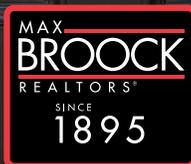


HOUSING REPORT

WASHTENAW | MAY 2019



Washtenaw County

Buyers or Sellers Market?

For several years available inventory levels in most markets have been dropping. Over the past year and a half, the number of available listings has been rising. While rising supply levels typically favor buyers, we need to look further into what's happening in the various price ranges to understand the implications for individual buyers and sellers.

Upper Price Ranges

Inventory in most upper-middle and luxury markets has been rising faster than buyer demand. There are two main causes of the rapid growth of high-end supply:

- 1. Over the past 8 years, rapidly rising values have increased prices at a faster pace than incomes have risen. What were once middle-priced homes are now considered high end;*
- 2. During the recession, there was no demand for new construction. In an effort to make up for that lost time, post-recession developers have focused on building more profitable upper-end properties.*

While this has been going on with single family homes, the level of high-end condo construction in markets like Detroit, Ann Arbor and Traverse City has gone through the roof. Although the number of upper-end sales has been increasing in most markets, over-supply has prices flat and, in many cases, declining as a result of these two factors.

High-end sellers need to be aware of their competition, supply levels, and rates of sales. In general, upper-end seller competition has been increasing and homes need to be priced right and move-in-ready to attract buyers. Buyers who are looking at luxury single family homes generally face less competition than in the recent past. Those looking for condos have great opportunities in that many markets have overbuilt in the past two years and developers need to move that inventory.

Entry and Middle Markets

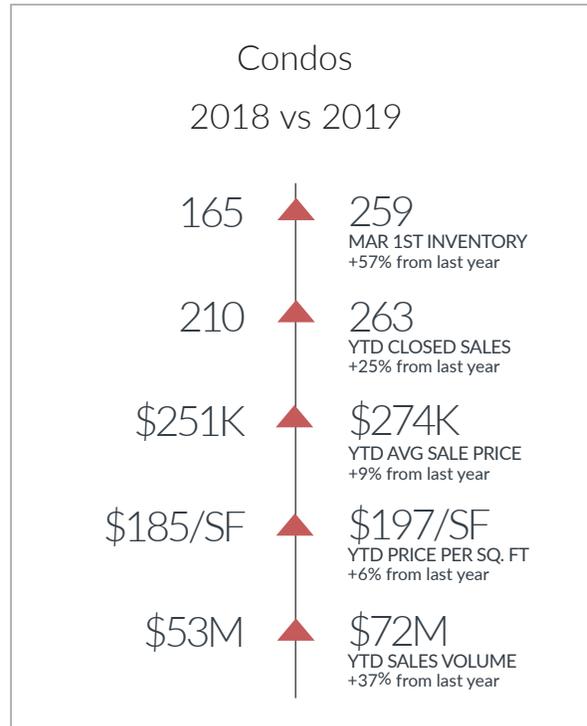
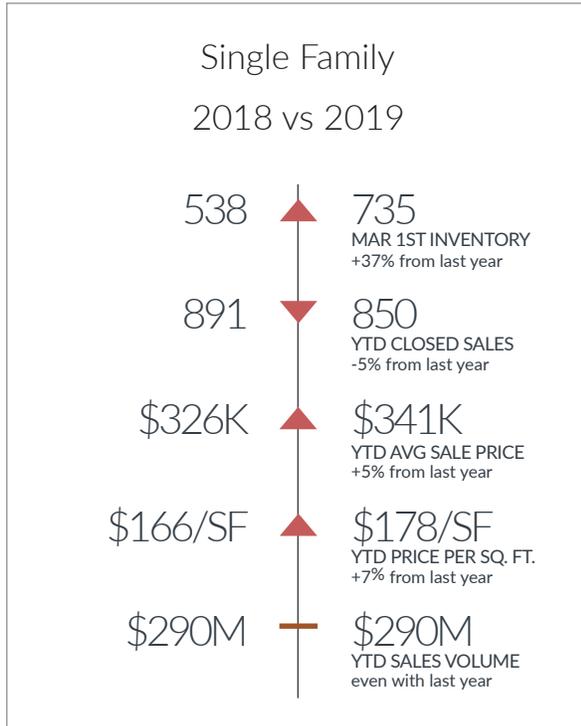
Despite generally rising inventory levels, demand for entry and middle-priced homes continues to grow faster than supply. There is a significant shortage of affordable move-in ready homes. During the recession, most of these homes suffered from deferred maintenance and needed updates were put off. Roofs, baths and kitchens weren't touched. Post-recession buyers have been less eager to take on work that the seller hasn't done, plus most post-recession entry and middle-priced buyers can't qualify for home equity loans to do the updates that sellers never did.

Sellers, there is a significant shortage of move-in-ready entry and middle-priced inventory. Buyers are willing and can pay a premium for homes that are done. Many who can't get a home equity loan can afford a finished home because they can roll the cost of the improvements you've done into their new mortgage. This is a primary reason why there is so much demand for move-in-ready homes in affordable price ranges.

Looking Ahead

Through the balance of the year, expect to see values flatten for upper-end properties while buyers continue to compete with multiple offers for affordable move-in-ready homes.

Summary



Inventory—Available listings are up 9% from a month ago and 37% from last year.

Closed Units—April closed sales rose by nearly 100 units compared to the prior month and were even with sales from April of last year. YTD, they are down by 5% compared to last year and the lowest they've been in the past 5 years.

Values—Prices continue to climb. The average price (\$341k) is up 5% from a year ago and the average price per square foot is up 7%. In most markets, prices of higher-end homes have been flattening out. In Washtenaw County, they have continued to rise at a faster pace than all other price ranges.

Summary— Despite growing inventory, there remains a shortage of move-in-ready homes. Those properties continue to sell quickly with multiple over-asking offers.

Inventory—Available listings are up 10% from a month ago and are 57% higher than this same time last year.

Closed Units—April closed sales were 47 units higher than the previous month and even with the same month last year. YTD closed units are up by 25%—the second highest sales in the past 5 years. Only 2017 was higher.

Values—Prices continue to rise at a rapid pace. Average sale price is up 9% from a year ago and price per square foot is up 6%.

Summary—Condo inventory has been growing rapidly, in large part due to new high-end construction in Ann Arbor. Although inventory has been growing faster than sales, demand continues to be strong enough to keep values rising. Keep an eye on the supply/demand combination in the luxury market. While the number of sales continues to rise, high-end values are leveling or declining.



Washtenaw County

Single Family Homes

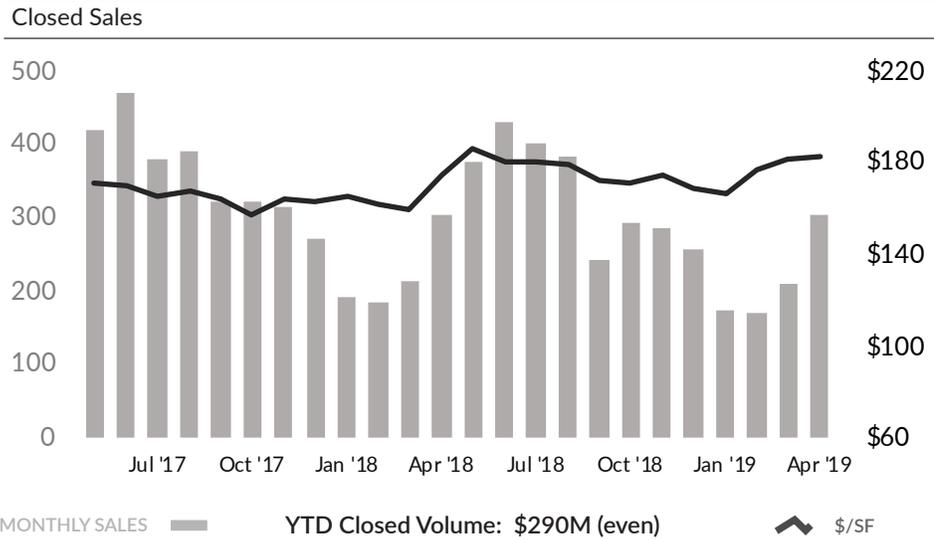
735
AVAILABLE HOMES
+9% from last month

306
NEW PENDING
+17% from last month

850
YTD CLOSED SALES
-5% from last year

\$341K
YTD AVG SALE PRICE
+5% from last year

\$178
YTD PRICE PER SQ FT
+7% from last year



Summary

Inventory levels, new pendings, closed sales and values were all up in April compared to the prior month. YTD sales are down 5% compared to the same time a year ago but average price is up 5%. This combination has YTD closed volume even with where it was at this time a year ago. Although demand for affordable housing continues to rise, sales in the entry and mid-level markets continue to shrink. There is a shortage of available move-in-ready listings priced under \$400k. Although the number of upper-end sales continues to rise, supply levels are rising faster. If that continues, upper-end values will start to level off.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	735	9%	306	17%	2.4	-6%
\$10-200k	55	-2%	64	7%	0.9	-8%
\$200-400k	242	6%	144	12%	1.7	-5%
\$400-800k	341	9%	89	35%	3.8	-19%
\$800k+	97	29%	9	29%	10.8	1%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	850	-5%	\$178	7%
\$10-200k	205	-6%	\$108	-4%
\$200-400k	405	-9%	\$166	6%
\$400-800k	212	3%	\$210	7%
\$800k+	28	22%	\$259	17%

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



Washtenaw County

Condos

259
AVAILABLE CONDOS
+10% from last month

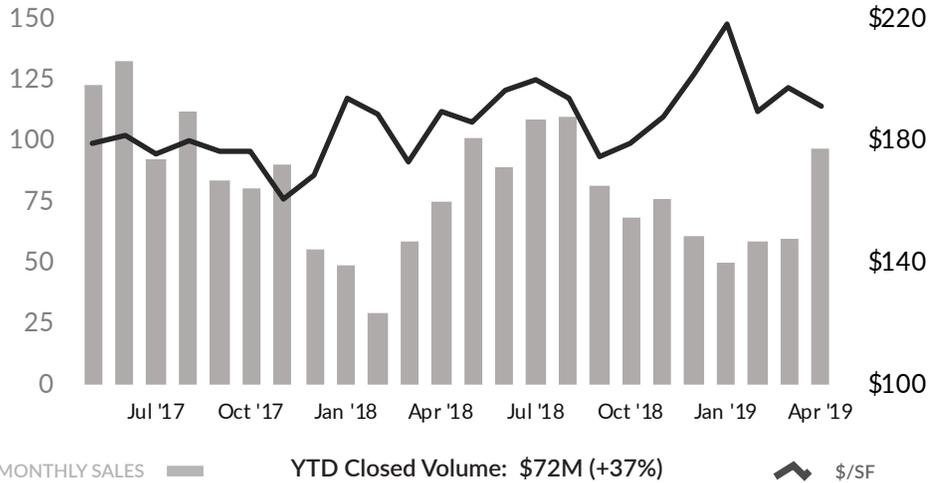
101
NEW PENDING
+51% from last month

263
YTD CLOSED SALES
+25% from last year

\$273K
YTD AVG SALE PRICE
+9% from last year

\$197
YTD PRICE PER SQ FT
+6% from last year

Closed Sales



Summary

Compared to the prior month, inventory levels, new pendings and closed sales were all up in April. In the past year, and with 259 available units, condo inventory jumped 57%. In the past year and a half, new condo developments in Ann Arbor have been flooding the market with additional upper-end units. Those upper-end sales are raising average sale price, even though luxury condo values have been flattening out. Although the YTD number of over-\$400k sales more than doubled from a year ago, the price per square foot dropped from \$300 a year ago to \$263 this year. Keep an eye on supply and sales rates.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	259	10%	101	51%	2.6	-27%
\$10-150k	9	13%	16	78%	0.6	-37%
\$150-225k	58	29%	32	78%	1.8	-28%
\$225-400k	82	-1%	39	56%	2.1	-37%
\$400k+	110	11%	14	-7%	7.9	19%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	263	25%	\$197	6%
\$10-150k	42	-9%	\$129	10%
\$150-225k	83	46%	\$163	8%
\$225-400k	86	5%	\$192	2%
\$400k+	52	108%	\$263	-12%

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



Ann Arbor

Single Family Homes

127
AVAILABLE HOMES
+1% from last month

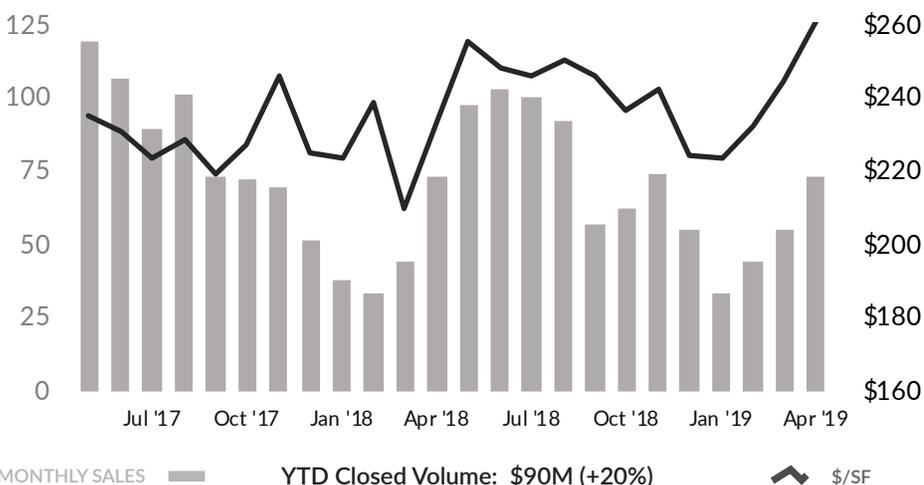
73
NEW PENDINGS
+20% from last month

205
YTD CLOSED SALES
+9% from last year

\$439K
YTD AVG SALE PRICE
+10% from last year

\$245
YTD PRICE PER SQ FT
+8% from last year

Closed Sales



Summary

Compared to the prior month, April inventory was about even, new pendings were up 20% and closed sales were up 33%. Compared to the prior year, the number of May 1st available listings (127) was more than double what it was a year ago (61). The additional inventory has YTD sales up 9% and average price is up 10%. Most of the additional inventory is in the \$400k-\$800k price range and much of it is new construction. Twenty-nine of the 127 available listings have not yet been lived in and have build dates of 2018 or later. Look for upper-end markets to continue to expand while activity in the entry and middle price ranges shrinks. Demand for affordable homes continues to increase, but finding move-in-ready homes for less than \$400k will be tough.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	127	1%	73	20%	1.7	-16%
\$10-200k	2	-33%	2	-33%	1.0	0%
\$200-400k	32	-6%	31	-3%	1.0	-3%
\$400-800k	75	-4%	34	55%	2.2	-38%
\$800k+	18	64%	6	50%	3.0	9%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	205	9%	\$245	8%
\$10-200k	13	-28%	\$162	2%
\$200-400k	94	-2%	\$228	3%
\$400-800k	85	31%	\$252	10%
\$800k+	13	44%	\$289	6%

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



Ann Arbor

Condos

142
AVAILABLE CONDOS
+15% from last month

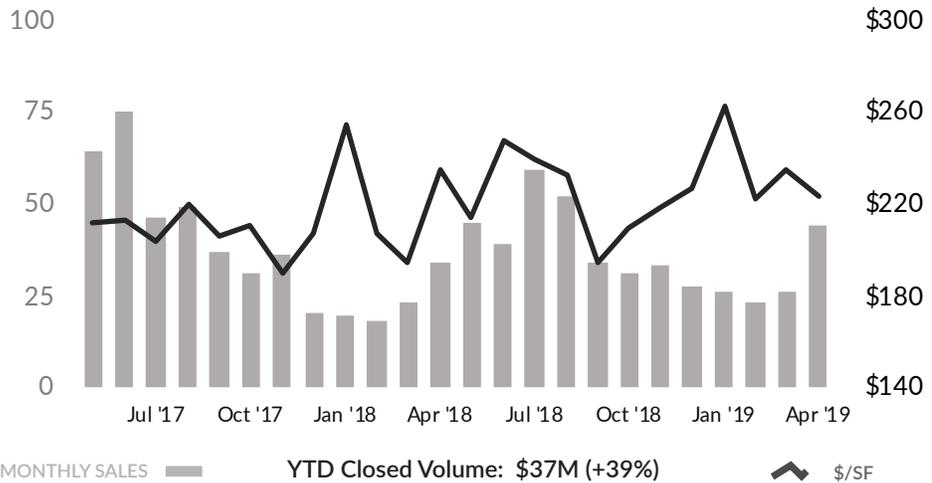
47
NEW PENDINGS
+68% from last month

119
YTD CLOSED SALES
+27% from last year

\$315K
YTD AVG SALE PRICE
+10% from last year

\$234
YTD PRICE PER SQ FT
+5% from last year

Closed Sales



Summary

Compared to the prior month, available listings, new pendings and closed sales were all up. With 142 available listings, May 1st inventory was up by 133% compared to the same time a year ago. YTD closed sales jumped 27% above last year's mark and average price is up 10%. The real story with Ann Arbor condos revolves around new construction. Sixty of Ann Arborns 142 available units are new units with build dates of 2018 or later. The average list price of the new units is \$692k. While these new units are driving average price up, oversupply is affecting values in this luxury market. Price per square foot in the over-\$400k market has dropped from \$329 last year to \$288 this year. It was \$445 two years ago—expect to see buyer opportunities.

Monthly Activity

	Listings	Change	New Pendencies	Change	Months Supply	Change
All	142	15%	47	68%	3.0	-32%
\$10-150k	4	0%	5	0%	0.8	0%
\$150-225k	25	47%	14	250%	1.8	-58%
\$225-400k	30	-12%	18	125%	1.7	-61%
\$400k+	83	20%	10	-9%	8.3	32%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	119	27%	\$234	5%
\$10-150k	20	0%	\$156	9%
\$150-225k	31	0%	\$209	10%
\$225-400k	33	38%	\$204	5%
\$400k+	35	84%	\$288	-13%

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

