

A Review of the Watauga Real Estate Market

Calendar Year 2020

2020 has been a year of unforeseen changes for all of us. COVID has been a life-changer. The changes in the real estate market are nothing short of stunning. No realtor has seen a market like 2020. To say it's been a hot market is an understatement. As well, it's a new kind of hot market, not at all like the hot markets of 2006 and 2007. Homes and land sold rapidly in those markets. However, despite the 'hot' sales of homes in those years, there was always plenty of inventory. In 2020, the inventory has dwindled each month. There are now less than 200 homes on the Watauga market. Land in 2006 and 2007 sold quickly. If priced right, a new listing was very likely to sell. In 2020, land sales have jumped up, yet, the opposite of homes, the inventory remains high, due to the years and years of recession wherein very little land sold.

I'll begin with highlights of the 2020 market. You will find greater detail in the following pages.

- ☑ The slide upwards in sales of **single family residences** that began in 2016 has skyrocketed. The market now has the smallest inventory I have seen in my 23 years in real estate along with a concomitant increase in average sales price.
- ☑ Home buyers should keep in mind the increase in average home sale value: \$90K above 2019. For buyers looking at/under/around \$300K, your best buy may be a home that needs repair and updating.
- ☑ The slide upwards in the **condo market** that began in 2017 continues.
- ☑ The **land market** remains in recession, despite strikingly increased sales.
- ☑ With a huge inventory of land on the market, buyers have the luxury of **finding their dream land**.
- ☑ Buyers purchasing lots to build their dream home are willing to **pay more for and prefer larger lots** or small land tracts.
- ☑ **Log cabins/mountain style homes** in their various manifestations continue to be the most popular style.
- ☑ Well over half of **new homes** are priced above the \$774K.
- ☑ The number of homes **sold over \$1,000,000 quadrupled** in 2020.
- ☑ The Blowing Rock to Banner Elk corridor continues to be the **most popular area** and also shows the highest average priced home and land sales.
- ☑ The **biggest surprise** began in July, when **sales** of land, condos, and homes **doubled**, and continued at extraordinarily high numbers through December.

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 back at the previous year and discover how the market has been flowing. These Odds of Selling graphs provide significant information:



What are the Odds of Selling Your Home? Watauga Market Single Family Residences (December 2019)



[NOTE: The software I use updated, so the look is now different:]

The Odds of Selling Your Home Single Family Residences (Watauga Market)



Key Points....Look closely, as these are astonishing numbers:

269 more homes sold in 2020, than in 2019....Compare that with this time last year: only 40 more homes sold in 2019 than in 2018.

20 more homes are selling per month than a year ago.

159 homes are under contract. A year ago 127 homes were under contract

168 homes currently are on the market. A year ago 478 were on the market.

There is a 3 month supply of inventory available. A year ago it was 6.9 months.

Sellers have 63% odds of selling their home.....45% a year ago; 36% in 2018.

Continued next page

Of the 168 homes on the market:

	On the market	Sold in Dec	Under Contract
Priced under \$300K	23	39	38
Priced \$300K-\$500K	43	33	45
Priced \$500K to \$1 mil	58	35	47
Priced \$1 mil +	45	13	22

Not only are the number of homes for all buyers few to choose from, buyers looking for a moderately priced home have a very tough time finding a home...and need to act very quickly when one does come on the market.

New home construction is not likely to fill the gap.

Number of new spec homes constructed in 2020:

Priced under \$300K	4
Priced \$300K-\$500K	15
Priced \$500K-1 mil	37
Priced \$1 mil+	7

Average asking price of new spec homes: \$744K. Average sales price: \$713K

Watauga County has one of the highest poverty rates in the United States. The lowest priced new construction spec house was \$249K, well out of range for most local residents.

HOW DID SALES DIFFER IN 2020 COMPARED TO 2019?

HAVE INCREASED SALES AFFECTED THE VALUE OF HOMES?

Let's look at the most striking change in sales within 2020 first.

The Buying Pattern For Your Area - 2019

Single Family Residences (Watauga Market)



For our area, a spike in sales in the summer months is not unusual.

However, in 2020, the summer month sales essentially doubled in numbers, far beyond what can be explained by the dip in sales during April and May due to COVID concerns.

Each 2020 month witnessed the number of homes on the market dwindle.

The laws of supply and demand tell us when demand increases and supply diminishes, prices rise.

Did that happen?

The Buying Pattern For Your Area - 2020

Single Family Residences (Watauga Market)



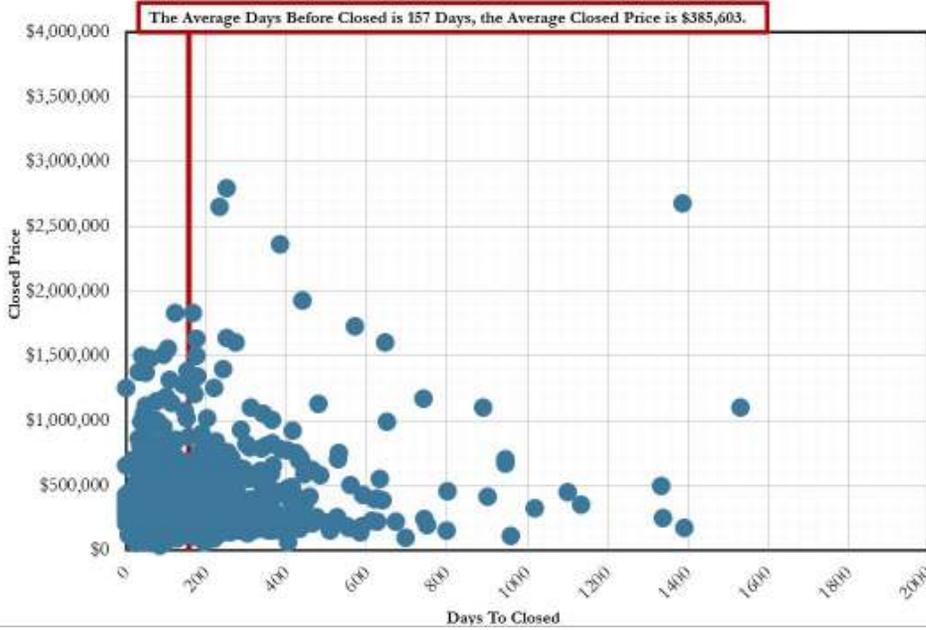
Number of Properties Closed per Month

Source: MLS, Information deemed reliable but not guaranteed., Data Collected 1/1/21

These Time to Close graphs are telling:

Average Time To Close Properties in 2019

Single Family Residences (Watauga Market)



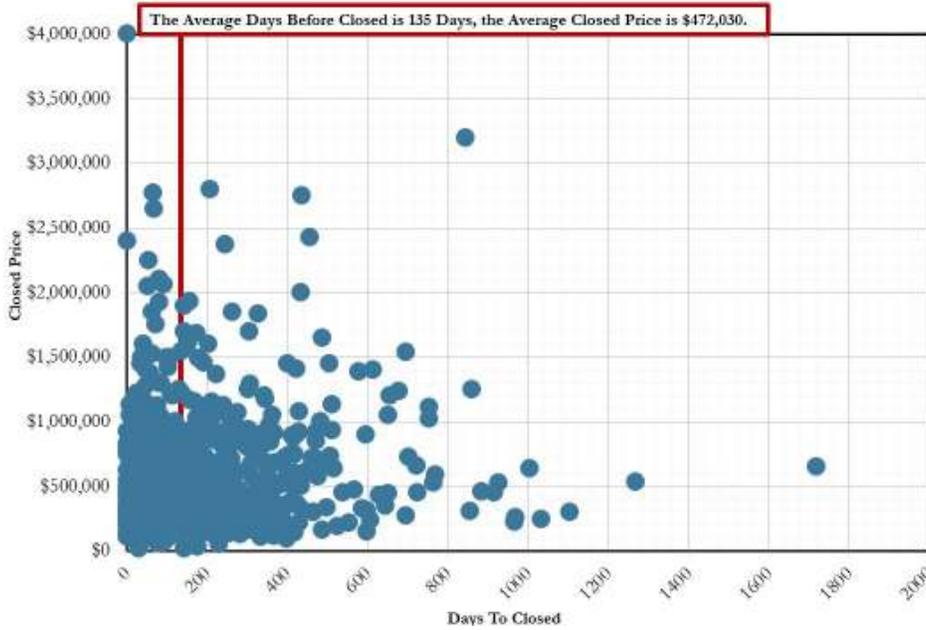
The average time to sell decreased:

157 days in 2019

135 days in 2020

Average Time To Close Properties in 2020

Single Family Residences (Watauga Market)



More striking is the increase in average value of homes sold:

\$385,602 in 2019

\$472,030 in 2020

That's an **increase of almost \$90,000** average sales value!

WHAT STYLES OF HOMES SOLD?

HOW ARE STYLES CHANGING?

Style	Number Sold	Number Built 2020
Mountain	777	28
Log	192	2
Adirondack	42	2
Timberframe	42	5
Traditional [Cottage, Craftsman, Farmhouse]	351	20
Chalet	86	0
Ranch	128	0
Contemporary	122	2

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 near. 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 and outside.

Adirondack and timberframe homes share a lot of the feel of log cabins but are much more expensive to build and, thus, purchase.

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 very popular, as well.

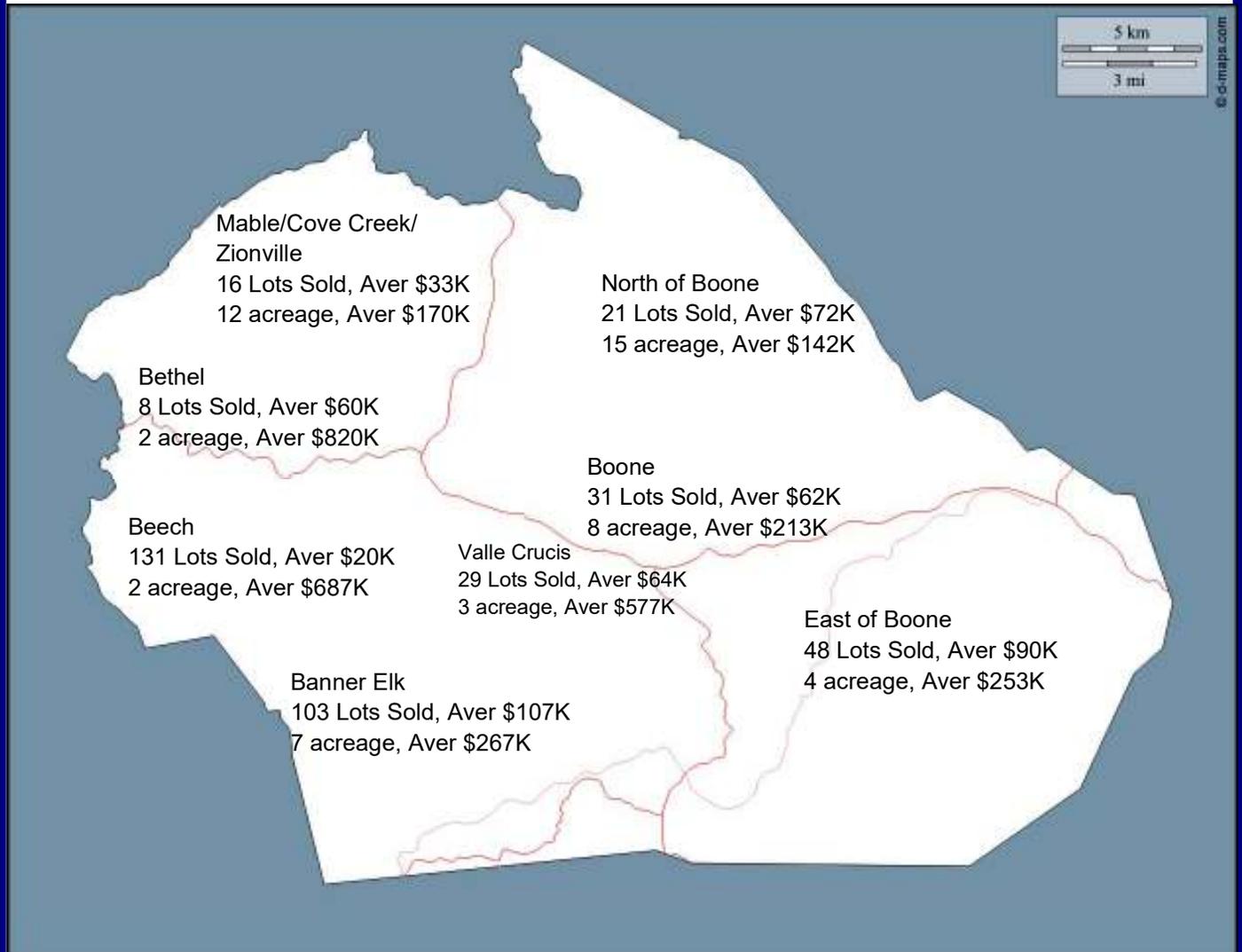
WHAT AREAS ARE MOST IN DEMAND? WHAT AREAS CARRY THE HIGHEST PRICES?

HOMES:



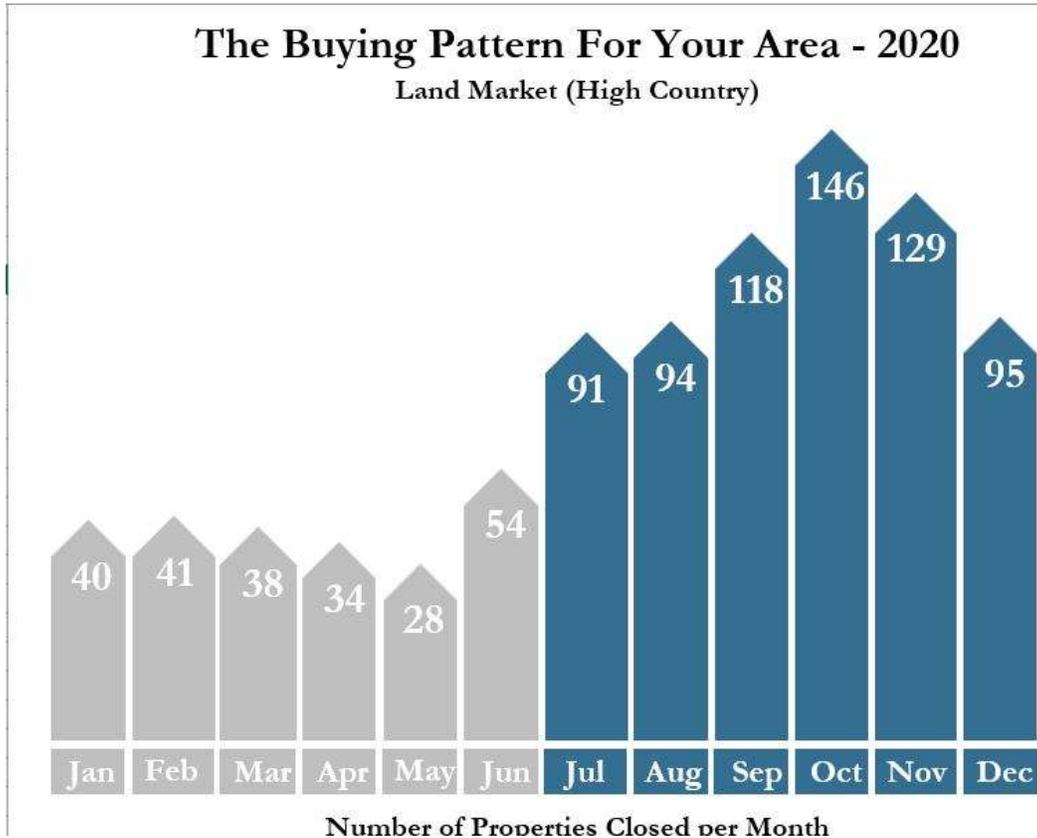
WHAT AREAS ARE MOST IN DEMAND? WHAT AREAS CARRY THE HIGHEST PRICES?

LAND:



THE HIGH COUNTRY LAND MARKET

Home sales spiked starting in July, 2020....but so too did **land sales**:



After years and years and years of extremely sluggish land sales, this marked increase is both welcome and perhaps the biggest 2020 surprise.

Nevertheless, the land market remains in recession due to the large inventory, albeit now at 1824 parcels, down from the 2000+ through most of 2020, and ranging to 3000 in prior years.

The Odds of Selling Your Lot

Land Market (High Country)



During the Great Recession years, the Odds of Selling a land tract often ranged around 1%. The current **21% odds** looks good, by comparison.

THE HIGH COUNTRY LAND MARKET

High Country Real Estate Land Market Stats for 2020	
*These stats are for Ashe, Avery, and Watauga counties	
1842	Land Parcels Are Currently <u>On</u> The Market
76	Land Parcels Sold Per Month, On <u>The</u> Average
1447	Land Parcels That Did Not Sell
88%	The List-To-Sell Average Ratio
21%	The Odds <u>Of</u> Selling A Land Parcel
27	Months of Inventory Ahead
908	Land Parcels Sold:
185	Sold under \$20K
245	Sold \$20 to \$50K – 11 acreage tracts
221	Sold \$50 to \$100K – 39 acreage tracts
258	Sold Over \$100K
146	In High End Subdivisions
132	As Acreage Tracts

CONCLUSIONS AND MY CRYSTAL BALL PREDICTIONS:

- ☑ Home values have **increased** significantly.
- ☑ Even though **land sales** finally rose significantly in 2020, 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.
- ☑ What buyers have to choose from in single family homes: This is the smallest inventory we've had that I'm aware of, certainly in recent times. During the recession we consistently had 1100+ homes on the market, and now, at **168 homes on the market**, one-fifth that many.
- ☑ With new homes — averaging **\$744K** in asking price — out of reach of most buyers and less and older existing homes to choose from, more buyers are turning to purchasing land to build.
- ☑ Here's a startling statistic: In 2018 18 homes sold at \$1,000,000 plus. In 2019 35 homes sold at \$1,000,000 plus. In 2020 **136 homes sold over \$1,000,000** plus!!! Coupled with the large number of sales of high end lots, imagine what that predicts for the values in the mountain real estate market in years to come!

How long will this current bubble of sales continue? I have no crystal ball to answer that. Real estate continually ebbs and flows, and this one will end at some point. The current Watauga market is unbalanced, and markets like to move to a balance. Only time will tell. Stay tuned for monthly updates. I post them on my CoeRealty.com blog and my Coe Realty facebook page.

COVID and this market. The media promotes the idea that increased sales throughout the USA reflects buyers' realization that working from home means they can live anywhere, hence buy in an area they now prefer or buy a larger home due to family members' increased time at home. I find that is NOT the motivation for the many buyers I've worked with in 2020, with one exception. I believe that media perception is inaccurate and that the increased sales reflects other motivations, as well. For one, real estate is an excellent investment, always — despite downturns — eventually increasing in value. Some buyers have chosen to secure future financial stability by purchasing property here. The media Covid -cause projection also overlooks a much more dominant reality: In the USA we are facing a shortage in housing estimated at 500,000 units. Some buyers simply need a home, and chose 2020 to purchase. I don't fully understand this bubble, but believe it's much more complex than the media projects.

Finally, I have a deep and abiding concern that the Watauga market is failing our residents who can afford only modest homes. People whose families have lived in this area for generations. People who work in the service industry here, and who will continue to be needed in the service industry. In both home and land sales, Watauga County is moving toward an extremely top heavy, high end market.

Please let me remind you that this overview of the Watauga Market in 2020 is a broad look at current market conditions. A real estate market is comprised of many small markets. This overview is not a sound 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. I hope you will readily call on me whenever you have questions. 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,

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