

HOUSING REPORT

WASHTENAW | NOVEMBER 2018

4012

Reinhart
REALTORS

Rising Rates—Not a Good Time to Wait

Rising interest rates are making a big impact on the market. With additional rate increases projected, both buyers and sellers who plan to move in the near future would do well to move sooner rather than later.

Three Reasons to Buy Now

1. Interest Rates are Lower

Since most buyers finance home purchases, the price a buyer can pay for a home is generally limited by the amount of their monthly mortgage payment. A small movement in interest rate affects a buyer's purchasing power the same as a large increase in price.

The historically low interest rates we've enjoyed over the past several years may be a thing of the past. Rates have been rising and are expected to continue going up into 2019. As they rise, affordability declines. Buying sooner rather than waiting will enable a buyer to purchase a nicer home now than they will qualify for later.

2. Seasonal Inventory Up

Annual cycles ran late this year. In most areas and price ranges, inventory levels just recently passed their peak for this year. There are still plenty of good homes available to purchase.

3. Year-End Deals

Most sellers who had a reason to sell earlier in the year still want or need to move. Many also realize that this is a good time for them to purchase their next home before prices and interest rates get any higher. Look for ways to create win-win deals. If you can't find what you want in your price range, bump your search price up a little. You may find a nice home with a seller willing to work with a lower price you can afford.

Three Reasons to Sell Now

1. Interest rates are Lower

Interest rates are projected to increase through the balance of this year and into next. Because most buyers finance their homes, higher interest rates reduce the amount buyers can afford to pay. Within any price range, more buyers can afford a home with today's lower rates, raising the odds of a seller receiving an acceptable offer.

2. Buyers are Still Looking

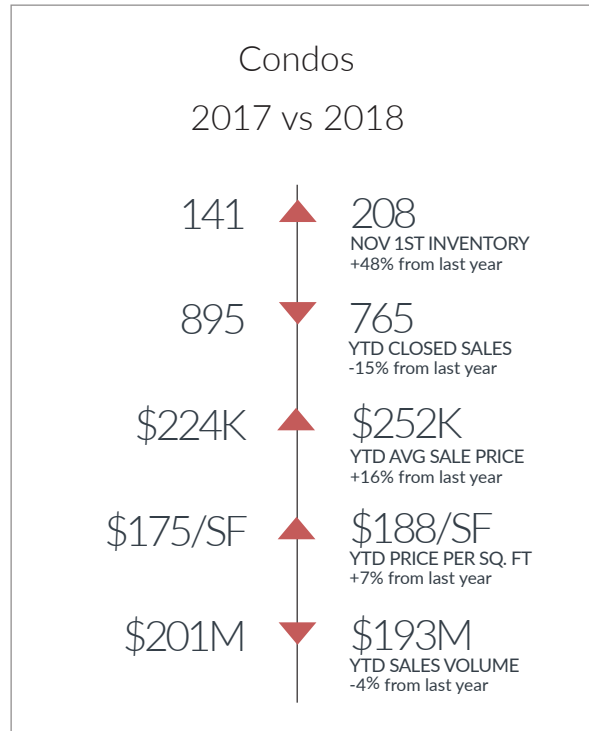
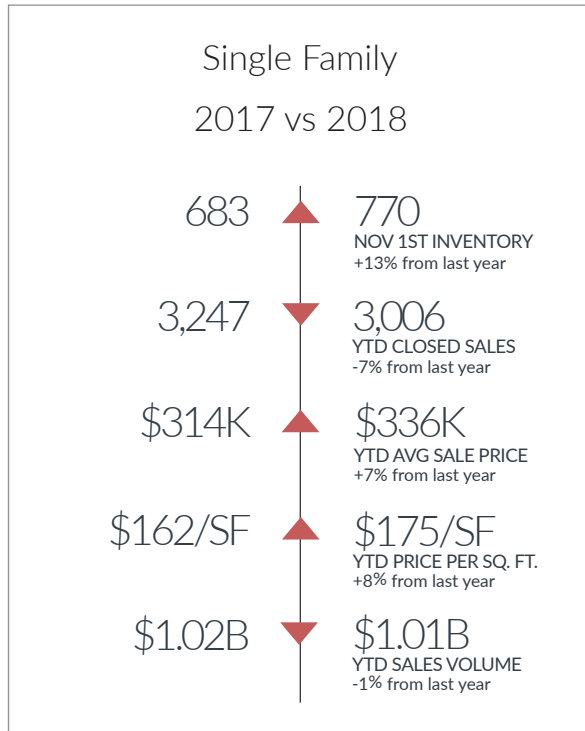
There is large pool of buyers who either didn't find what they were looking for this year or failed to win in a bidding battle. Many of these buyers still need a home and are ready to pull the trigger. They are hoping to make a deal before interest rates further limit their purchase power.

This time of year, corporate relocations have an additional group of motivated year-end buyers coming into the market. They will need to find something fast.

3. Opportunity for Nice New Listings to Shine

Although inventory is high for this time of the year, many of the best properties sold earlier in the year. During the next few months, inventory levels and seller competition will be lower than it will be in the spring. The relative shortage of available move-in-ready homes combined with a pool of waiting buyers makes this a good time to sell.

Summary



Inventory—Heading into the year end, inventory levels have been falling off. Compared to the same time last year, however, available listings are up 13%.

Closed Units—Recent October sales were up compared to September. YTD sales are down 7%.

Values—YTD average sale price and price per square foot are up 7% and 8% respectively. These average increases are misleading, however, in that they were primarily caused by a drop in the proportion of lower-priced sales in the closed sale mix. YTD values were generally up about 5% for homes priced under \$800k and were flat for over-\$800k sales.

Summary—Inventory levels continue to rise compared to previous years, yet YTD sales have been down. Values of upper-end properties have been flat. Moving forward, rising interest rates will further slow the market.

Inventory—Inventory levels have begun their seasonal decline, but with 208 November 1st listings, condo inventory is up 48% compared to last year.

Closed Units—Closed sales have declined each of the past two months. They are down 15% YTD.

Values—Despite a 16% increase in average sale price and a 7% increase in price per square foot, values have been relatively flat. Most of those increases resulted from change in the sales mix with 177 fewer sales priced under \$225k and 47 more over \$225k. Average price per square foot for sales greater than \$225k actually dropped 1%.

Summary—When possible, pay attention to market activity and trends within price ranges and localities. Lower-end condo markets have been shrinking and although upper-end sales are up, upper-end values have been flat.

Washtenaw County

Single Family Homes

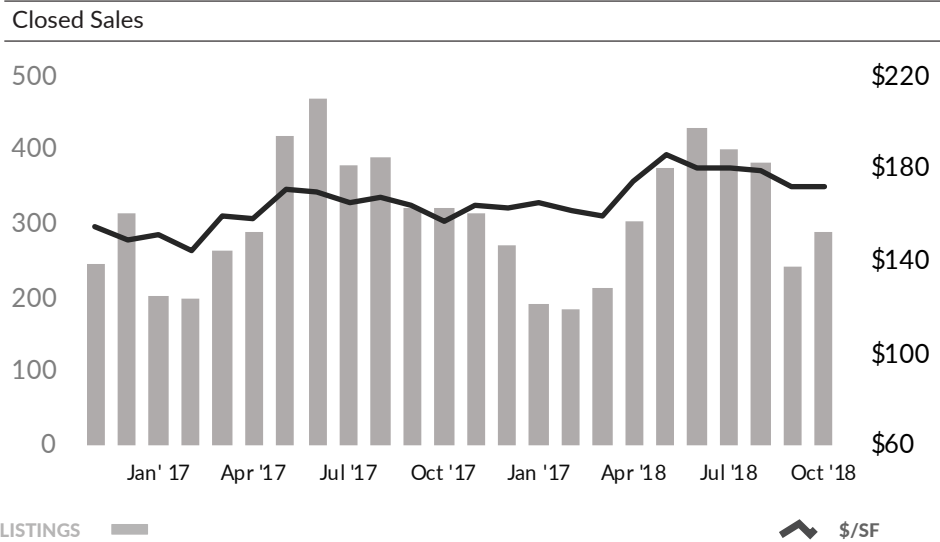
770
AVAILABLE HOMES
-8% from last month

299
NEW PENDING
+15% from last month

3,006
YTD CLOSED SALES
-7% from last year

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

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



Summary

Available listings peaked a month ago at 836 but dropped by 66 units in the past month. Inventory continues to be higher than it was at the same time last year. October new pendings were up 15% from the prior month but down nearly that same amount compared October of last year. YTD sales are down 7%, but average sale price and price per square foot have both been up by roughly that same amount. Upper-end values have been flat. Look for future inventories to be higher than they have been at the same time during recent previous years. Growing interest rates will limit future sales and values. Both buyers and sellers who plan to move in the near future should do so sooner as opposed to later.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	770	-8%	299	15%	2.6	-20%
\$10-200k	95	-7%	70	30%	1.4	-28%
\$200-400k	277	-11%	145	1%	1.9	-12%
\$400-800k	310	-3%	77	45%	4.0	-33%
\$800k+	88	-16%	7	-22%	12.6	8%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	3006	-7%	\$175	8%
\$10-200k	625	-27%	\$116	10%
\$200-400k	1559	-5%	\$163	5%
\$400-800k	734	11%	\$203	5%
\$800k+	88	-1%	\$247	0%

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

Washtenaw County

Condos

208
AVAILABLE CONDOS
-4% from last month

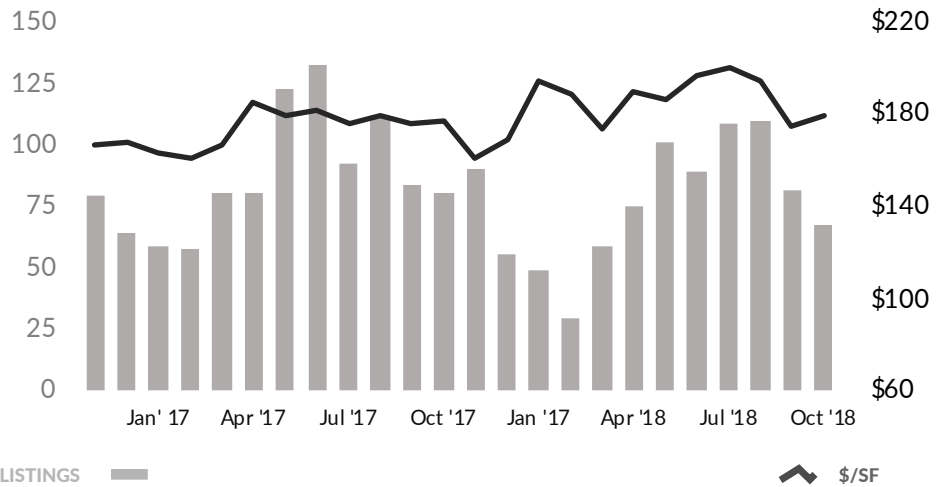
79
NEW PENDINGS
+4% from last month

765
YTD CLOSED SALES
-15% from last year

\$257K
YTD AVG SALE PRICE
+16% from last year

\$188
YTD PRICE PER SQ FT
+7% from last year

Closed Sales



Summary

Inventory has been flat with listing holding steady between 208 and 219 the past 4 months. October new pendings were about even with the prior month. YTD sales are down 15%. The increases, in both average sale price and price per square foot are misleading in that they have less to do with increasing values and more to do with a shift in the price mix—last year 36% of sales were priced over \$225k compared to 48% this year. The combined price per square foot increase for over-\$225k sales was only 1%. Look for seasonal inventory levels to continue to be higher than previous years. Moving toward and through 2019, rising interest rates and natural cycles will keep sales and values flat or declining. Buy or sell sooner as opposed to later.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	208	-4%	79	4%	2.6	-8%
\$10-150k	9	-10%	12	-43%	0.8	58%
\$150-225k	50	-7%	27	-10%	1.9	3%
\$225-400k	56	-8%	27	23%	2.1	-25%
\$400k+	93	1%	13	333%	7.2	-77%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	765	-15%	\$188	7%
\$10-150k	163	-28%	\$121	11%
\$150-225k	231	-33%	\$156	2%
\$225-400k	293	15%	\$192	2%
\$400k+	78	13%	\$310	-7%

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

Ann Arbor

Single Family Homes

163
AVAILABLE HOMES
-7% from last month

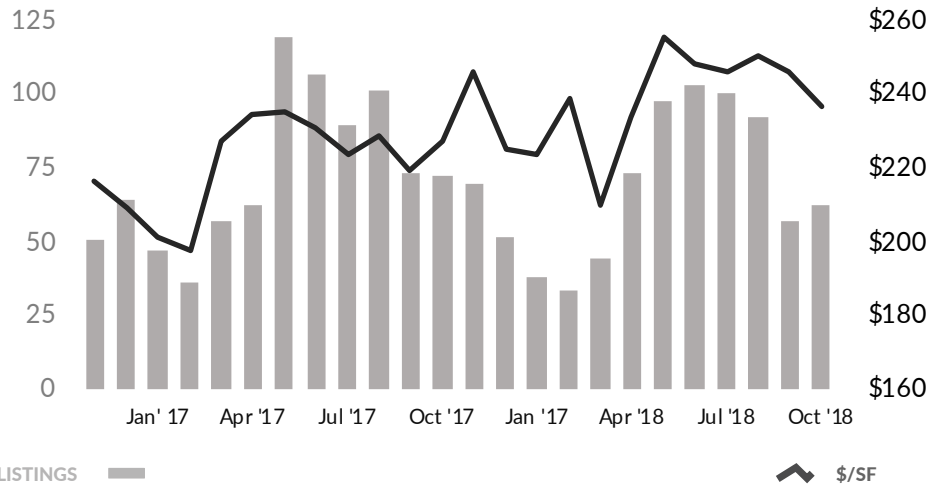
71
NEW PENDING
+6% from last month

699
YTD CLOSED SALES
-8% from last year

\$425K
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 for the year in October at 175 available units. By November 1st it dropped to 163 and it will continue to decline through the balance of the year. Current inventory is 65% higher than last year. October new pendings were up slightly from the previous month but down a little from the last year. YTD closed sales fell from 762 last year at this time to 699. Values are up slightly. The average price and price per square foot numbers are up in large part because there have been fewer entry-level and more upper-end sales. Despite the increase in those upper-end sales, the values of those properties have been flat. This year's price per square foot of over-800k sales rose just 2% from last year.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	163	-7%	71	6%	2.3	-12%
\$10-200k	7	17%	4	100%	1.8	-42%
\$200-400k	59	-9%	37	-8%	1.6	-2%
\$400-800k	77	-4%	27	50%	2.9	-36%
\$800k+	20	-17%	3	-57%	6.7	94%

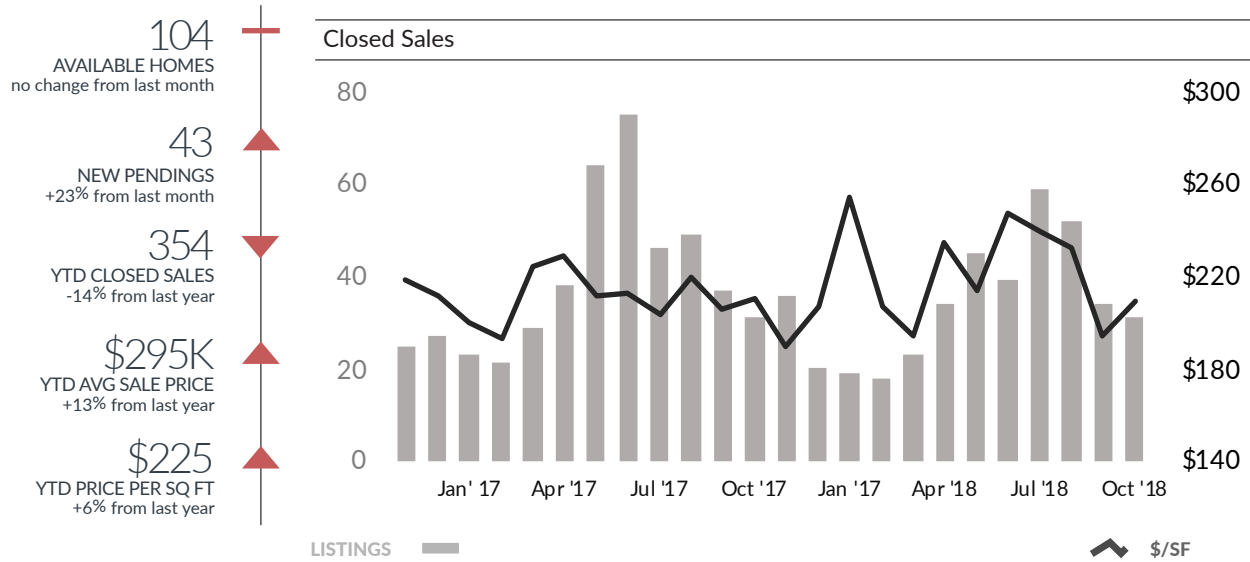
YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	699	-8%	\$242	7%
\$10-200k	31	-38%	\$162	7%
\$200-400k	361	-18%	\$228	8%
\$400-800k	262	12%	\$247	5%
\$800k+	45	15%	\$288	2%

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

Ann Arbor

Condos



Summary

November 1st inventory remains even with the prior month as the highest inventory level of the year. There are 39 more available units than the same time last year. October new pendings were up 8 units from the prior month and up 11 from last year. YTD sales are down 14%. Entry-level markets continue to shrink with a few extra sales being added at the upper levels. That combination causes both average sale price and price per square foot to be exaggerated when used to measure changing values. Even though there have been more over-\$400k sales this year, price per square foot in that range dropped 10%. Rising interests rates will challenge the market as it moves through the balance of this year and into next.

Monthly Activity

	Listings	Change	New Pendings	Change	Months Supply	Change
All	104	0%	43	23%	2.4	-19%
\$10-150k	3	200%	6	-25%	0.5	300%
\$150-225k	14	8%	12	-8%	1.2	17%
\$225-400k	26	-13%	16	23%	1.6	-30%
\$400k+	61	2%	9	800%	6.8	-89%

YTD Closed Activity

	YTD Closed	Change	YTD \$/SF	Change
All	354	-14%	\$225	6%
\$10-150k	60	-25%	\$154	8%
\$150-225k	87	-37%	\$187	6%
\$225-400k	148	3%	\$198	3%
\$400k+	59	18%	\$346	-10%

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