

The Watauga Real Estate Market A Review of Calendar Year 2016

[Note: If you'd like to quickly find more information about one of the Highlights, scroll down using the color to quickly find more information.]

Highlights:

-  **Condo/townhomes** – the volume of sales has increased significantly.
-  The **number of homes sold** has increased significantly, up about 33%.
-  **Sales prices/value of homes** remains steady/has not increased significantly.
-  **Our inventory of homes is at its lowest** point since 2008.
-  70% of home sales are **log cabins/mountain style**.
-  What **style** of home are builders constructing **today**?
-  **Blowing Rock** continues to be the most popular area and also the highest priced area.
-  For **land**, the good news for sellers: the volume of sales has increased.
-  For **land**, the good news for buyers: it's still very much a buyers' market.
-  Are we on the verge of a **multiple offer** market?

Index
Home Market p. 2
Home Styles p. 5
Popular Areas p. 7
Home Age p. 8
The Land Market p. 9
The Future? P. 10

A Few Introductory Remarks:

A Heads Up: When I choose the phrase 'Watauga Real Estate Market,' please know that I choose the area my experience working with buyers has lead me to believe is the area most people think of as 'Watauga.' It includes all of Watauga but I also include the portion of Avery that is Banner Elk. The majority of buyers look in a location that I've come to term: the Blowing Rock to Banner Elk corridor. That is, the preferred area to purchase vacation homes runs from Blowing Rock through Foscoe and Valle Crucis up to and through Banner Elk. They don't pay attention to the Avery/Watauga line; it's not a significant boundary in their minds.

On the other hand, when I look at land sales, I include all of Avery, Ashe, and Watauga. Right now, there's so much land on the market that buyers have the luxury of strolling through hundreds of options to find their ideal land. And that could be in any of those areas.

☑ In this review, I'll look at sales of single family residences [i.e., detached homes] and land. I don't review condo/townhomes because their markets are highly specific [e.g., the condos in Boone that are primarily student; high end condos in Blowing Rock; ski lodging condos on Sugar and Beech]. Comparing condos in Boone and Banner Elk, for instance, truly would be like comparing oranges to cats. However, I offer one observation on **condo/townhome sales**, and the implication of this is very important:

- in 2015 **269** condos sold
- in 2016 **339** sold
- in 2017 **366** sold

During the recession condos were hit even harder than homes. 2015 condo/townhome sales were sluggish and at very, very low prices compared to 2008, showing much more depreciation than homes. Sales picked up significantly in 2016 continuing steady with a few more in 2017. The big difference between 2016 and 2017 is increased sales meant less condos were on the market. For sellers that vastly improved their odds of selling. I believe the increase in condo sales shows that buyers' confidence in the economy is up, particularly buyers who don't want/can't afford a larger investment in a home. Nevertheless, condo/townhome prices have not increased significantly, good news for buyers, not such good news for sellers.

☑ Finally, please keep in mind this is a review of the Watauga Market as a whole. Any real estate market is comprised of many markets within. This overview of the entire market very well may *not* predict the value of a property you own or are interested in purchasing. I am always delighted to prepare a market analysis for you, if you would like to learn where your property stands within the overall market.

The Home Market in Watauga

If you've been one of my sellers [or become one], you'll know that I don't look solely at average sales price, DOM [Days on the Market], and list-to-sell ratio to understand the market. Rather, I want to know – and want you to know – how the market is flowing [and, were this not an overview of the market, how the individual markets are flowing]. I want to understand how fast homes are coming on the market, how fast they are selling, how those trends compare with previous years, what the Odds of Selling a home are in current market conditions, and more.

In this section, I'll discuss:

Odds of Selling a home

How 2017 compares with 2016

What's happening with land sales

Plus fun information on where in the county homes are selling and styles of homes that are popular.

How does age of a home affect a sale?

My Crystal Ball prediction of what 2017 might bring

Odds of Selling a Home in the Watauga Market

Watauga Home Sales 2016	
887 Homes sold in 2017 <i>[948 in 2016]</i>	
Average Sales Price: \$338K <i>[\$308K 2016]</i>	Medium Sales Price: \$272K <i>[\$258K 2016]</i>
Average List-to-Sale Ratio: 92% <i>[same]</i>	Average Days on the Market for Sold Homes: 123 <i>[177 2016]</i>
Cost per Square Foot: \$145 <i>[\$136 2016]</i>	
Homes Currently on the Market: 674 <i>[737 Jan 2016]</i>	
Homes Currently Under Contract: 87 <i>[46 2016]</i>	
New Home Listings Dec 2017: 49 <i>[42 2016]</i>	
** Odds of Selling: 36% <i>[55% Jan 2016]</i>	
Average Number of Homes Selling Per Month: 74 <i>[76 2016]</i>	
Number of Homes that Didn't Sell: 814 <i>[1076 2016]</i>	
Months Ahead of Inventory Currently Available: 10.3 <i>[9.8 2016]</i>	
<p>** The Odds of Selling tells what are the odds of selling a home in current market conditions. We have more homes on the market than buyers, so not all homes will sell. As an example, if the Odds of Selling are 50%, and if current market conditions continue, about half of the homes on the market are likely to sell.</p>	

To give you a handle on what trend these stats represent, look back at these numbers from previous years:

	Number Sold for the Year	Number Sold Per Month
2012	573	48
2013	658	55
2014	659	55
2016	948	74

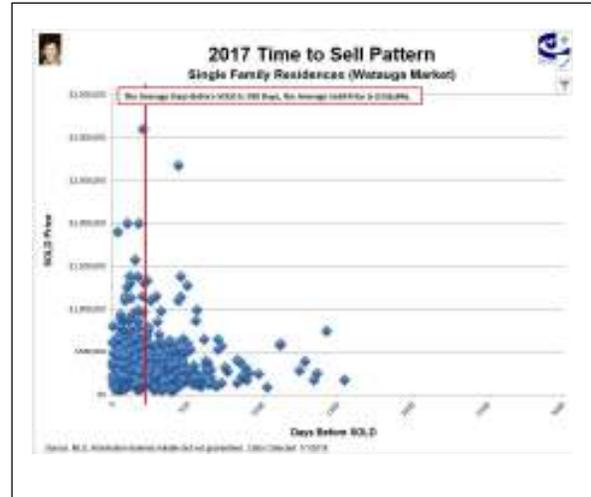
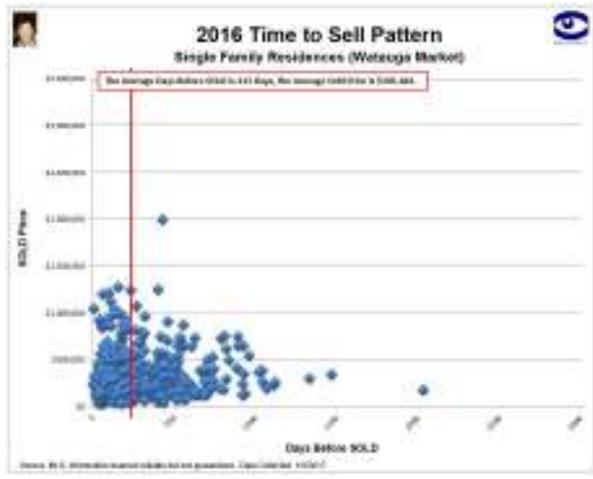
	Average Sales Price	Median Sales Price
2012	\$312K	\$240K
2013	\$308K	\$234K
2014	\$300K	\$237K
2016	\$338K	\$272K

	Odds of Selling	Months of Inventory
Jan 2014	39%	18 months
Jan 2016	36%	10.3 months

If you take the time to compare numbers, you'll see:

- Our Odds of Selling for ALL homes hangs around 33%. That means 2/3rds of the homes on the market are not likely to sell.
- We sold a few less homes this year than last year.
- Less homes are on the market than a year ago.
- More homes are under contract than a year ago. However, approximately 18% of contracts fail, primarily due to repair issues the buyer discovers upon their home inspection. Likely, 16 of the 87 currently under contract won't close.
- One of the biggest changes in 2017 is that, finally, we're seeing prices rise more than simply by inflation: 9% increase in sales price.

To see that more clearly, look at these two graphs, called T2S [Time to Sell Graphs]:



The graphs show:

In 2015 the average sales price of homes was \$304K, 219 days on the market for sold homes

In 2016 the average sales price of homes was \$305K, 213 days on the market for sold homes

In 2017 the average sales price of homes was \$336K, 198 days on the market.

☑ **We have far less inventory.** The highest number of homes on the market occurred in Aug 2014, with 1678 homes on the market. In almost every month since I've been keeping records we've had well over 1000 homes on the market. In Jan 2015, we had 1002 homes on the market. In Jan 2016, 737. Our current 674 is the lowest number on the market since I've been keeping records. That's 40% less than Aug 2014.

☑ Less homes on the market and sales holding fairly steady = Increase in price. This is, of course, typical of any market. Reduce supply, hold sales steady, and prices increase.

Now let's have a little fun. Styles of Homes Sold:

In the past about 1/5 of all homes sales have been log/mountain style. Mostly, those were log cabins, historically the most desired style of home. Often buyers would realize they couldn't afford the more expensive log cabins and instead bought a cabin that was 'mountain style.' 'Mountain style' is hard to nail down. It's rather like a log cabin but stick built, i.e., lots of wood and usually a cottage/traditional layout, though sometimes a more contemporary layout. Lots of wood is probably the characteristic that runs through

the homes that get categorized as 'mountain style' in our MLS....All the styles we realtors categorize with are very subjective.

Still, this statistic is very startling:

Out of the 887 homes sold in 2017:

615 were log/mountain style!

That's a whopping **70%!** Also, 21 Adirondack and 27 timber frame, which really are log cabins morphed into a more elegant appearance [and raised to a more lofty price.]

What's trending/most popular in new home sale? Of homes built since 2000, these are the styles that sold:

Log/Mountain Style/Timber Frame/Adirondack: 668

Cottage/Traditional/Farmhouse: 104

Contemporary: 3

Victorian: 1

Ranch/Split Level: 111

Round: 14

Zero of these:

Mediterranean

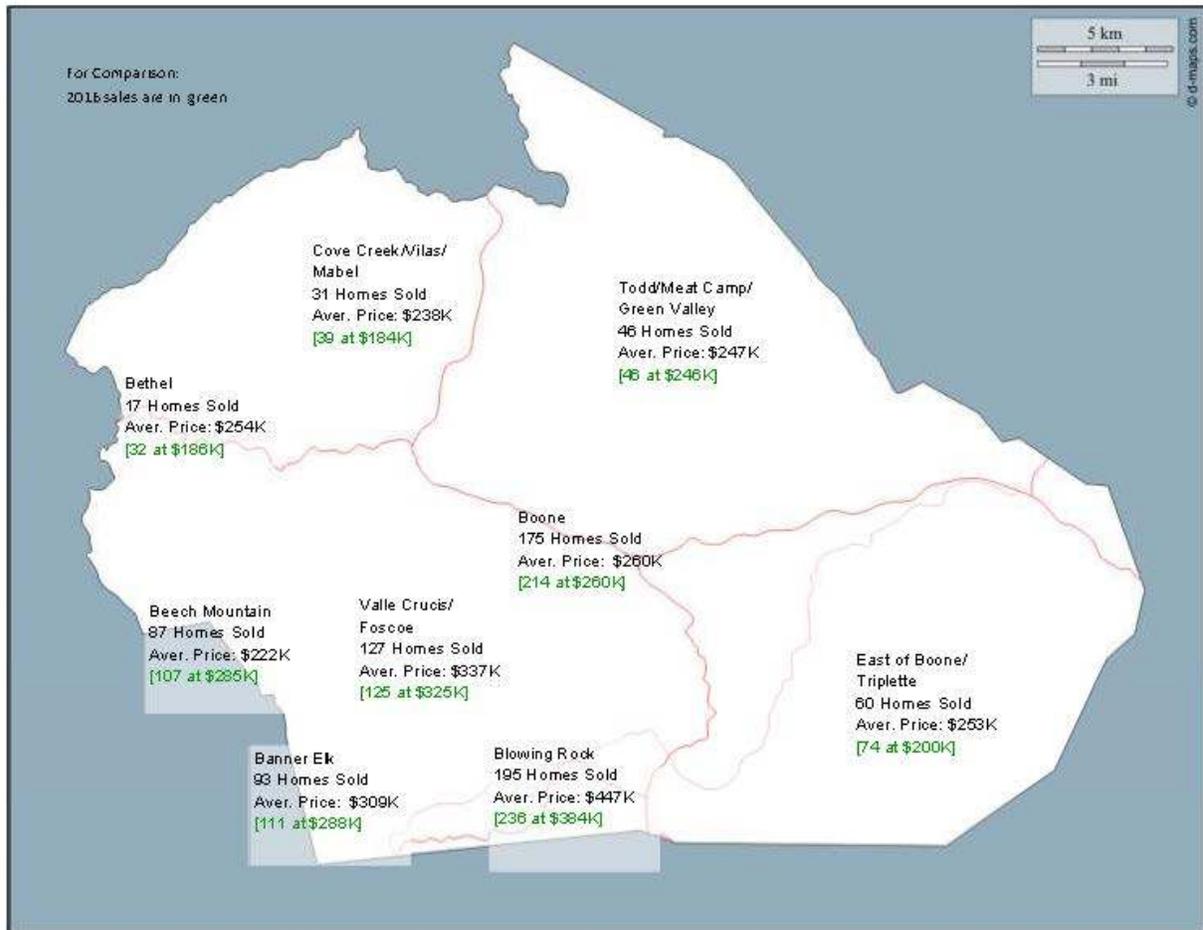
Tudor

French Provincial

What about new construction? Of the 17 homes constructed and sold in **2017, 16 were mountain style**, 1 a cottage.

Does it seem pretty clear to you that when people buy a home in the mountains they want it to be a mountain [style] home! Good ole American, not European. Seems like coming to a home in the mountains is living in the heart of our American pioneering and Western past, a treasured haven. Albeit, the new homes are luxurious: Multi-shower heads rather than drawing water from a well; geothermal heat rather than felling trees for open fireplaces; smart refrigerators rather than spring boxes.

What Areas Are Most in Demand? What Areas Carry the Highest Prices?



2017 Home Sales by Area

As you can see **Blowing Rock**, and in general western Watauga, continues to be the **most popular** area to own a home. It's also has **the highest average priced sales**. Hence, my Blowing Rock to Banner Elk corridor.

How Does Age of a Home Affect Sales?

Take a look at this comparison:

Age	Number Sold in 2017	Average Sales Price	Average Size	Value Per Square Foot	List-to-Sell Ratio	Average Days on the Market
2017	10	\$472K	2082 sq ft	\$219/sq ft	1.03%	124 DOM
2010-2016	50	\$604K	2611 sq ft	\$216/sq ft	93%	223 DOM
2000-2009	248	\$461K	2617 sq ft	\$169/sq ft	96%	190 DOM
1980-1999	300	\$308K	2113 sq ft	\$147/sq ft	91%	213 DOM
1960-1979	189	\$255K	1892 sq ft	\$140/sq ft	90%	195 DOM
1940-1959	36	\$253K	1572 sq ft	\$157/sq ft	90%	145 DOM
1900-1939 Non-Blowing Rock	8	\$225K	1781 sq ft	\$127/sq ft	87%	172 DOM
1900-1939 Blowing Rock	4	\$609K	1864 sq ft	\$325/sq ft	90%	90 DOM
Pre-1900	7	\$187K	1744 sq ft	\$109/sq ft	84%	297 DOM

Some conclusions:

- Houses become larger over time, in general.
- Location! Location! Location! I.e., look at the difference in price for the early 1900's homes located in Blowing Rock [average sales price \$609K] those elsewhere [average sales price \$225K] in the county!
- Age does make a difference in price, as is expected. However, it is sometimes hard for sellers to take this into account, likely accounting in part for the lower list-to-sell result in older homes.

- In general, older homes are: smaller, sell at a lower list-to-sell price, have a smaller per square footage value, sell for less.
- I thought it would be too confusing to include the 2016 comparison in the table above. What I saw: less homes sold on the older end of the scale; more homes sold on the newer end of scale. People were willing to pay more per square foot [READ: higher end features] for the new homes, compared to 2016. Sounds like luxury is in demand.

The Watauga Land Market.

High Country Real Estate Land Market, 2017	
2048	Land Parcels Are Currently on the Market <i>[2081 in 2016]</i>
39	Land Parcels Sold Per Month, on the Average <i>[32.5 2016]</i>
1631	Land Parcels Didn't Sell <i>[1451 2016]</i>
80%	Is the List-to-Sell Average Ratio for Land Parcels <i>[79% 2016]</i>
22%	Is the Odds of Selling a Land Parcel <i>[16% 2016]</i>
52	Months of Inventory of Land Parcels <i>[64.5 2016]</i>
472	Land Parcels Sold: <i>[396 2016]</i>
	102 Sold under \$20K <i>[109 2016]</i>
	155 Sold \$20 to \$50K <i>[109 2016]</i>
	52 Sold \$50 to \$100K <i>[88 2016]</i>
	127 Sold Over \$100K <i>[90 2016]</i>
	85 In High End Subdivisions <i>[42 2016]</i>

42	As Acreage Tracts [49 2016]

Obviously, the land market is very much a **buyers' market**, with 52 [but down from 64 in 2016] months of inventory. Buyers have the luxury of perusing hundreds of parcels to find their ideal property.

The good news for sellers: the volume of **sales was up in 2017:**

In 2015 343 land parcels sold.

In 2016 396 land parcels sold.

In 2017 472 land parcels sold. That's a 17% increase in sales.

The most notable changes: The sales of land under \$20K is decreasing. The number of sales in the \$20K to \$50K range is increasing. Most marked are the doubling in sales of lots in high end subdivisions. That must mean the folks with ample resources will be building homes in the above \$500 range of value.

Here's what I think is most significant: In August 2015 home sales began improving, with a very strong increase in 2016. In 2016 condo sales began improving, with a very strong increase in 2017. In 2017 land sales began improving. Shall we see a very strong increase in land sales in 2018?

As I've said so many times – you may be tired of hearing me say this – the sales of homes in the Watauga market drives the local real estate market.

My Crystal Ball Prediction for the Watauga Market.

Well, not having a crystal ball, I'd nevertheless like to share my thoughts.

First, the market value of homes has increased. Still, we are not yet back to 2008 [the recession hit us in 2008] prices, the height of our market.

Look at this graph:



The market has improved from the seller's perspective. Owners are much more likely to be able to sell their home. Some portions of the market are seeing more increase in value than others.

Buyers will find less inventory and higher prices.

Last year I wrote: "The laws of supply and demand apply to the real estate market, as they do to any. With a smaller inventory [which will increase again during the next couple months] and greater demand, **it seems inevitable we will begin to see an increase in prices beyond inflation**....as long as nothing develops that erodes consumer confidence." *I was right!*

I also wrote: "Similarly, if our current market conditions hold, I would expect condo/townhome sales and land sales will continue their upward trends in sales." *I was right!*

I also wrote: "It does seem **that new home construction** will increase, partly because of the smaller inventory. Partly also because most of the homes on our market are older. They are not the style buyers currently desire....And because of their age, many have heftier issues than buyers want. During this past year, every month many homes went under contract but didn't make it to closing. That's likely caused by buyers' unwillingness to accept needed home repairs and/or updating. [One more cogent reason for inspecting homes BEFORE they go on the market]." *The older homes not making it from contract to closing has continued.*

New homes:

In 2015: 3

In 2016: 15

In 2017: 20

I was right!

I also wrote: "Are we on the verge of what's happening in many areas of the USA? That is, when a house goes on the market, **multiple offers** are received and it sells quickly? My prediction: maybe! 😊 Only time will tell. Other areas have experienced that market for two years already. We're behind them because this is a vacation market primarily, and those is a different situation." Well, it hasn't happened yet. So, again, only time will tell.

I expect 2018 will see an increase in both condo and land sales.

I expect 2018 will see an increase in new construction, spec homes but also custom built. This is great news for our local contractors and people who make their living in home construction, many of whom suffered terribly starting in 2008.

I hope you've found this overview of 2017 helpful. Please provide me the opportunity to address any questions you have.



My Warmest Regards,

Helen

Broker/Owner CoeRealty.com

PO Box 3397 Boone NC 28607

828.264.1434

Helen@HelenLPhillips.com