

# HOUSING REPORT

WASHTENAW | SEPTEMBER 2019

*Advantage Realty*

*Always Moving Forward*

Washtenaw County

## Slowing but Stable No Bursting Bubbles

The 2008 recession took everyone by surprise when it took a 40% bite out of local real estate equity before bottoming out in 2011. The market has been on a stable run since. In most markets, values recovered and are above prerecession levels. Single family sales are gradually slowing—down just 3% from last year, but values continue to rise and YTD closed volume is up by 1%.

Knowing that markets run in cycles, buyers are wondering what lies ahead. When will we see the next market correction? How bad will it be? Understanding some key signals will help us understand what to expect.

The severity of the last market downturn was driven by extreme lending and financial market conditions that, with new regulations and scrutiny, will not be present in the next market slowdown.

Hypersupply is one of the key signals to watch for in predicting a bursting bubble. Hypersupply is the result of overdevelopment where both vacancy rates and unsold real estate inventory rise to extreme levels.

Heading into the last recession, available inventory had grown to three-times normal levels. Then during the recession, development completely stopped and a significant number of homes were removed from supply after becoming uninhabitable.

Since 2009 and through the recovery years as demand increased, available inventory levels continued to fall. Today, supply levels in all but a few select markets (i.e. high-end Traverse City and Detroit condo markets) remain below average and stable. With the exception of a few specific segments, local markets are far from a state of hypersupply.

Heading into the last recession, both homeowners and investors were speculating on real estate. It was a feeding frenzy as buyers scrambled to grab as much home as they could. Ironically, first-time investors were willing to pay premiums for fixer-uppers and flips that they thought provided profit potential. Everything was a sure bet and financing was easy.

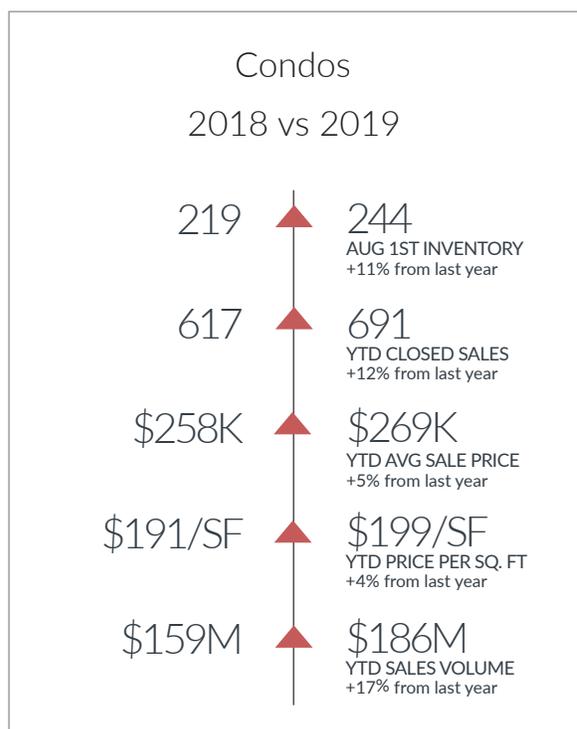
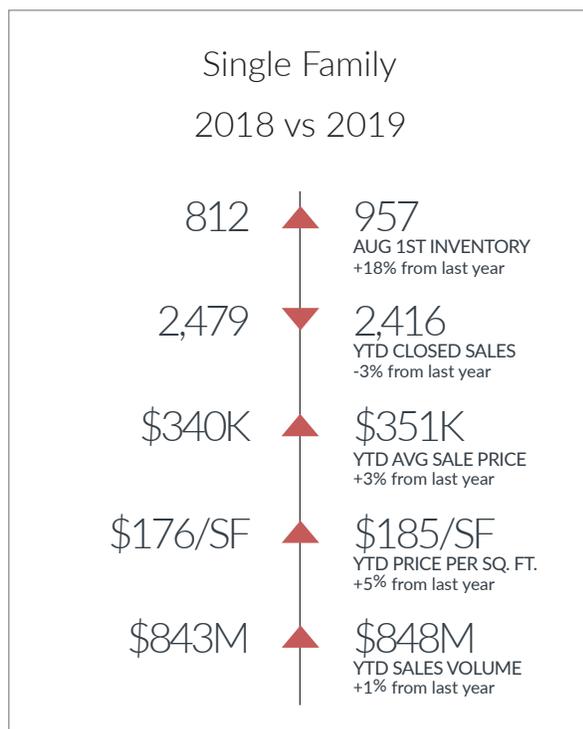
The conditions that lead to the last market crash don't exist in the same way or scale. Inventory levels remain low and there is still a shortage of affordable move-in-ready homes. Through the recovery, values have been growing at slower, more sustainable rates. Lending practices are more restrained and buyers are more rational in their purchases.

The market is leveling in a healthy way where it is more likely to just slow or even drop a few points before moving on to the next growth cycle.

Purchasing now has advantages. There is less competition from other buyers when purchasing in a slower market. Purchasing during a lull ensures a buyer will be able to take full advantage of the growth phase of the next cycle. Assessed property tax values, which lag a couple of years behind property values, will lock in with lower tax caps today than in the future. And interest rates remain remarkable.

Although sales and appreciation rates have gradually been slowing and inventory is increasing compared to recent years, local markets remain stable and in good health with no bursting bubbles in sight.

# Summary



**Inventory**—Although inventory is nearly level with last month, it's 18% higher than it was a year ago.

**Closed Units**—Closed sales peaked in June and have declined each of the past two months—that's typical. YTD sales are down 3% compared to last year.

**Values**—Prices continue to rise. YTD average sale price moved from \$340k last year to \$351k and average price per square foot went from \$176 to \$185. The upper-end market (over \$600k) saw the biggest increase in both sales and values.

**Summary**—Although closed sales are two months into their season decline and the YTD figure is down 3%, moderate price increases have YTD volume higher than it has ever been—nudging out last year by 1% and 2017 by 3%. The upper-end market segment continues to expand with the biggest increase in both sales and value.

**Inventory**—Available listings are up 7% from last month and 11% from September 1st last year.

**Closed Units**—Although August sales dropped 27% from the prior month, YTD Sales are up 12% from a year ago.

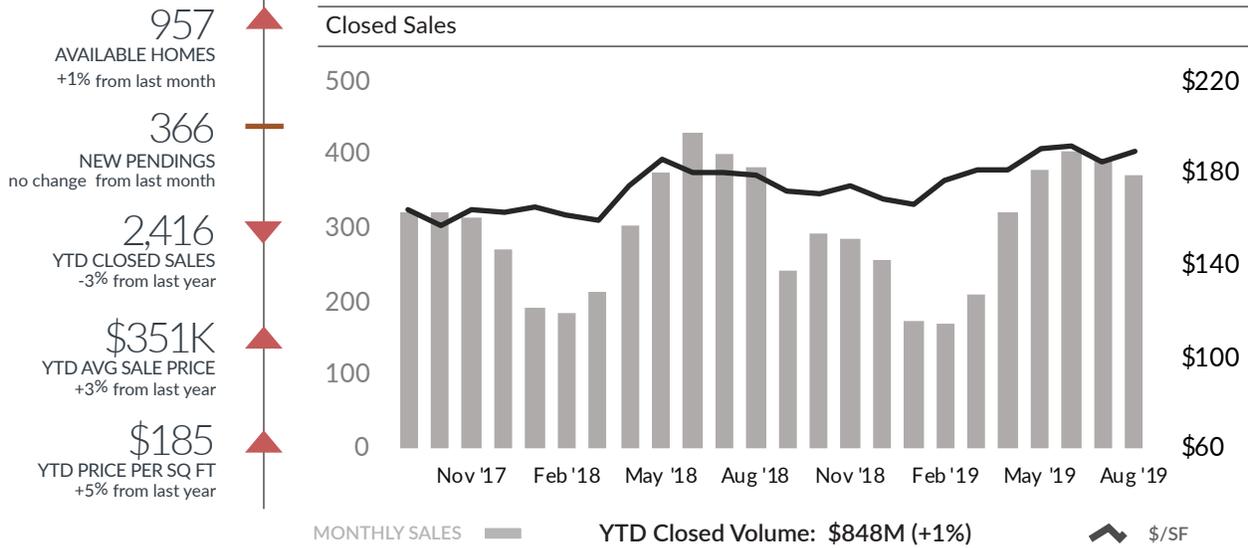
**Values**—YTD average sale price rose 5% from \$258k last year to \$269k. While price per square foot was up between 3% and 5% in all other price ranges, it fell by 11% for condos, which sold for over \$400k.

**Summary**—While the rest of the market continues to trend as it has in the past, new development has been changing the upper-end market. Despite the YTD number of over-\$400k sales jumping from 69 last year to 114, price per square foot for those units dropped from \$315 to \$280. Since 2017, the number of over-\$400k sales doubled but price per square foot for those sales fell from \$356 to \$280. Market times have also increased from 86 to 125 days.



# Washtenaw County

## Single Family Homes



### Summary

Available inventory is about level with a month ago and 18% higher than a year ago. After peaking in June, closed sales declined each of the past two months—consistent with past years. YTD closed sales are down 3% from last year, but both average sale price and price per square foot are up—3% and 5% respectively. Prices continue to rise at a moderate and healthy rate. As values have been increasing, more homes have moved up into the \$300-\$600k price range, which now accounts for 44% of all sales. The over-\$600k market has also been growing the fast in terms of both sales and value.

### Monthly Activity

|            | Listings | Change | New Pendings | Change | Months Supply | Change |
|------------|----------|--------|--------------|--------|---------------|--------|
| All        | 957      | 1%     | 366          | 0%     | 2.6           | 1%     |
| \$10-150k  | 36       | 16%    | 32           | -6%    | 1.1           | 23%    |
| \$150-300k | 228      | 12%    | 137          | 2%     | 1.7           | 10%    |
| \$300-600k | 469      | -1%    | 169          | 0%     | 2.8           | -1%    |
| \$600k+    | 224      | -6%    | 28           | -7%    | 8.0           | 1%     |

### YTD Closed Activity

|            | YTD Closed | Change | YTD \$/SF | Change |
|------------|------------|--------|-----------|--------|
| All        | 2416       | -3%    | \$185     | 5%     |
| \$10-150k  | 247        | 7%     | \$97      | 1%     |
| \$150-300k | 883        | -14%   | \$149     | 3%     |
| \$300-600k | 1057       | 4%     | \$196     | 3%     |
| \$600k+    | 229        | 8%     | \$251     | 9%     |

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



# Washtenaw County

## Condos

244  
AVAILABLE CONDOS  
+7% from last month

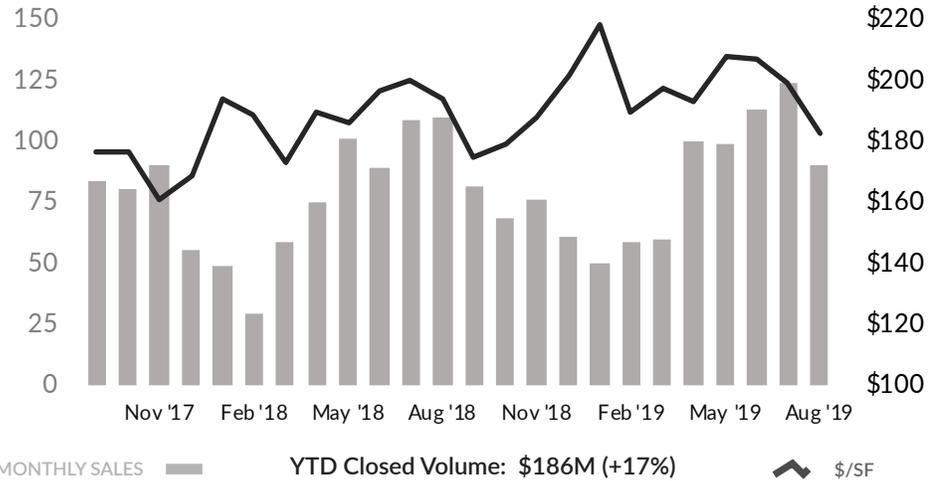
80  
NEW PENDINGS  
-13% from last month

691  
YTD CLOSED SALES  
+12% from last year

\$269K  
YTD AVG SALE PRICE  
+5% from last year

\$199  
YTD PRICE PER SQ FT  
+4% from last year

### Closed Sales



### Summary

Available inventory continues to rise—up 7% from last month and 11% compared to a year ago. As seen above, after peaking at 123 closed sales in July, August sales dropped to 90. With new August pendings down, expect September closed sales to be down as well. Condo values are up between 3% and 5% in all but the upper-end (over-400k) market. While the number of sales in that price segment jumped from 65 last year to 110 this year, the average price per square foot dropped from \$315 to \$280. It was \$356 in 2017. Some newly built units are bigger, but lack detail and location.

### Monthly Activity

|            | Listings | Change | New Pendings | Change | Months Supply | Change |
|------------|----------|--------|--------------|--------|---------------|--------|
| All        | 244      | 7%     | 80           | -13%   | 3.1           | 23%    |
| \$10-150k  | 14       | 27%    | 27           | 170%   | 0.5           | -53%   |
| \$150-225k | 54       | 4%     | 27           | -21%   | 2.0           | 31%    |
| \$225-400k | 94       | 9%     | 17           | -48%   | 5.5           | 112%   |
| \$400k+    | 82       | 3%     | 9            | -40%   | 9.1           | 71%    |

### YTD Closed Activity

|            | YTD Closed | Change | YTD \$/SF | Change |
|------------|------------|--------|-----------|--------|
| All        | 691        | 12%    | \$199     | 4%     |
| \$10-150k  | 111        | -13%   | \$125     | 4%     |
| \$150-225k | 230        | 30%    | \$162     | 5%     |
| \$225-400k | 236        | -3%    | \$198     | 3%     |
| \$400k+    | 114        | 65%    | \$280     | -11%   |

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



# Ann Arbor

## Single Family Homes

169  
AVAILABLE HOMES  
-8% from last month

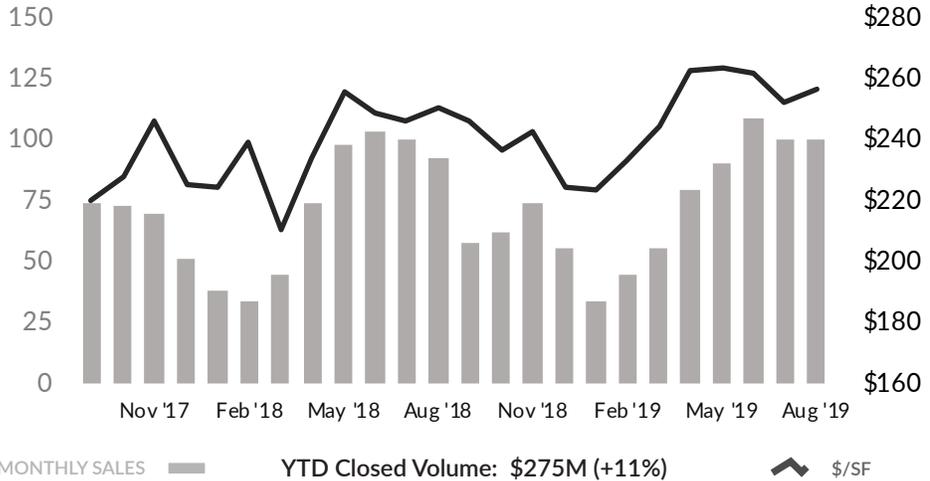
91  
NEW PENDING  
-1% from last month

609  
YTD CLOSED SALES  
+5% from last year

\$451K  
YTD AVG SALE PRICE  
+5% from last year

\$254  
YTD PRICE PER SQ FT  
+5% from last year

### Closed Sales



### Summary

Available inventory dropped by 14 units in the past month but is 11 higher than a year ago. August produced 100 closed sales—even with July and down from the June peak of 108. YTD sales are up 5% from 580 last year to 609 through August. Both average sale price and price per square foot are also up 5%. With several consecutive years of growth, properties continue to advance into upper price tiers. As seen in the second table below, the \$400-800k and \$800k+ price ranges show the most closed sales growth. That \$800k+ market also has the highest increase (6%) in price per square foot.

### Monthly Activity

|            | Listings | Change | New Pendings | Change | Months Supply | Change |
|------------|----------|--------|--------------|--------|---------------|--------|
| All        | 169      | -8%    | 91           | -1%    | 1.9           | -7%    |
| \$10-200k  | 1        | -75%   | 6            | 100%   | 0.2           | -88%   |
| \$200-400k | 60       | -8%    | 52           | 4%     | 1.2           | -11%   |
| \$400-800k | 78       | -4%    | 27           | -27%   | 2.9           | 32%    |
| \$800k+    | 30       | -9%    | 6            | 200%   | 5.0           | -70%   |

### YTD Closed Activity

|            | YTD Closed | Change | YTD \$/SF | Change |
|------------|------------|--------|-----------|--------|
| All        | 609        | 5%     | \$254     | 5%     |
| \$10-200k  | 27         | 4%     | \$150     | -8%    |
| \$200-400k | 277        | -4%    | \$236     | 4%     |
| \$400-800k | 261        | 14%    | \$257     | 3%     |
| \$800k+    | 44         | 22%    | \$306     | 6%     |

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

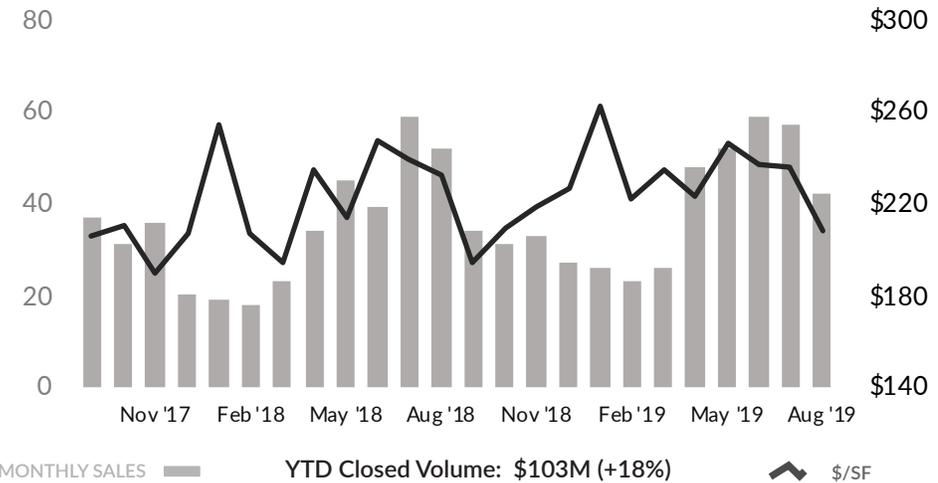


# Ann Arbor

## Condos



### Closed Sales



### Summary

Available inventory (126 units) increased by 9 units in the past month and is 30 units higher than a year ago. The 42 August closed sales were down by 15 compared to July and 17 compared to June. With August new pendings down 20%, expect September closed sales to fall again. YTD closed sales are up 15% from a year ago. While both average sale price and price per square foot are 2% higher than last year, there's significant variation between the price ranges, as seen in the second table below. Despite the number of over-\$400k sales jumping by 31 units, price per square foot dropped \$14k.

### Monthly Activity

|            | Listings | Change | New Pendings | Change | Months Supply | Change |
|------------|----------|--------|--------------|--------|---------------|--------|
| All        | 126      | 8%     | 40           | -20%   | 3.2           | 35%    |
| \$10-150k  | 6        | 50%    | 9            | 350%   | 0.7           | -67%   |
| \$150-225k | 20       | 0%     | 13           | 0%     | 1.5           | 0%     |
| \$225-400k | 51       | 16%    | 11           | -52%   | 4.6           | 142%   |
| \$400k+    | 49       | 0%     | 7            | -42%   | 7.0           | 71%    |

### YTD Closed Activity

|            | YTD Closed | Change | YTD \$/SF | Change |
|------------|------------|--------|-----------|--------|
| All        | 333        | 15%    | \$233     | 2%     |
| \$10-150k  | 44         | -6%    | \$149     | -1%    |
| \$150-225k | 74         | 17%    | \$193     | 5%     |
| \$225-400k | 131        | 4%     | \$209     | 4%     |
| \$400k+    | 84         | 58%    | \$301     | -14%   |

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

