

1. Sellers who will be buying a replacement home wear both hats.
2. Rising interest rates reduce both buyer affordability and seller profits. How do forecasts of continued rising rates impact their positions?

Summary



Inventory—Seasonal inventory, which had been declining year-over-year, is now on the rise. Moving forward, expect it to continue growing compared to prior years.

Closed Units—Although YTD over \$400k sales have increased, the 14% decline in below \$400k sales has resulted in an overall 8% decline in closed sales.

Values—The 7% increase in average sale price does not provide a true representation. Despite more upper-end sales, the values of those upper-end properties have been tailing off.

Summary—Looking ahead, inventory levels will be higher than they were the same month of the prior year. Rising interest rates combined prices, which have been increasing since 2011 will continue to reduce affordability. Values will level out first in the upper price ranges. As interest rates rise, look for markets to be less favorable to both sellers and buyers.

Inventory—Inventory is up 41% compared to the last year.

Closed Units—YTD sales fell 32% for condos priced under \$225k. At the same time sales above \$225k increased 17%. The net effect has been a 14% decline in total sales.

Values—While average price increased 14%, values did not. The shift in the number of sales in upper and lower price ranges affected average price. Value shifts have been varying within price ranges. Although the number of closed upper-end (over \$400k) units increased, values of those units were relatively flat and price per square foot dropped.

Summary—Looking ahead in the long run, through the balance of this year and into next, sales which have lagged behind last year's pace, will continue to slow and inventory will increase compared to prior years. Rising interest rates will challenge both buyers and sellers. Making a move sooner rather than later would be a wise move for both.

Washtenaw County

Single Family Homes

836
AVAILABLE HOMES
+3% from last month

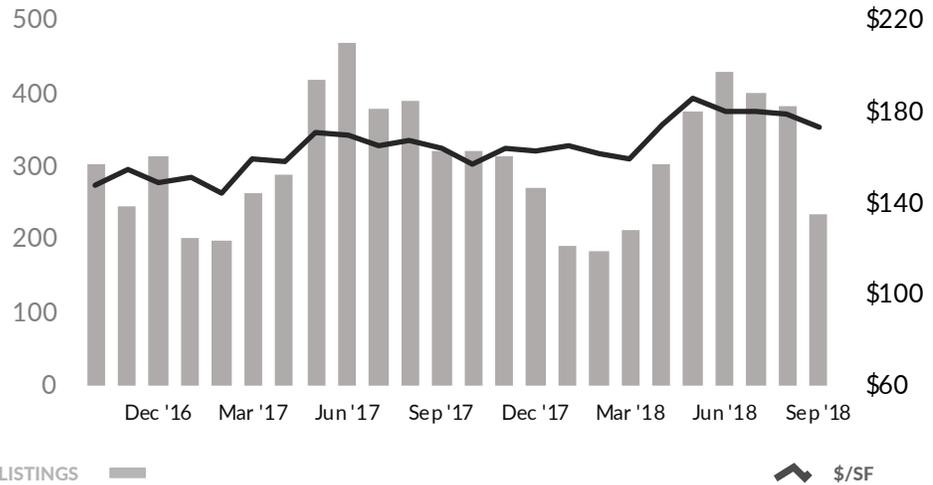
260
NEW PENDINGS
-29% from last month

2,714
YTD CLOSED SALES
-7% from last year

\$338K
YTD AVG SALE PRICE
+7% from last year

\$175
YTD PRICE PER SQ FT
+8% from last year

Closed Sales



| Price Range | Field | 3rd Q '18 | 3rd Q '17 | '18 vs '17 |
|-------------|------------------|-----------|-----------|------------|
| All | Available | 836 | 777 | 8% |
| | Closed | 1,020 | 1,088 | -6% |
| | Months Supply | 2.5 | 2.1 | 15% |
| | Avg. Sale Price | 340k | 320k | 7% |
| | \$ Vol (million) | 348 | 348 | 0% |
| \$10-200k | Available | 102 | 106 | -4% |
| | Closed | 203 | 261 | -22% |
| | Months Supply | 1.5 | 1.2 | 24% |
| | Value Change | | | 9% |
| \$200-400k | Available | 311 | 290 | 7% |
| | Closed | 531 | 564 | -6% |
| | Months Supply | 1.8 | 1.5 | 14% |
| | Value Change | | | 5% |
| \$400-800k | Available | 318 | 270 | 18% |
| | Closed | 253 | 233 | 9% |
| | Months Supply | 3.8 | 3.5 | 8% |
| | Value Change | | | 7% |
| \$800k+ | Available | 105 | 111 | -5% |
| | Closed | 33 | 30 | 10% |
| | Months Supply | 9.5 | 11.1 | -14% |
| | Value Change | | | 0% |

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

Summary

Inventory continues to rise—up 3% from last month and 8% from the same time last year.

YTD sales have been down 7% while average sale price has been up 7%.

There continues to be a shift in the proportions of sale coming from each price range with entry-level markets shrinking and upper-end markets expanding. The YTD number of under \$200k sales is down 22% while the number of over \$800k sales is up 10%.

Despite the increasing number of high-end sales, the values of those properties have been flat with no change in price per square foot in the past year.

As the market moves forward and into 2019, prepare to see higher inventories, declining sales and values flattening out.



Washtenaw County

Condos

217
AVAILABLE LISTINGS
-1% from last month

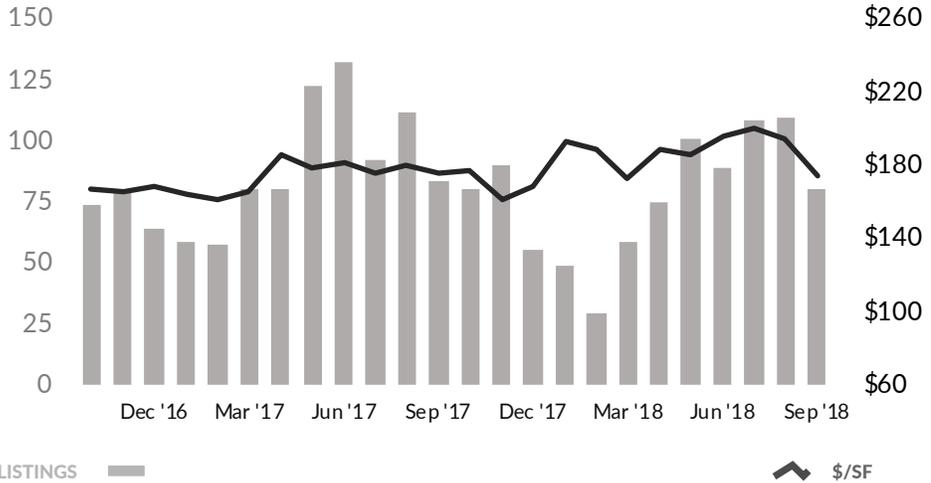
76
NEW PENDING
-22% from last month

697
YTD CLOSED SALES
-14% from last year

\$252K
YTD AVG SALE PRICE
+14% from last year

\$189
YTD PRICE PER SQ FT
+8% from last year

Closed Sales



| Price Range | Field | 3rd Q '18 | 3rd Q '17 | '18 vs '17 |
|-------------|------------------|-----------|-----------|------------|
| All | Available | 217 | 153 | 42% |
| | Closed | 297 | 286 | 4% |
| | Months Supply | 2.2 | 1.6 | 37% |
| | Avg. Sale Price | 257k | 228k | 13% |
| | \$ Vol (million) | 76 | 65 | 17% |
| \$10-150k | Available | 10 | 13 | -23% |
| | Closed | 61 | 67 | -9% |
| | Months Supply | 0.5 | 0.6 | -16% |
| | Value Change | | | 11% |
| \$150-225k | Available | 54 | 52 | 4% |
| | Closed | 89 | 116 | -23% |
| | Months Supply | 1.8 | 1.3 | 35% |
| | Value Change | | | 3% |
| \$225-400k | Available | 61 | 51 | 20% |
| | Closed | 117 | 75 | 56% |
| | Months Supply | 1.6 | 2.0 | -23% |
| | Value Change | | | 4% |
| \$400k+ | Available | 92 | 37 | 149% |
| | Closed | 30 | 28 | 7% |
| | Months Supply | 9.2 | 4.0 | 132% |
| | Value Change | | | 3% |

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

Summary

While inventory was about even with the prior month, it was 42% higher than a year ago.

September closed sales were down significantly from August. Expect monthly sales to continue dropping off as the market passes through the 4th quarter.

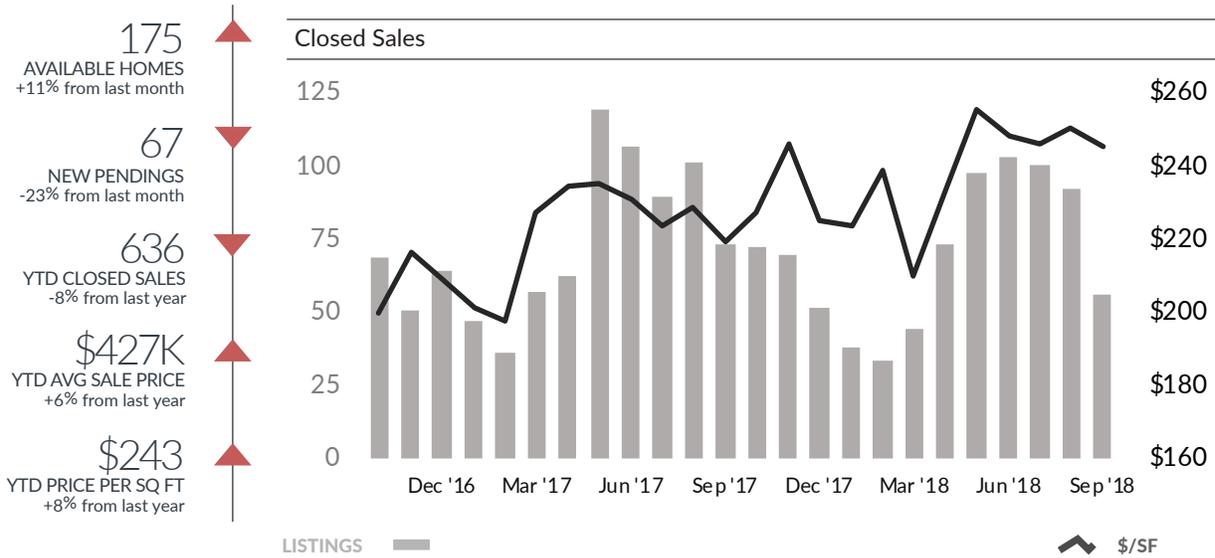
YTD sales have been down 14% but average sale price has increased 14%.

The big increase in average sale price can be misleading. Much of that increase was driven by a shift in the mix of what sold. Last year, two-thirds of the sales were priced under \$225k. This year, the split has been nearly 50/50. Of the over \$225k sales, the YTD average increase in value was 5% (a little less in the 3rd quarter).

Despite an increase in the number of high-end properties sold, high-end values have been flattening.

Ann Arbor

Single Family Homes



| Price Range | Field | 3rd Q '18 | 3rd Q '17 | '18 vs '17 |
|-------------|------------------|-----------|-----------|------------|
| All | Available | 175 | 113 | 55% |
| | Closed | 248 | 263 | -6% |
| | Months Supply | 2.1 | 1.3 | 64% |
| | Avg. Sale Price | 441k | 403k | 9% |
| | \$ Vol (million) | 110 | 106 | 3% |
| \$10-200k | Available | 6 | 5 | 20% |
| | Closed | 8 | 16 | -50% |
| | Months Supply | 2.3 | 0.9 | 140% |
| | Value Change | | | 0% |
| \$200-400k | Available | 65 | 40 | 63% |
| | Closed | 122 | 150 | -19% |
| | Months Supply | 1.6 | 0.8 | 100% |
| | Value Change | | | 8% |
| \$400-800k | Available | 80 | 41 | 95% |
| | Closed | 99 | 84 | 18% |
| | Months Supply | 2.4 | 1.5 | 66% |
| | Value Change | | | 10% |
| \$800k+ | Available | 24 | 27 | -11% |
| | Closed | 19 | 13 | 46% |
| | Months Supply | 3.8 | 6.2 | -39% |
| | Value Change | | | -1% |

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

Summary

Heading into the 4th quarter, inventory was still rising—11% higher than the prior month and 55% higher than a year ago.

Despite the extra buyer options, September sales dropped sharply from the prior month. While it is typical to see a seasonal drop in September, that 39% drop was unusually large. YTD closed sales have been down 8%.

YTD average sale price has been up 6%. Much of that increase was driven by an increase in the number of sales priced above \$400k.

Keep an eye on the upper-end markets. Despite having more over \$800k properties in the sales mix, values at the higher-end have been flattening. For over \$800k sales, the YTD average price per square foot has been up just 1% and the 3rd quarter average dropped 1% from last year.

Ann Arbor

Condos

104
AVAILABLE HOMES
+8% from last month

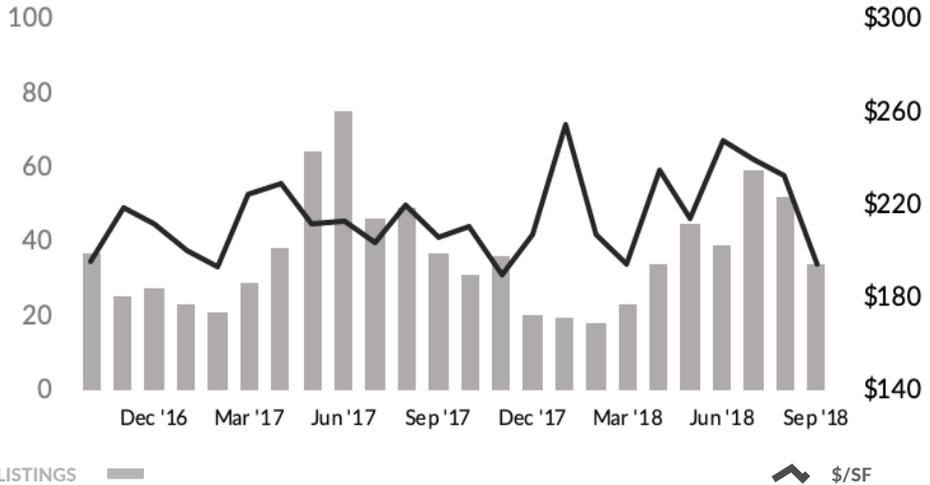
35
NEW PENDING
-19% from last month

323
YTD CLOSED SALES
-15% from last year

\$298K
YTD AVG SALE PRICE
+15% from last year

\$226
YTD PRICE PER SQ FT
+7% from last year

Closed Sales



| Price Range | Field | 3rd Q '18 | 3rd Q '17 | '18 vs '17 |
|-------------|------------------|-----------|-----------|------------|
| All | Available | 104 | 64 | 63% |
| | Closed | 145 | 132 | 10% |
| | Months Supply | 2.2 | 1.5 | 48% |
| | Avg. Sale Price | 317,520 | 264,661 | 20% |
| | \$ Vol (million) | 46 | 35 | 32% |
| \$10-150k | Available | 1 | 6 | -83% |
| | Closed | 18 | 23 | -22% |
| | Months Supply | 0.2 | 0.8 | -79% |
| | Value Change | | | 19% |
| \$150-225k | Available | 13 | 11 | 18% |
| | Closed | 31 | 46 | -33% |
| | Months Supply | 1.3 | 0.7 | 75% |
| | Value Change | | | 4% |
| \$225-400k | Available | 30 | 16 | 88% |
| | Closed | 69 | 44 | 57% |
| | Months Supply | 1.3 | 1.1 | 20% |
| | Value Change | | | 7% |
| \$400k+ | Available | 60 | 31 | 94% |
| | Closed | 27 | 19 | 42% |
| | Months Supply | 6.7 | 4.9 | 36% |
| | Value Change | | | -6% |

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

Summary

Heading into the 4th quarter, inventory levels jumped from only 64 available units last year to 104 this year. While 3rd quarter sales were up compared to last year, they have been down 15% YTD.

The 3rd quarter average sale price increase of 20% (compared to last year) and YTD 15% rise can be misleading. Those big increases were primarily caused by the shift in the proportional mix of what sold—not so much by actual value increases.

Last year, more than half (53%) of condo sales were priced under \$225k. This year that proportion dropped to 40%. Even though there have been more upper-end sales, those values have been flattening.

While having more over \$225k sales was a major factor in the 15% YTD increase in average sale price, the YTD average sale price of those sales was only up 2% and the average price per square foot fell 1% compared to last year.