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Southeast Michigan January 2015 Monthly Market Update

The overall market in December continued the trend of sales growth for the second half of 2014, but at a slower rate. December's new sales contracts picked up in all price ranges after a lull in November. For Sale inventories continue to fall in the under \$250,000 category, while rising in all price ranges above \$250,000. New listings entering the market are following that same trend. Price per square foot went up over 8% for the under \$250,000 market compared to last December, while the values of the over \$250,000 market are coming in at under 3%.

Nov-Dec Trends 2014 vs. 2013	For Sale Inventory	Pending Sales	New Listings	Price Per Square Foot	Closed Sales
Under \$250,000	-3%	8%	-7%	9%	-11%
\$250,000 - \$500,000	30%	18%	10%	2%	7%
Over \$500,000	32%	25%	50%	0%	10%

The chart above combines the sales from November 2014 and December 2014, smoothing out the swings that occurred during both months. The increase in pending sales for the over \$250,000 range was surprising. This change was most likely a result of sellers moving to take advantage of the jump in home value, which have occurred in the last few years. Simultaneously, more homes were available for purchase, prompting some buyers out of the woodwork. However, we don't expect sales to continue increasing at that pace into 2015.



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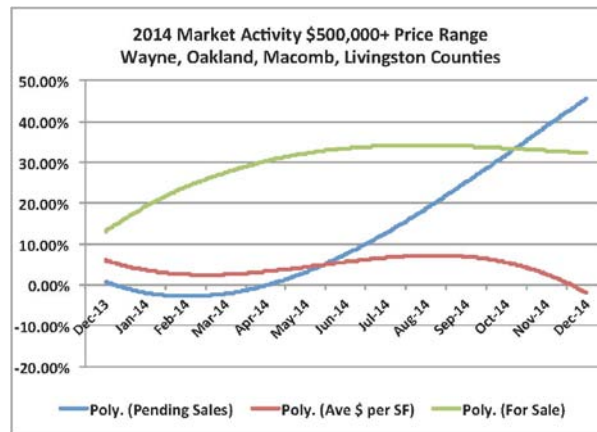
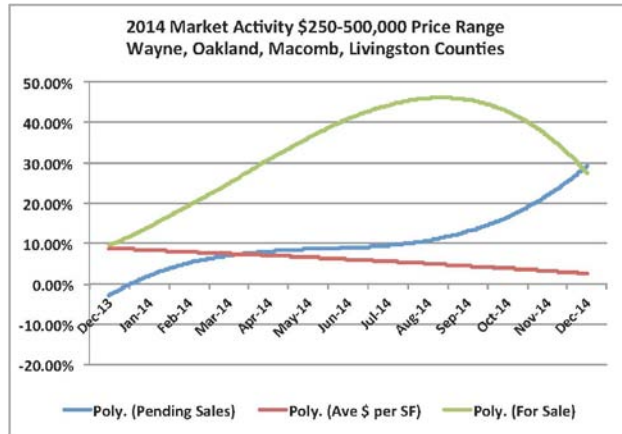
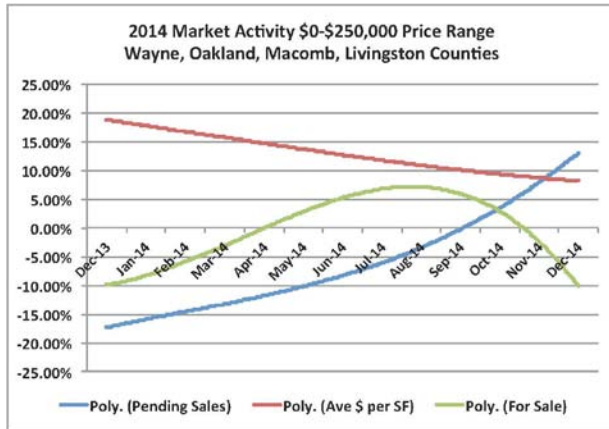
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The charts follow the percentage of change between 2013 and 2014 for each month, showing the direction of the market for sales, home values and For-Sale inventories. Across all price ranges, For Sale inventories rose throughout 2014, slowing in the fall season, but continuing to rise in the over \$250,000 segments. For Sale inventories actually fell in the under \$250,000 market, which made finding a home more challenging for first-time homebuyers. Pending sales gained momentum in all price ranges as the year progressed, recovering from a slow, cold winter. The improving economy later in the year has provided some good momentum going into 2015. Home values (here shown as price per square foot)



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increased throughout the year, but at a declining rate, as a result of more competition with more homes for sale and a squeeze in housing affordability (due to the big jump in values in 2012-2013).

For 2015, the overall economic indicators look good with continued historically low interest rates, increasing home values and improving employment and income numbers, particularly in the under-35 age group. The first-time homebuyer market has been lagging during the recovery, but changes in low down payment and FHA loans should help boost that segment this year. The rest of the world appears to be less stable with flat to slowing economic growth, making the U.S. the shining economic star globally. This may be bad for U.S. exports, but good for housing by keeping mortgage rates low.

The general consensus among economists seems to be that 2015 will be as strong or stronger than in 2014 in terms of the number of homes sold and the number of new homes built, but slower in terms of appreciation rates. We think Southeast Michigan home sales may be off by 3-4% compared to 2014, with a chance of a breakeven. Since we recovered ahead of most of the country, we have been one of the first to move to market equilibrium. If there are any surprises in terms of home sales in 2015, they should be pleasant surprises since we are using a more conservative view.

Although housing continues to show steady trends in terms of appreciation and the number of homes sold, the economic momentum should be creating more housing activity than it is. There are a number of primary suspects that are holding back activity: tougher credit standards, added jobs that are lower paying, record student loan debt and an overall more cautious consumer. All of these counter the positive economic momentum, which is keeping housing on a steady pace. Although we all love a wild market, a steady pace is healthy. It is actually quite amazing (and a positive long term trend for housing) that our market activity has been so strong in spite of the holdbacks. Home equities are just now getting near 2005 peak levels and the fast appreciation we have seen in the past two years has made home purchases less affordable, particularly for the first-time homebuyer segment. Over the next 3-5 years, the buyers and sellers who are being held back from these various conditions will jump back into the market at the first chance, resulting in a steady future flow of business.

For sellers, expect values to continue to rise in the 3-5% range. With inventories rising, the market might *feel* slower, but it is not. There will continue to be an inventory shortage in the under \$250,000 markets, though at the same time, an excess inventory in the over \$500,000 segment. The *Months Supply of*



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Inventory (MSI) is now at about three months for under \$250,000 and should remain under four months. In general, it should continue to be a Seller's market. With an MSI of just under six months, the \$250,000-\$500,000 segment will show a more balanced market between supply and demand. The over \$500,000 market's MSI is now at about 11 months and will remain a bit schizophrenic. Homes that are priced right and in great condition will sell in months while others will take over a year or longer to sell. With a milder winter, we expect that the spring rush will come early, so we recommend that sellers who would traditionally wait until spring, to jump into the market now. The buyer demand is there and the competition for homes is not as tight, so good things could happen for those who don't wait!

Please keep me in mind for any of your real estate needs. I am happy to assist you.

Total Company Summary - January to December 2014		2013	Change	2012
# of Buyers to Open Houses	48,270	39,818	21%	27,759
# of Showing Appointments	155,075	170,774	-9%	27,759
# of Homes Sold/Leased	19,465	20,907	-7%	196,045
# of Web Inquires (Unique Visitors)	1,866,069	1,946,191	-4%	2,299,818
# of Mortgage/Title/Insurance Closings	8343	8,521	-2%	9710



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\$0 to \$100,000 Home Values Past 90 Day Trends

Area	#of Homes Pending		Homes for Sale		Ave Price/sqft.	
	Dec-14	Trend	Dec-14	Trend	Dec-14	Trend
Oakland County	263	Down	1,458	Down	59	Up
Macomb County	325	Neutral	804	Down	56	Up
Livingston County	14	Down	44	Down	66	Neutral
Washtenaw County	45	Up	65	Down	72	Up
Wayne County (- Detroit & G.P.)	276	Neutral	795	Down	55	Up
Detroit*	264	Down	1,770	Down	14	Up
Grosse Pointe(s)	10	Up	30	Up	65	Up
Northwest Michigan**	86	Down	2,554	Down	65	Up
Total	1,283	Down	7,520	Down	49.1	Up

Area	Median Sale Price		Months Supply Inv	
	Dec-14	Trend	Dec-14	Trend
Oakland County	\$67,500	Up	2.3	Down
Macomb County	\$62,000	Up	2.5	Down
Livingston County	\$75,000	Up	3.1	Down
Washtenaw County	\$70,500	Up	1.4	Down
Wayne County (- Detroit & G.P.)	\$63,000	Up	2.9	Down
Detroit*	\$14,017	Up	6.7	Up
Grosse Pointe(s)	\$75,000	Down	3.0	Down
Northwest Michigan**	\$69,000	Up	34.1	Neutral
Total	\$54,480	Up	5.5	Down

Over \$100,000 in Home Values Past 90 Day Trends

Area	#of Homes Pending		Homes for Sale		Ave Price/sqft.	
	Dec-14	Trend	Dec-14	Trend	Dec-14	Trend
Oakland County	889	Up	4,093	Up	136	Up
Macomb County	447	Up	1,869	Up	106	Up
Livingston County	138	Up	865	Up	114	Up
Washtenaw County	296	Up	655	Down	152	Up
Wayne County (- Detroit & G.P.)	367	Up	1,458	Up	122	Up
Detroit*	30	Up	96	Down	80	Neutral
Grosse Pointe(s)	35	Up	234	Up	131	Up
Northwest Michigan**	185	Up	2,232	Down	140	Up
Total	2,387	Up	11,502	Down	128	Up

Area	Median Sale Price		Months Supply Inv	
	Dec-14	Trend	Dec-14	Trend
Oakland County	\$222,500	Up	4.6	Up
Macomb County	\$164,900	Neutral	4.2	Up
Livingston County	\$215,000	Up	6.3	Neutral
Washtenaw County	\$241,000	Up	2.2	Down
Wayne County (- Detroit & G.P.)	\$193,495	Up	4.0	Up
Detroit*	\$192,500	Up	3.2	Down
Grosse Pointe(s)	\$275,000	Up	6.7	Neutral
Northwest Michigan**	\$210,000	Up	12.1	Down
Total	\$208,539	Up	4.8	Down

Data Source: MiRealsource, Realcomp, Ann Arbor Board, TAAR MLS & BrokerMetrics

Months Supply Inventory represents the current sales pace to sell the existing inventory (months)

* Includes Hamtramck and Highland Park

** Includes Grand Traverse, Kalkaska, Antrim, Leelanau & Benzie counties, wtrfrnt properties & vcnt land



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Months Supply of Inventory (MSI) Analysis by Price and Time on Market

Five County SE Michigan Market

	Market Average	80.94% of the Sales Homes Sold in 90 Days	19.06% of the Sales Homes Sold After 90 Days
All Price Ranges	3.85	2.94	7.72
\$0 - \$200,000	2.95	2.37	5.73
\$201,000 - \$500,000	5.16	3.90	9.62
\$501,000 +	11.74	8.34	18.87

Under 3 months - Seller's Market / 3 - 6 months - Neutral / over 6 months - Buyer's Market

Five County Grand Traverse Market

	Market Average	36.26% of the Sales Homes Sold in 90 Days	63.74% of the Sales* Homes Sold After 90 Days
All Price Ranges	18.25	50.33	23.51
\$0 - \$200,000	21.77	8.65	31.18
\$201,000 - \$500,000	11.95	9.36	13.00
\$501,000 +	15.43	11.00	16.90

Under 8 months - Seller's Market / 8 - 12 months - Neutral / over 12 months - Buyer's Market

* Vacation homes tend to have longer market times, increasing the % over 90 days.

** With fewer sales in the +\$500K market, the MSI can move dramatically month to month.



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