

HOUSING REPORT

WASHTENAW | DECEMBER 2018



Advantage Realty

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Washtenaw County

Don't Delay—Prices and Interest Rates Rising

A shortage of affordable listings combined with rising interest rates will continue to give mid and entry-level buyers a heavy one-two punch that will worsen as the market moves through 2019. While the shortage of lower priced inventory affects only buyers, rising rates affect buyers and sellers equally—sellers by limiting the prices buyer can afford to pay. Those planning to move this coming year would be wise to consider taking action sooner rather than waiting.

Since 2011, rising prices have been pushing what were entry and mid-level priced homes up into upper price ranges faster than incomes of entry and mid-level buyers have been rising. At the same time, builders and developers who took a beating during the recession, focused on building upper-end properties because the bigger projects were more profitable.

The combination of rising prices and a shortage of lower-end development has created a shortage of affordable entry-level homes while the upper-end markets have been expanding. In Washtenaw County, there were 13% fewer closed sales priced under \$400k this year compared to last, while the number of over-\$400k sales increased by 9%.

Prices in the middle and entry-level markets will continue to rise. As they do, move-in-ready homes priced under \$400k will become even harder to find.

In the last 15 months, interest rates have increased from 3.5% to roughly 5%. In that short time, the principal and interest payment on a \$200k home would have increased \$176/month from \$898 to \$1,074. That's a 20% increase in the cost based on just a 1.5% increase in interest.

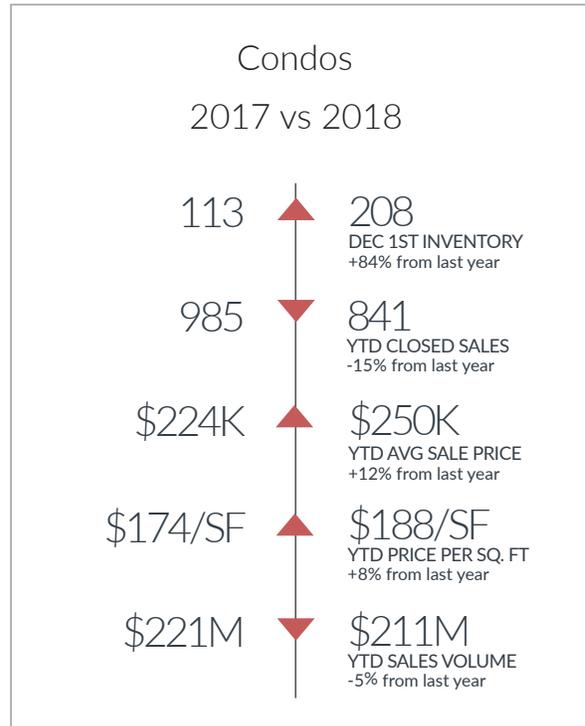
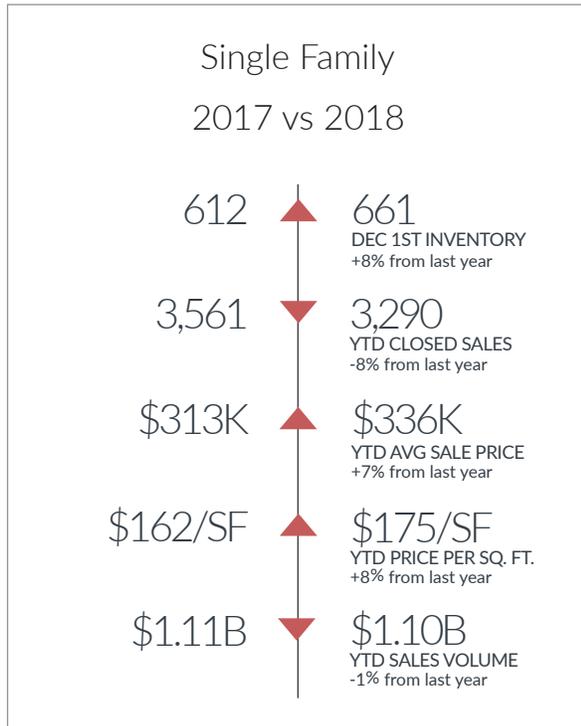
Rates continue to be remarkably low when viewed from a historic perspective, but they are more likely to rise than drop in the foreseeable future. Forecasts have them at 5.5% in the later months of 2019.

While rate increases will adversely affect both buyers and sellers in all price ranges, as time passes it will get harder to find affordable move-in-ready homes priced under \$250k. Buyers and sellers planning to make a move this year should get an early start. This is especially relevant for buyers in lower and medium price ranges.

Affordability Affordability Affordability Affordability Affordability



Summary



Inventory—December 1st inventory was down 14% from November, but up 8% compared to a year ago.

Closed Units—Monthly closed sales were down slightly from the prior month. YTD sales are down 8%. A shortage of under-\$200k listings has caused those sales to fall from 948 closed sales last year to 688 this year.

Values—While YTD average sale price and price per square foot are up 7% and 8% respectively, 2018 values have been rising faster for lower-priced properties while flattening or even falling off for upper-end sales.

Summary—Inventory levels will continue to rise compared to previous years. Declining affordability, a shortage of entry and mid-priced move-in-ready listings, and combined with rising interest rates will continue to cause the number of closed sales to decline compared to recent years.

Inventory—Available listings are even with last month and are nearly double what they were a year ago.

Closed Units—November closed sales were up 10% from October. They are down 15% YTD.

Values—The 12% increase in average sale price and 8% increase in price per square foot may be misleading in respect to values. Most of that increase comes from a shift in the mix of what has been selling rather than increasing values. Value shifts also vary by price range. Price per square foot for properties priced under \$150k are up 12% but over-\$400k properties have dropped 8%.

Summary—Condo inventories continue to balloon compared to recent years while sales have fallen off. Inventory shortages of entry-level properties (less than a month of supply) are driving those entry-level prices up while values of upper-end condos are flat.



Washtenaw County

Single Family Homes

661
AVAILABLE HOMES
-14% from last month

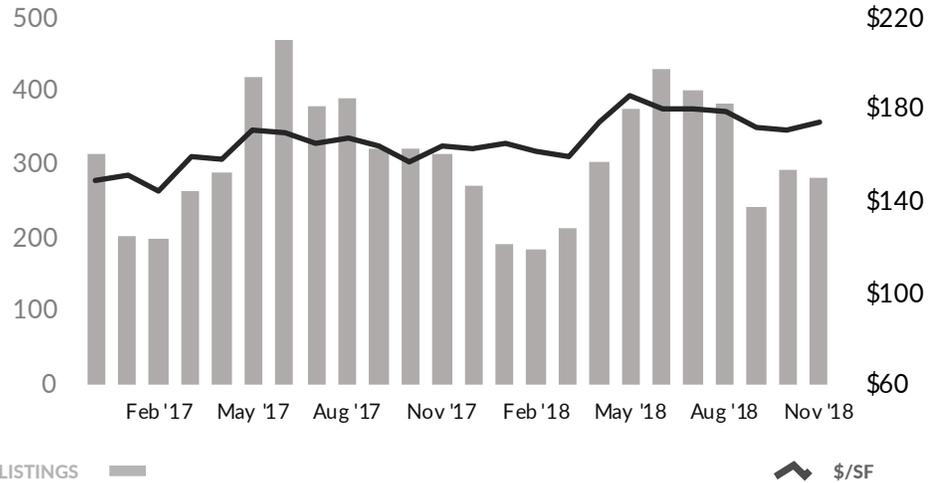
274
NEW PENDING
-8% from last month

3,290
YTD CLOSED SALES
-8% from last year

\$336K
YTD AVG SALE PRICE
+7% from last year

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

Closed Sales



Summary

Available listings peaked 2 months ago and have fallen off since. Compared to last year, inventory is up 8%. YTD sales are down 8%, but average price has been up by about that same percentage. This combination has closed sales volume for the year down just 1%—not bad following a record high year. Despite a general increase in inventory, entry-level markets are still tight on listings and those values are rising. Upper-end markets have plenty of available units and flatter values. Looking ahead, expect increasing seller competition in the upper price ranges. Buyers are looking for updated move-in-ready homes and will pay a premium for them while homes in average and below-average condition will sit and eventually sell for less.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	661	-14%	274	-8%	2.4	-6%
\$10-200k	94	-1%	66	-6%	1.4	5%
\$200-400k	221	-20%	142	-2%	1.6	-19%
\$400-800k	268	-14%	57	-26%	4.7	17%
\$800k+	78	-11%	9	29%	8.7	-31%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	3290	-8%	\$175	8%
\$10-200k	688	-27%	\$116	10%
\$200-400k	1701	-5%	\$163	5%
\$400-800k	806	10%	\$203	5%
\$800k+	95	0%	\$250	-1%

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



Washtenaw County

Condos

208
AVAILABLE CONDOS
no change from last month

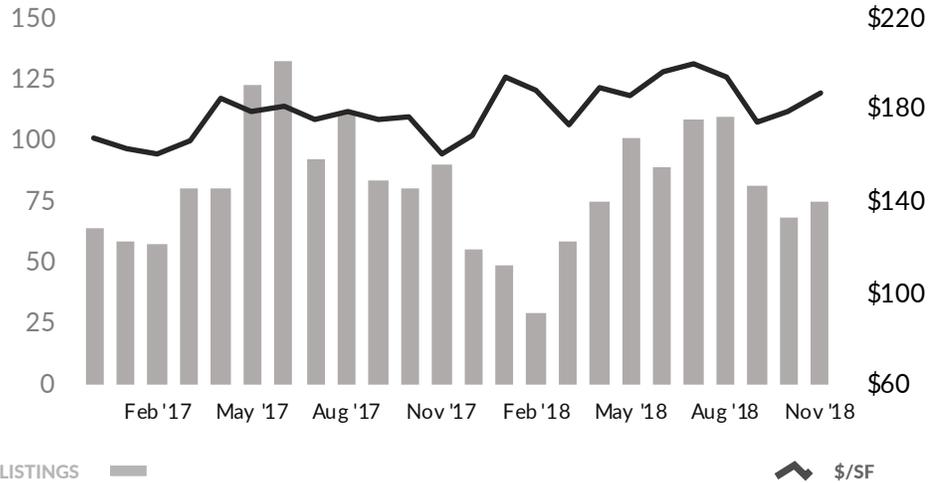
68
NEW PENDINGS
-14% from last month

841
YTD CLOSED SALES
-15% from last year

\$250K
YTD AVG SALE PRICE
+12% from last year

\$188
YTD PRICE PER SQ FT
+8% from last year

Closed Sales



Summary

Inventory has been flat with available listings staying remarkably level between 208 and 219 the past 5 months. YTD sales are down 15%. Increases in both average price and price per square foot have been caused in large part by the shrinking number of available entry-level listings, which has changed the sales mix. A lower proportion of entry-level sales combined with a higher proportion of upper-end sales can drive up average sale price even if upper-end values remain the same or drop a little. Value increases in the mid-price markets have been modest while upper-end values are flat or falling. Look for rising interest rates to continue to slow sales and limit what buyers can afford to pay. Upper-end sellers will face the toughest competition.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	208	0%	68	-14%	3.1	16%
\$10-150k	9	0%	10	-17%	0.9	20%
\$150-225k	39	-22%	25	-7%	1.6	-16%
\$225-400k	58	4%	20	-26%	2.9	40%
\$400k+	102	10%	13	0%	7.8	10%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	841	-15%	\$188	8%
\$10-150k	178	-28%	\$121	12%
\$150-225k	256	-33%	\$156	2%
\$225-400k	323	15%	\$194	4%
\$400k+	84	14%	\$305	-8%

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



Ann Arbor

Single Family Homes

116
AVAILABLE HOMES
-29% from last month

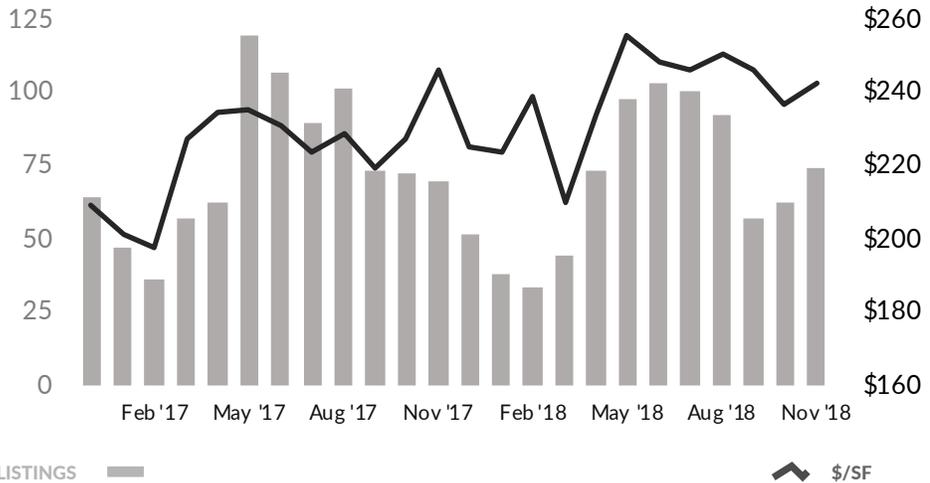
65
NEW PENDINGS
-8% from last month

773
YTD CLOSED SALES
-7% from last year

\$423K
YTD AVG SALE PRICE
+6% from last year

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

Closed Sales



Summary

Ann Arbor single family inventory peaked in October and then dropped 34% by December 1st. November was a strong sales month with the closed sales up compared to each of the previous two months, Looking at YTD performance, closed sales have been down 7% while average price has been up nearly that same amount. That combination has Ann Arbor closed sales volume down only 2% compared to a record-setting year last year. Due to shortages of lower and mid-priced listings, values in those markets continue to rise while they are flattening out in the upper-end markets where inventory levels aren't as tight. Upper-end sellers will face increasing competition as interest rates continue to rise and limit prices buyers can afford.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	116	-29%	65	-8%	1.8	-22%
\$10-200k	7	0%	2	-50%	3.5	100%
\$200-400k	39	-34%	34	-8%	1.1	-28%
\$400-800k	55	-29%	28	4%	2.0	-31%
\$800k+	15	-25%	1	-67%	15.0	125%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	773	-7%	\$242	7%
\$10-200k	34	-38%	\$163	9%
\$200-400k	397	-16%	\$228	8%
\$400-800k	295	13%	\$247	3%
\$800k+	47	12%	\$291	1%

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

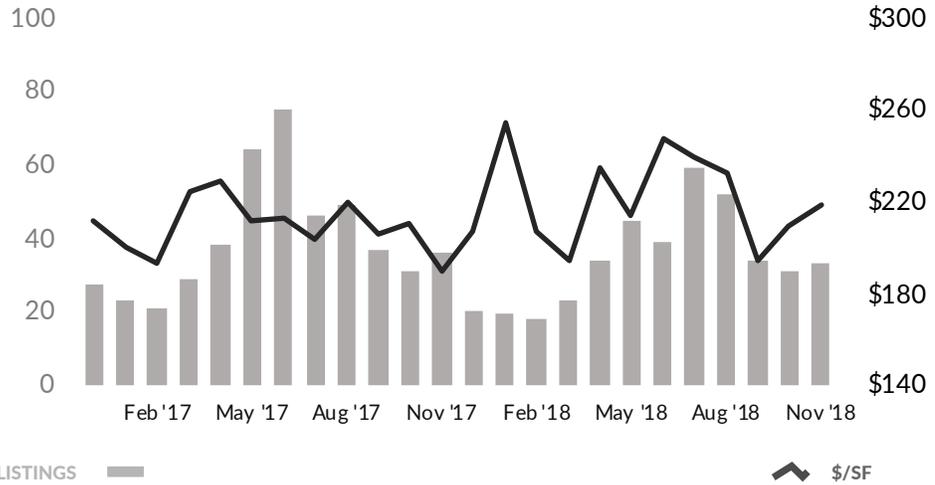


Ann Arbor

Condos



Closed Sales



Summary

Available December inventory set a new high for the year that was also 28% higher than the same time last year. While closed sales were up slightly from the previous month, YTD sales were down 14% from last year. While a 14% rise in average sale price would generally indicate rapidly rising values, much of that increase was due to a change in the mix of what sold. The number of under-\$225k sales shrank by 78 units while the number of over-\$225k units grew by 16. That shift in the mix created a higher average price even though price per square foot for higher-end (over-\$400k) sales dropped 9%. As interest rates continue to increase, upper-end sellers will compete harder for buyers who can afford their properties.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	106	2%	33	-23%	3.2	33%
\$10-150k	5	67%	3	-50%	1.7	233%
\$150-225k	9	-36%	7	-42%	1.3	10%
\$225-400k	21	-19%	13	-19%	1.6	-1%
\$400k+	71	16%	10	11%	7.1	5%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	387	-14%	\$224	7%
\$10-150k	67	-23%	\$154	10%
\$150-225k	94	-38%	\$187	7%
\$225-400k	163	5%	\$201	5%
\$400k+	63	15%	\$340	-9%

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

