

A Review of the Watauga Real Estate Market

Calendar Year 2018

2018 has been quite a ride in the real estate world. There have been stunning changes in the home and condo market that pose quite a different picture for both sellers and buyers than the past two years, and far different from our many recession years. The land market has shifted as well, not as dramatically but definitely in the direction many sellers would like to see.

I'll begin with highlights of the 2018 market. You will find greater detail in the following pages.

- ☑ The slide upwards in sales of **single family residences** that began in 2016 continues. It has created the smallest inventory I have seen in my 20 years in real estate along with a concomitant increase in average sales price. *See pages 3–7*
- ☑ Buyers need to know that while the increase in average home sale value has been modest, the inventory is greatly reduced, with less homes for them to choose from. Most homes are older, often with deferred maintenance and only modest updating, likely not what they, as buyers, will consider move-in ready. *See page 5.*
- ☑ The slide upwards in the **condo market** that began in 2017 continues with more sold than we've seen since the recession began here in 2008. *See page 2*
- ☑ The **land market** remains in recession but interesting changes have occurred. *See pages 8&9*
- ☑ With a huge inventory of land on the market, buyers have the luxury of **finding their dream land**. *See page 8*
- ☑ Buyers purchasing lots to build their dream home are willing to **pay more for larger lots**. *See page 8*
- ☑ **Log cabins** in their various manifestations continue to be the most popular style. *See page 6*
- ☑ **New homes** are priced about \$200K above the 2018 average sales price of homes. *See page 6*, where you'll also learn the **styles** of the new homes.
- ☑ The Blowing Rock to Banner Elk corridor continues to be the **most popular area** and also have the highest average priced home sales. *See page 7*
- ☑ The **biggest surprise** is the biggest new growth area: east of Boone. *See page 7*
- ☑ Are we on the verge of a **multiple offer market**? *See pages 10 - 12*

Before providing you the details of those highlights,

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 or land to build runs from Blowing Rock through Foscoe and Valle Crucis up to and through Banner Elk. Buyers 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 with a huge inventory of land on the market, buyers have the opportunity 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
In 2018 **441** 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, an increase continuing steadily through 2018.

☑ 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.

WHAT'S HAPPENING IN THE WATAUGA SINGLE FAMILY HOME MARKET?

Like any market, real estate ebbs and flows. The best way to gain a picture of what's happening in the market is to look two years back and discover what changed in 2018. These Odds of Selling graphs provide significant information:



What are the Odds of Selling Your Home? Single Family Residences (Watauga Market) (2017)

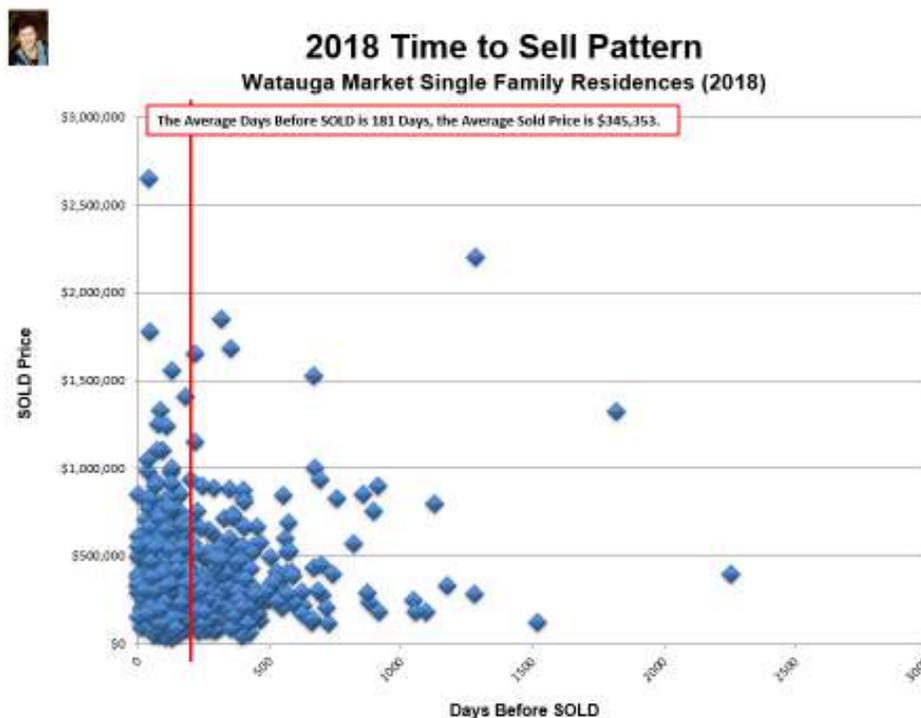


What are the Odds of Selling Your Home? Watauga Market Single Family Residences 2018



For beginners, we sold 40 more homes in 2018 than in 2017. Equally important, 229 less homes did NOT sell in 2018 compared to 2017. Many of the homes that sold were homes that didn't sell in previous years, not because anything was necessarily 'wrong' with them, but because we didn't have enough buyers. 'Previous years' includes our recession years. You can see that in Dec. 2017 we had 674 homes on the market, compared to the lowest we seen since 2008, i.e., 525 in Dec. 2018. In other words, our backlog of homes is getting sold and homes are coming on the market at a slower rate. For buyers, that means there's less to choose from. For sellers, that means their Odds of Selling are much better — 43% in Dec. 2018 compared to 36% in Dec. 2017.

The Time to Sell graphs tells us more about the flow of the market:



They show:

In 2017 homes sold in an average of 198 days at an average value of \$337K.

In 2018 homes sold in an average of 181 days at an average value of \$345K.

Homes sold a little quicker, at a bit higher price.

HOW DOES AGE OF A HOME IMPACT VALUE?

Take a look at this comparison:

2017 prices are in black. 2018 prices are in green.

Age	Number Sold in 2017	Average Sales Price	Average Size	Value Per Square Foot	List-to-Sell Ratio	Average Days on the Market
2017-2018	10 15	\$472K \$605K	2082 sq ft 2784 sq ft	\$219/sq ft 226/sq ft	1.03% 98%	124 DOM 215 DOM
2010-2016	50 32	\$604K \$560	2611 sq ft 2736 sq ft	\$216/sq ft 213/sq ft	93% 97%	223 DOM 226 DOM
2000-2009	248 281	\$461K \$388K	2617 sq ft 2610 sq ft	\$169/sq ft 159/sq ft	96% 96%	190 DOM 150 DOM
1980-1999	300 340	\$308K \$255K	2113 sq ft 2275 sq ft	\$147/sq ft \$132/sq ft	91% 92%	213 DOM 136 DOM
1960-1979	189 210	\$255K \$229K	1892 sq ft 1785 sq ft	\$140/sq ft \$132/sq ft	90% 94%	195 DOM 136 DOM
1940-1959	36 38	\$253K \$236K	1572 sq ft 1610 sq ft	\$157/sq ft \$154/sq ft	90% \$94%	145 DOM 113 DOM
1900-1939 Non-Blowing	8 12	\$225K \$330K	1781 sq ft 1441 sq ft	\$127/sq ft \$189/sq ft	87% 91%	172 DOM 105 DOM
1900-1939 Blowing Rock	4 4	\$609K \$670K	1864 sq ft 2545 sq ft	\$325/sq ft \$301/sq ft	90% 97%	90 DOM 153 DOM
Pre-1900	7 5	\$187K \$320K	1744 sq ft 2304 sq ft	\$109/sq ft \$139/sq ft	84% 90%	297 DOM 236 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 \$670K] than elsewhere in the county [average sales price \$330K] !
- Age does make a difference in price, as is expected. Except, it seems, in Blowing Rock where location trumps age.
- In general, older homes are: smaller, sell at a lower list-to-sell price, have a smaller per square foot-age value, sell for less.
- More buyers are willing to accept the 1960—2010 homes, many built in a vacation style no longer highly desired [round, chalet, A-frame] with floor plans viewed as out of date, with fewer amenities appealing to current buyer tastes, many with deferred maintenance and little to only some updating.
- Many of the older homes once under contract do not make it to closing because of revealed repair issues.
- Buyers in the under \$300K range will be most realistic in their search if they accept they expect to do maintenance and updating after closing on their home.

WHAT STYLES OF HOMES SOLD?

Mountain	462 Sales
Log	141 Sales
Adirondack	24 Sales
Timberframe	15 Sales
Craftsman/Cottage	184 Sales
A-Frame	12 Sales
Chalet	65 Sales
Ranch/Split Level	109 Sales
Contemporary	100 Sales

Some thoughts: Because our market is primarily a second home market, buyers often express they want a 'vacation' style home, not a home like the year round homes they live around. Many, many buyers express they want a log home. Because log homes tend to be expensive, buyers often are content to purchase the, generally speaking, less expensive 'mountain style.' My conception of mountain style is stick built rather than log construction but, like log cabins, having a lot of wood inside.

Adirondack and timberframe homes share a lot of the feel of log cabins but are much more expensive to build and, thus, purchase. Their expensive also reflects they are newer, with more of the high end amenities buyers like.

You can see from the sales stats that buyers overwhelmingly want the log cabin feel for their vacation home. The price range from mountain style to log to adirondack and timberframe gives them a choice that meets their financial ability.

Craftsman, cottage — traditional homes — are obviously popular, as well.

WHAT STYLES ARE BEING CONSTRUCTED?

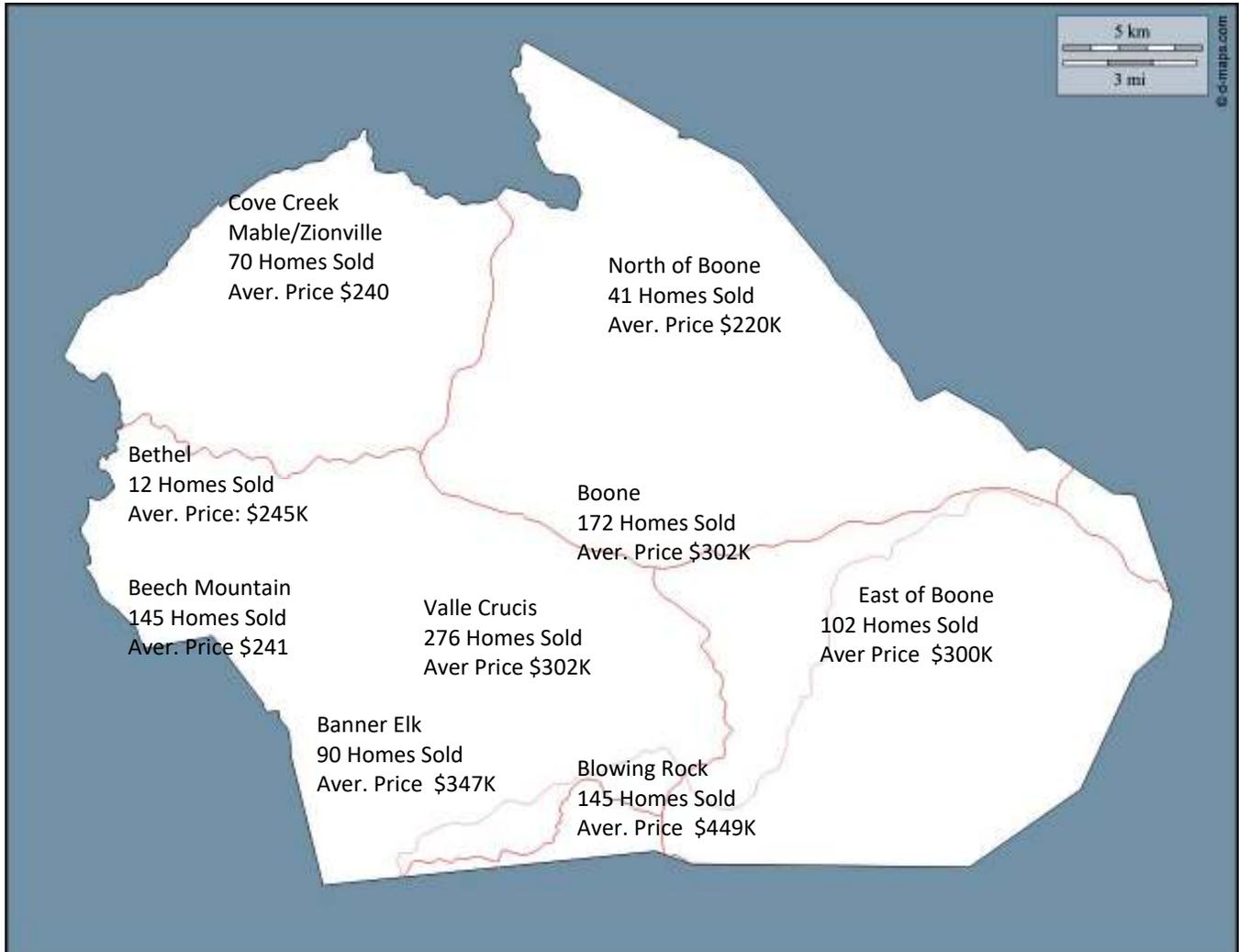
Here are the styles builders have identified for the homes currently on the market constructed in 2018 and 2019:

Timberframe	4
Cottage/Craftsman	7
Adirondack	2
Log	1
Mountain	21

The average asking price is: **\$660K.**

WHAT AREAS ARE MOST IN DEMAND?

WHAT AREAS CARRY THE HIGHEST PRICES?



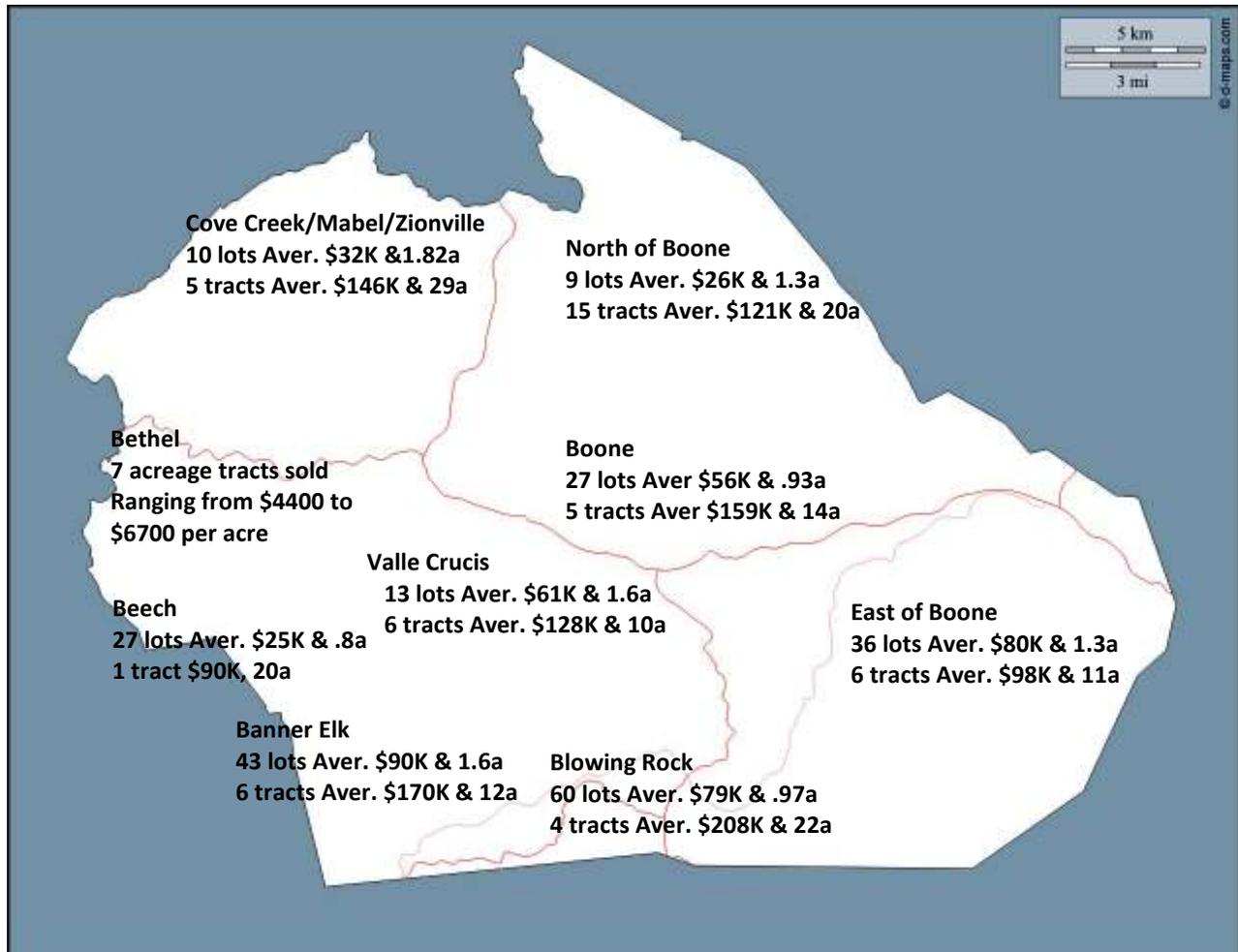
The biggest change from 2017: The area east of Boone where 102 homes sold in 2018 compared to 60 in 2017 and where the average sales price in 2017 was \$253K compared to \$300K in 2018. In fact, it could have absorbed the 40 more homes sold in 2018 than in 2017.

Boone has the 2nd highest number of homes sold, not surprising as it offers the most employment in the area.

My 'Blowing Rock to Banner Elk corridor' taken as a whole shows the most homes sold and consistently the highest value in sales.

WHAT'S HAPPENING WITH THE LAND MARKET?

Let's start by looking at where land sold:



Reflections:

Note: these are averages. In Blowing Rock, for instance, two .11 acre lots sold for \$112K and \$185K respectively [i.e., far smaller lots than average and far higher sales value than average].

As with homes, the area east of Boone shows the largest increase in land sales

Buyers are purchasing, and willing to pay more for, larger lots. The 60's and 70's resort subdivisions typically created lots at an average of 1/3 acre. Those lots are having a tough time selling these days.

Buyers have a huge inventory — well over 2000 land parcels — to choose from with ample opportunity to find their dream property.

LAND SALES

High Country Real Estate Land Market, 2018			
2007	Land Parcels Are Currently on the Market <i>[2048 in 2017]</i>		
41	Land Parcels Sold Per Month, on the Average <i>[39 in 2017]</i>		
1532	Land Parcels Didn't Sell <i>[1631 in 2017]</i>		
81%	Is the List-to-Sell Average Ratio for Land Parcels <i>[80% in 2017]</i>		
25%	Is the Odds of Selling a Land Parcel <i>[22% in 2017]</i>		
54	Months of Inventory of Land Parcels <i>[52 in 2017]</i>		
497	Land Parcels Sold: <i>[472 in 2017]</i>		
	103	Sold under \$20K <i>[102 in 2017]</i>	
	126	Sold \$20 to \$50K <i>[155 in 2017]</i>	
	139	Sold \$50 to \$100K <i>[52 in 2017]</i>	
	128	Sold Over \$100K <i>[127 in 2017]</i>	
		95	In High End Subdivisions <i>[48 in 2017]</i>
		33	As land tracts <i>[42 in 2017]</i>

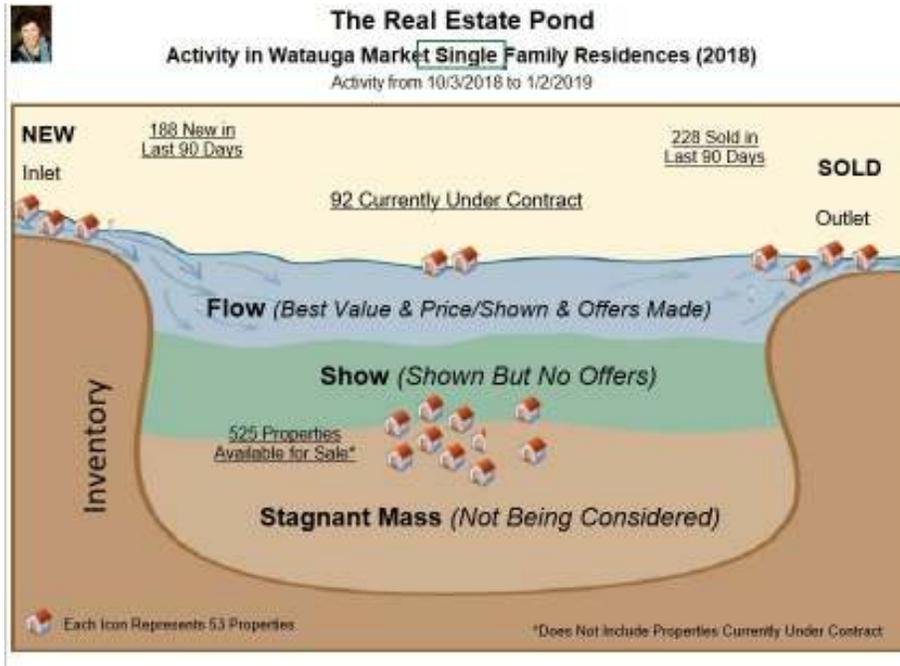
This comparison shows that there's been little change from 2017 to 2018, other than the continuing trend toward less land for sale, that reflects selling some of the backlog from the recession finally finding buyers. EXCEPT — sales in the \$50 to \$100K range almost tripled in number.

CONCLUSIONS:

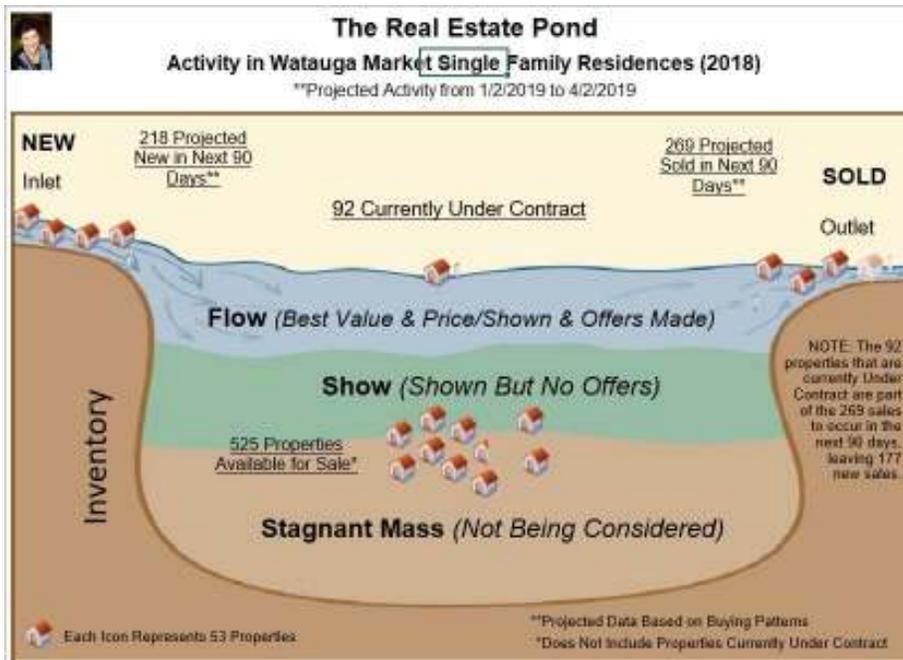
- ☑ The land market remains a buyers market. Buyers have the luxury of thousands of parcels to sift through to find their heart's dream property.
- ☑ For land sellers the best news is that our inventory is now 4.5 years out. That's quite an improvement from 2 years ago, when we had a 10 year inventory of land.
- ☑ Single family homes: This is the smallest inventory we've had that I'm aware of, certainly in recent years. During the recession we consistently had 1100+ homes on the market, and now half that. Most homes on the market are older. Many have deferred maintenance. Most have little to some updating to current buyers' tastes. Most are not what buyers consider move in ready. Most are not the floor plan buyers hope to find.
- ☑ Buyers who expect needed repairs and updating after purchase will be more likely to find a home they can be happy in. Please know that I have excellent resources to help you, including a contractor you can completely rely on to do topnotch work at a reasonable price.
- ☑ We continue to see many contracts not close due to buyers' reaction to the home inspection...When, I ask myself, are realtors going to catch on to having their listings pre-inspected!!??
- ☑ With new homes — averaging \$660K in asking price — out of reach of most buyers and less to choose from more buyers are turning to purchasing land to build.
- ☑ Home prices have increased but are not galloping up.

ARE WE ON THE VERGE OF A MULTIPLE OFFER MARKET?

Are we? Our inventory has shrunk to 525 houses. Selling 74 a month means in 8 months we'd sell out our inventory. Of course, if the patterns hold I've seen in the past 20 years, starting in February/March/April we'll see an influx of new listings. Still these graphs suggest we may sell more homes than come on the market. The first one tells us that 188 homes came on the market in the past 90 days and that we sold 228.



This second predicts 218 homes will come on the market and that we'll sell 269.



If less come on the market than we sell, does that tell us we'll soon have such a low inventory that we'll be in a multiple offer market? Plus, we know there is a major housing shortage in the USA as a whole.

Multiple offer markets have been common place in many large cities for the past two years. In a multiple offer market, a home comes on the market and receives several offers over the asking price. They occur when the market has a shortage of homes, and it's possible we may have.

However, the reality is a bit more complicated than what you may have heard of. Not all homes in a multiple offer market receive multiple offers. Homes in some price ranges receive multiple offers, but not all price ranges. Also, if the asking price is far above market value, those homes are not likely to receive multiple offers. Furthermore, this phenomena has been cooling down, many of these markets becoming more balanced.

To my knowledge [and I stay in touch with realtors all over the country, most of whom have been in multiple offer markets], none of these markets are second home markets. Second homes are our primary market. The reason I think it's unlikely is because we are primarily a second home market. In a year round market [Charlotte or Raleigh, for instance], many buyers are present and actively looking at the same time. These buyers have been perusing the market for some time. They know the scarcity in their market. When the right home comes on the market, they know they have to act quickly and, pricewise, aggressively because they need this new home. Whatever may not appeal to them about the new home is trumped by their need to be in a new home.

By contrast, in a second home market, the buyers are not present, by definition. They come and look at homes on schedules very random from each other. If the home that meets their hearts' desire isn't on the market, they go back home without placing an offer, because they do not HAVE to buy a second home but they do want their second home to meet their hearts' desire. Why else make this large but ultimately not necessary financial commitment except to create a new happiness in their lives. They do want to buy a second home but urgency is less important than fulfilling their dreams. Furthermore, if their realtor tells them the right home has come on the market, most are not able to drop everything in their lives and come take a look immediately. They can't drive by before making an offer, as someone in a year round market could.

Also, second home buyers want very different things in their second home, with the determining factor maybe price, maybe view, maybe style, maybe location, maybe lay of the land, maybe something else — they are not all seeking the same home. Second home buyers have very disparate dreams.

In short, the conditions that have created multiple offer markets are very different from our market. Perhaps we'll get there, but I think it's unlikely.

Again, please let me remind you that this overview of the Watauga Market in 2018 is a broad look at current market conditions. A real estate market is comprised of many small markets. This overview is not a good estimate of the current value of your home or land.

I'm always happy to provide you a correct market evaluation of your property to help you understand how your property falls within the overall market. Please do not feel you would like to ask me to do that *only* if you have selling in mind. A real estate property is often the major investment for many Americans. I believe it's important for you to understand the current value of your property, as well as how market conditions are affecting its value, for your own peace of mind and to more fully understand your financial stability. Few things would make me more happy than to know I'm your trusted advisor in real estate matters, just as your physician is for your health or your financial advisor for your investments, and that you readily call on me whenever you have questions. Do call on me at any time. It will be my pleasure to assist you.

If this overview raises questions or concerns for you, I am delighted to address them.

My Warmest Regards,

Helen

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