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Triangle housing market far from being in the doldrums

Triangle Business Journal - by Stacey P. Anfindsen

In spite of a steady stream of negative national real estate news, our local residential market held its own during 2007. The following are positive statements about what happened during the year.

- 2007 was the third best market in Triangle MLS history based upon closed sales.
- 2007 was the third best market in Wake County history based upon closed sales.
- Area house appreciation rates are above the national average.
- Average closed prices are increasing .
- Job growth, while at a lower rate, is still above zero.
- Interest rates are near historic lows.
- North Carolina was again one of the top in- bound destinations based upon the United Van Lines annual moving survey.

Here are some facts to support the above statements.

- While we are still adding jobs, the rate of growth in the combined MSAs of Raleigh/Cary and Durham has come to a halt. There were 0.49 percent more employed workers in December '07 versus December '06. The rate of growth between December '06 and December '05 was 5 percent. Interest rates went down in December and have continued that trend during the past couple of months. The national average for a 30-year, fixed-rate mortgage currently is 5.88 percent, compared to 5.74 percent in December 2006. The national average for a 15-year, fixed- rate mortgage is 5.42 percent, compared to 5.5 percent in December 2006.
- Average list prices in Wake, Durham and Orange counties increased. The average list price is up 5 percent in Wake, 6 percent in Durham and 7 percent in Orange. Average sales prices were on the rise during the year. The average sales price of a house in Wake County was up 1 percent, Durham was up 5 percent and Orange was up 8 percent. Closed sales were a mixed bag. Wake was down 13 percent, Durham was flat and Orange was down 1 percent. TMLS closings were down 6 percent compared to 2006.

- Overall inventory continues to rise in each county. Wake inventory increased 27 percent, Durham inventory increased 7 percent and Orange inventory increased 17 percent. The inventory gains for the most part are an equal mix of new home and re-sale housing with the exception of Orange County. New home inventory decreased 4 percent. Difficulties within the development process that produce higher than average development time/costs have resulted in fewer new home communities brought to market.
- Increased overall inventory has provided a challenge not recently seen for both sellers and real estate agents. Sellers who have been reluctant to reduce list price have paid the price in terms of days on market. The average unsold listing has been on the market between 130 and 140 days.

The average for the closed sales falls between 76 and 84 days. So you can infer a two-month marketing time penalty if sellers are not realistic regarding sales price. Good news during the fourth quarter was seen in the amount of showings. Wake County showings were up 21 percent, Durham County showings were up 2 percent and Orange County showings were up 10 percent.

- Current supply is the best way to measure the relationship between the number of listings and the amount of closings. Wake County has a current supply of four months. Durham and Orange counties each have a current supply of five months, which compares favorably with the overall TMLS current supply of five months. The national current supply of housing is 10.5 months.

Keeping in mind that the current supply is based upon an average of all housing types and prices, there are strong and weak spots to be found. Detached housing priced below $300,000 is becoming a rare commodity. Most sellers with this type of housing will see a lower than average days on market.

The trouble spots are found in most detached housing priced above $800,000. There is a 15.5 month supply of this type of housing in the area, and the supply numbers get worse as list price increases. Sellers should expect marketing times between six months and a year, infrequent showings and initial offers at about 80 percent of list price.

Once a house has been listed, contracted and closed, the numbers point to good appreciation rates. Wake housing has appreciated on a percent per year average of 4.97 percent, Orange is up 7.29 percent, and Durham is up 4.26 percent. The average gain for housing located in North Carolina has been 6.5 percent, and the United States average gain has been 1.79 percent. North Carolina appreciation rates continue to be influenced by resort properties in the mountains and along the coast. The United States third quarter average was the first time since 1994 that average housing prices have fallen from the previous quarter.

So what does the future hold for the residential market? Consumer confidence plays a huge role in a housing decision. The consumer confidence index was off sharply in January compared to the summer months of 2007. This is but one of a steady stream of negative national indicators that is exposed to our residents. These indicators produce doubts among home buyers and sellers, with the result being lower activity in our market. While fourth quarter showings were up in Wake, Durham and Orange counties, pending sales were down. These are the two best forward-looking indicators regarding market performance. Based upon the lower amount of pending sales compared to 2006, it would be safe to assume that first quarter closing numbers in 2008 will be lower than seen during the first quarter of 2007.

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