

Dec. 2011

# Scott Market Report



## Turning the corner?

Welcome to the monthly examination of the Outer Banks real estate market. MLS statistics are beginning to show signs of a more stable market. The number of listings and the sold price per square foot have both leveled off over the last few months. Another indicator that would leave me to believe we are ending this down cycle is the reduction in distressed sales. Bank owned sales dropped below 20% of the total sales in August and continues to trend down today. Bank owned sales take a tremendous toll on market values because banks are highly motivated to sell and because of property condition. These numbers stabilizing in the wake of Hurricane Irene bode well for the winter and spring of 2012.

Another interesting recent trend is an increase in short sales. This type of sale has represented more than 15% of the total sales the last few months. It is likely this type of sale will remain a significant part of our market as folks move on with their lives and until property values dramatically improve. When will prices go up? That is still anyone's guess and more of the distressed inventory must be sold before this occurs but at least we are trending in the right direction with a few of the indicators.

Today's low interest rates should also help us over the next few months. Thirty year loans are still around 4%. All property owners should take a close look at the terms of their loans and see how much they could save. Vacation rental income is very strong and early reservations make it much easier to carry a property over the winter because reservation funds are disbursed as early as January. With interest rates this low and good rental income, now is a great time to purchase.

We hope you find this report useful and informative. Feel free to call Scott Team Realty with any questions or comments.

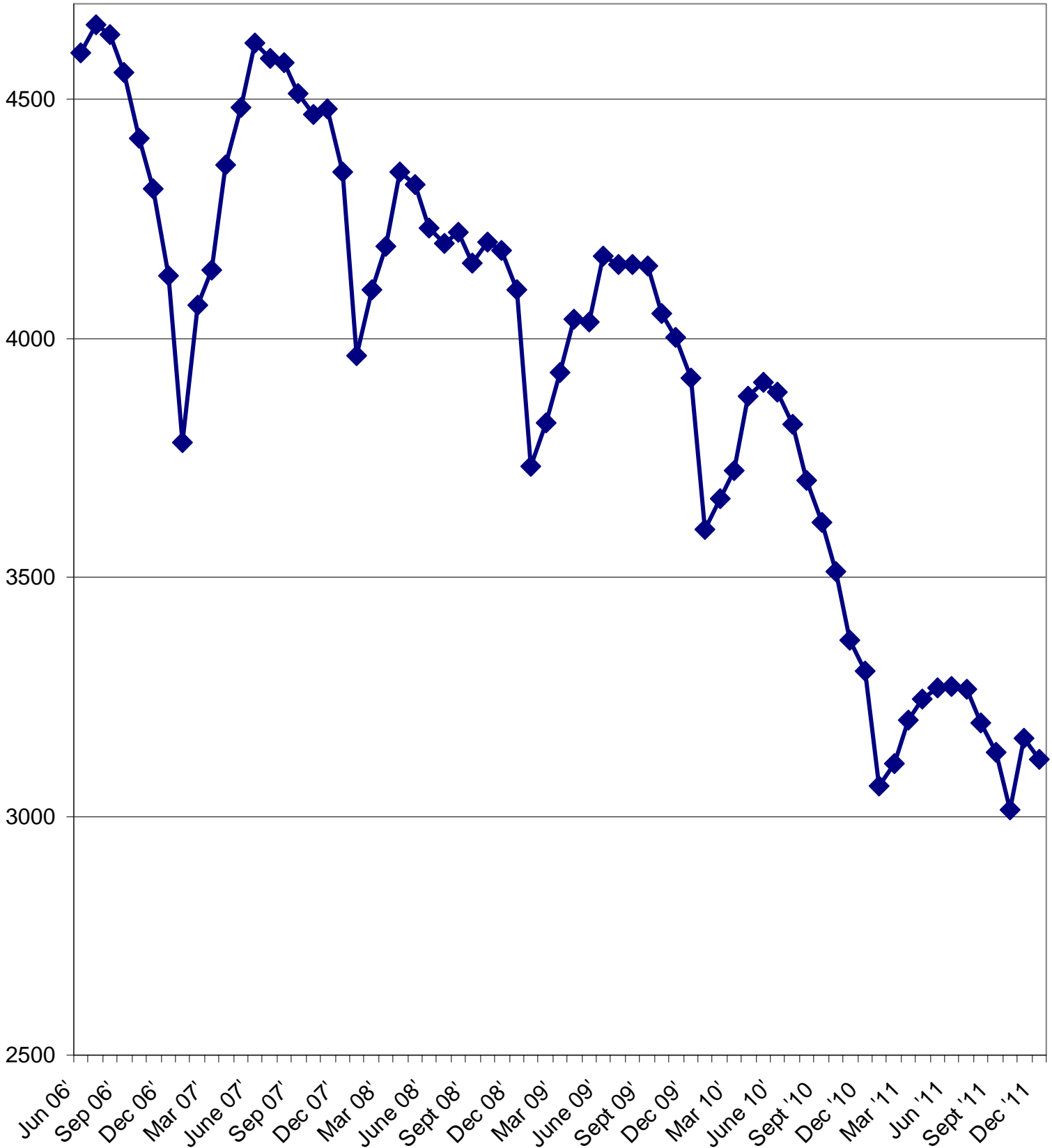


Sincerely,

President ABRM,CRB,RRS,e-Pro,SRES  
Scott Team Realty

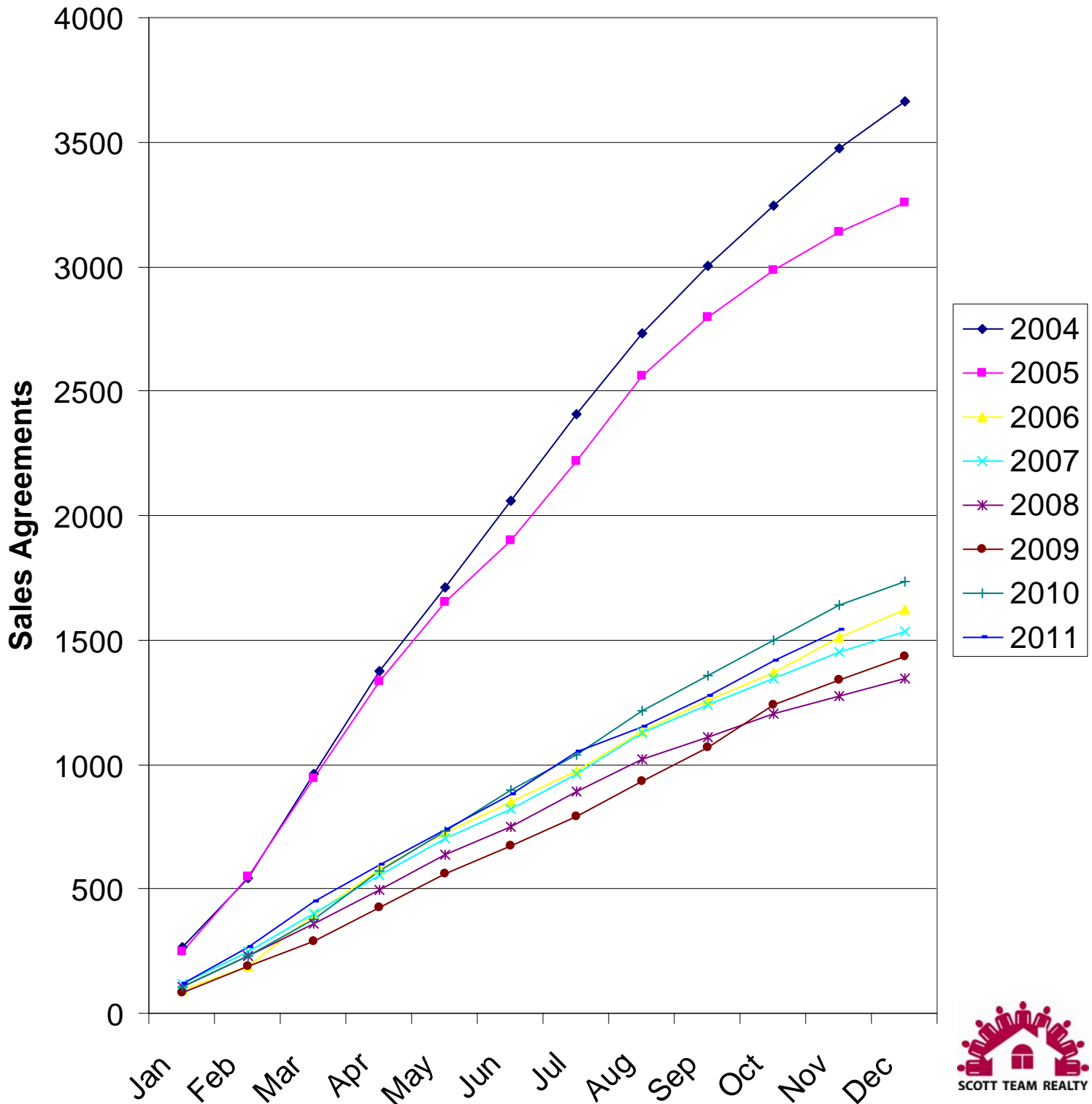
Scott Team Realty 5535 N. Croatan Hwy Southern Shores, NC 27949  
Toll Free 866-438-8382 Local 252-261-1500 [www.scottrealtyobx.com](http://www.scottrealtyobx.com)

# Total OBX Listings



For information on your specific market segment: Toll Free 866-438-8382 [info@scottrealtyobx.com](mailto:info@scottrealtyobx.com)

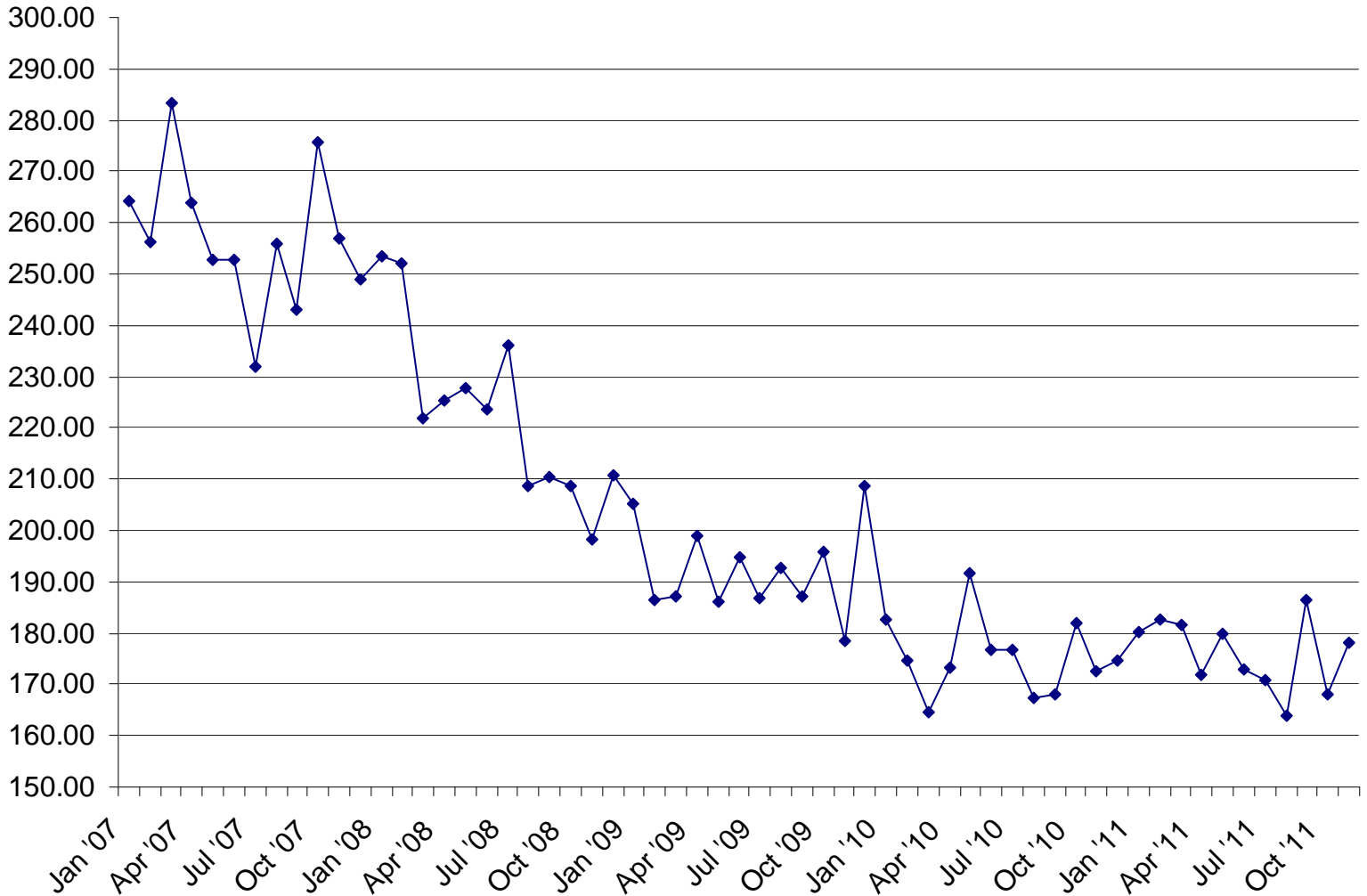
# Total OBX MLS Sales Agreements



For information on your specific market segment: Toll Free 866-438-8382 [info@scottrealtyobx.com](mailto:info@scottrealtyobx.com)

# Monthly Average Sold Price Per Square Foot (all OBX Single Family Residential sales)

## Sold Price Per Square Foot (Singel Family Detached Residential)



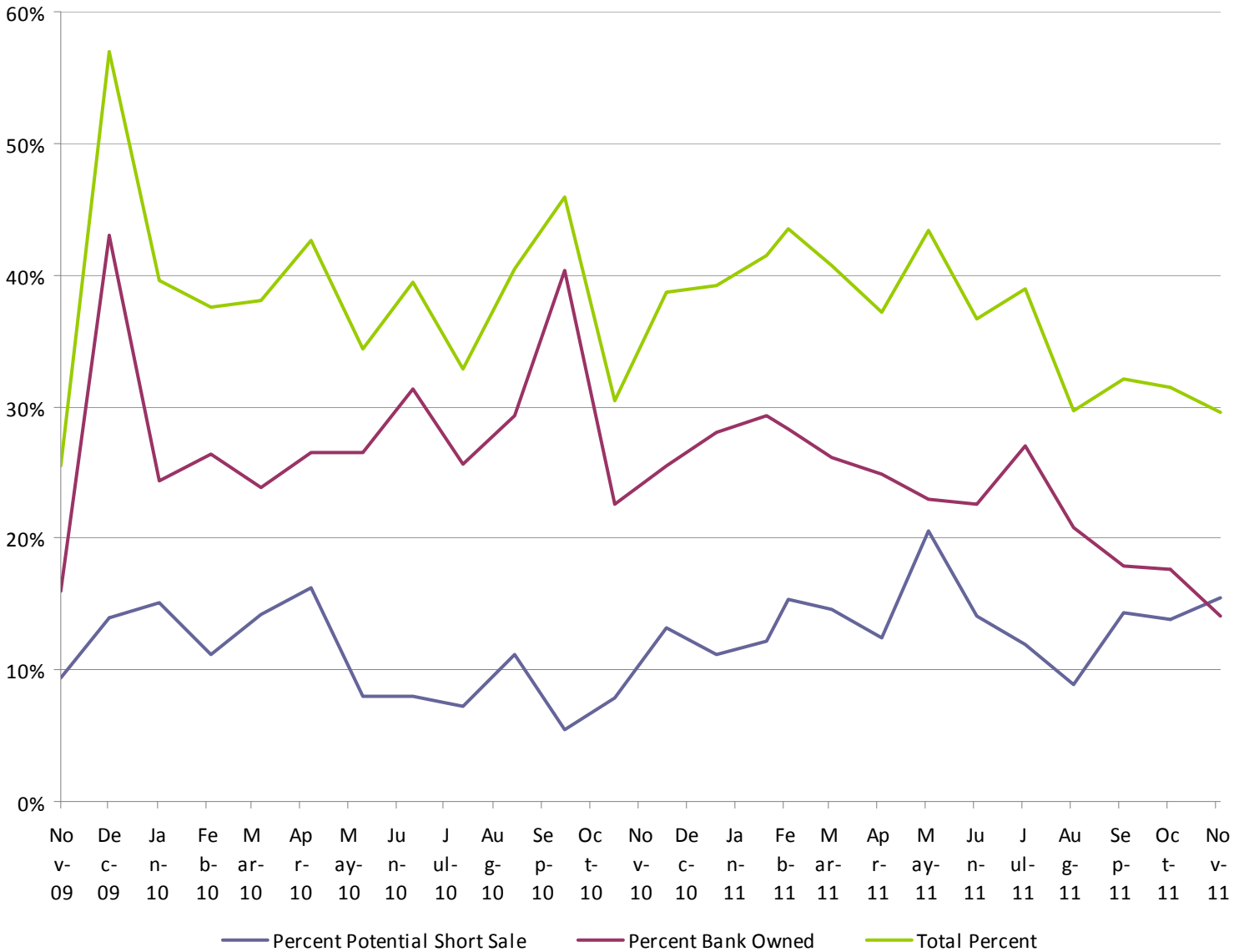
Data provided by the Outer Banks  
Association of Realtors



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# Total Outer Banks Distressed Sales

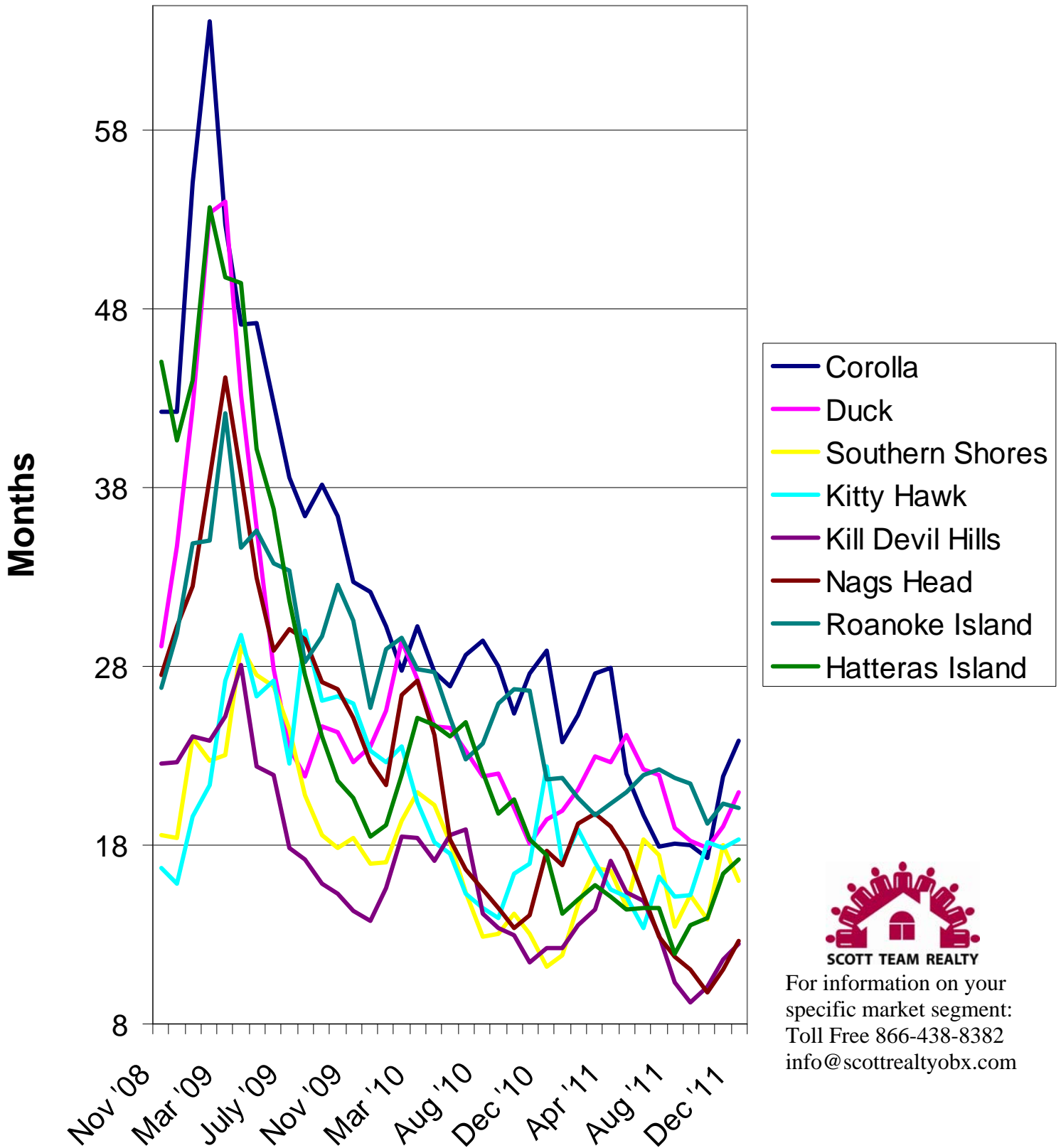
## Distressed Property Sales



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Graph provided by the Outer Banks Association of Realtors

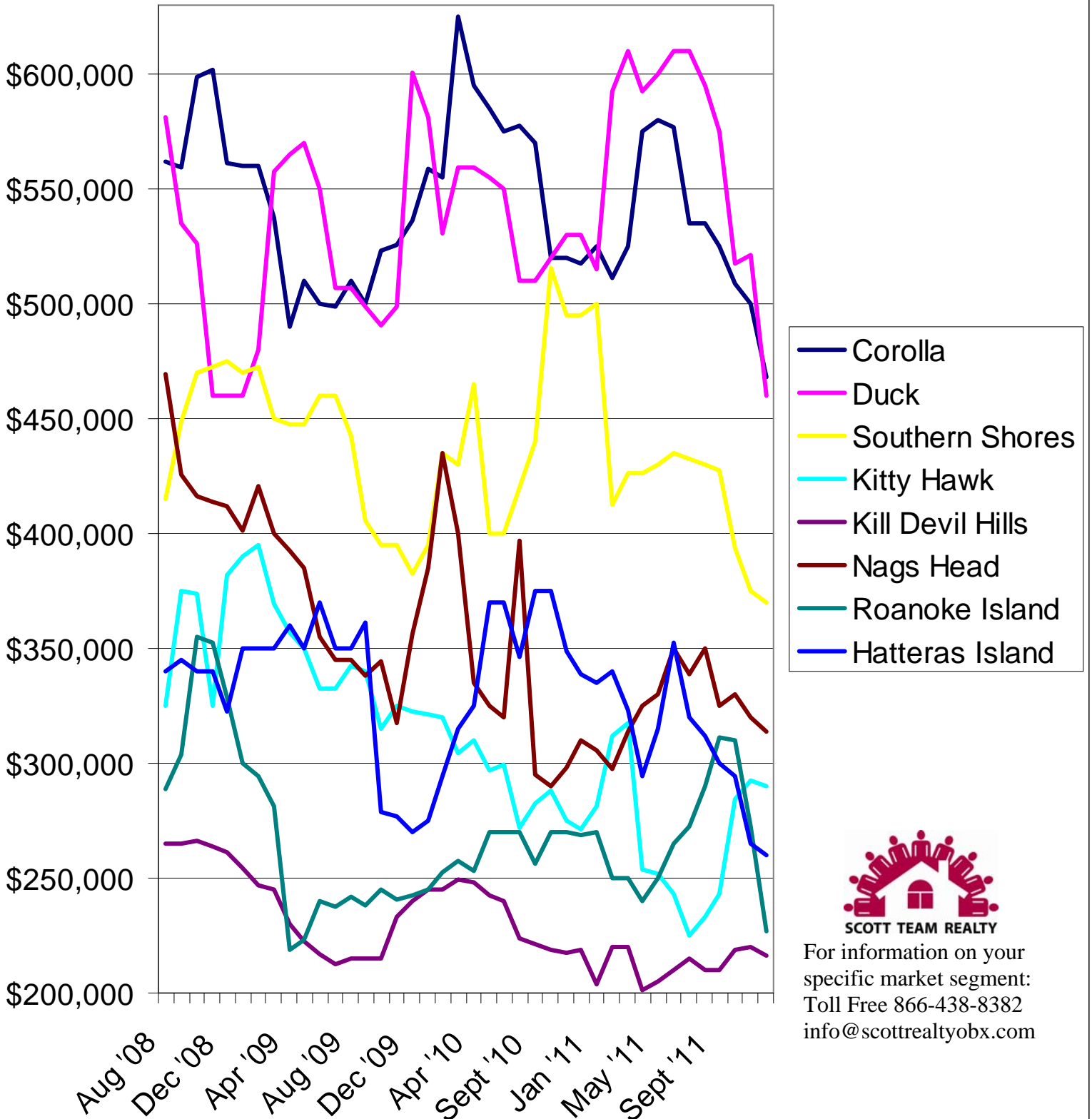
# OBX Absorption Rates (residential listings/residential sales)



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# OBX Median Sales Prices

## (residential sales)

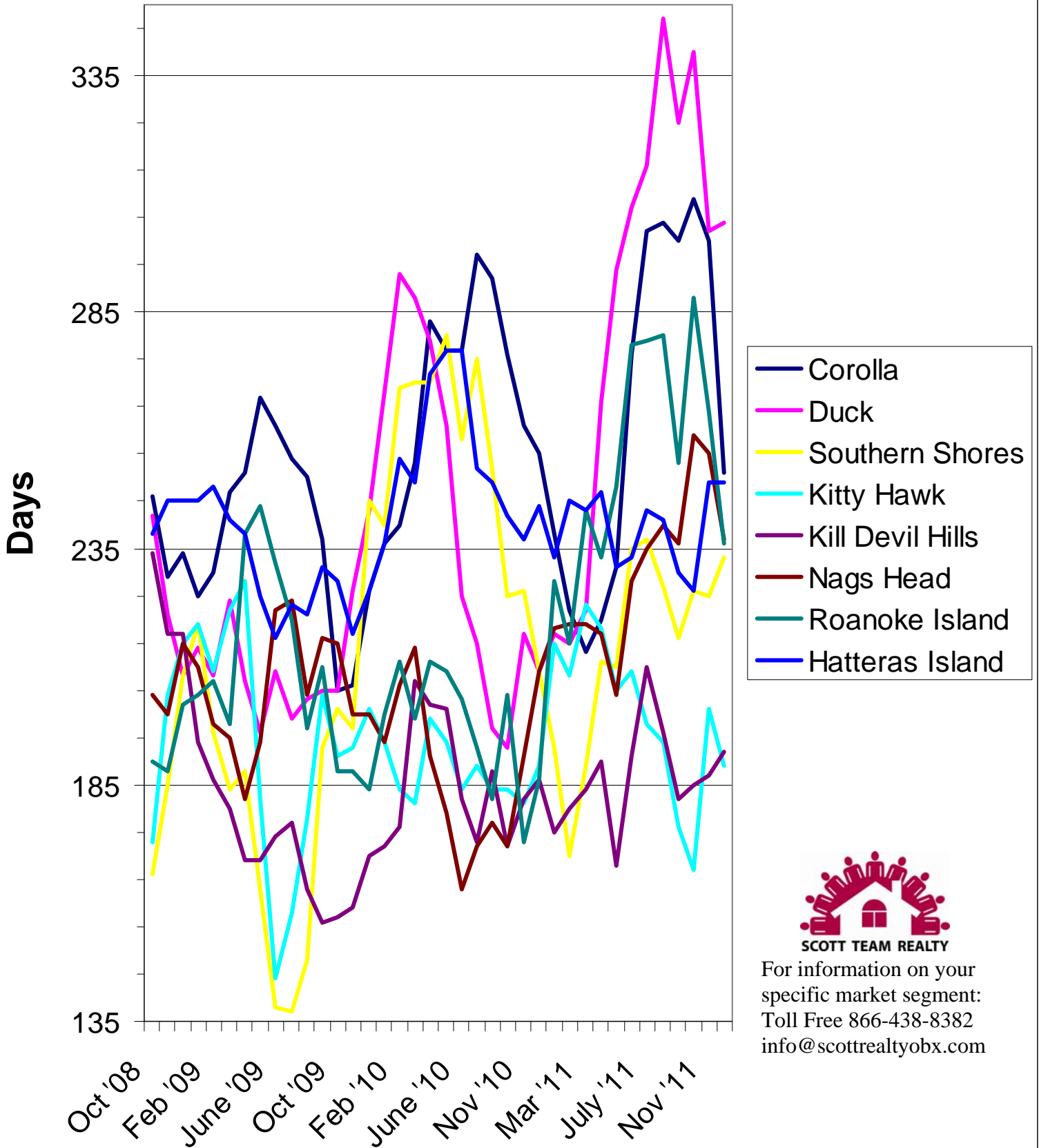


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# OBX Days on Market

(residential sales)



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## Market Indicator FAQs

### **Why should I care about market indicators?**

The Outer Banks real estate market is unique. Unlike most metropolitan areas, the majority of Outer Banks sales are vacation and retirement homes. Vacation homeowners typically do not have to sell and vacation home buyers purchase for enjoyment instead of shelter. This unique market takes some time to understand before making intelligent buying or selling decisions. Knowledge is power and these indicators combined with the knowledge and experience of your Realtor will help you make the best buying or selling decision for your particular circumstances.

### **How are these market indicators calculated?**

Data is gathered monthly from the Outer Banks Association of Realtors' Multiple Listing Service data base and compiled by F. Jeffrey Scott. The vast majority of real estate transactions on the Outer Banks come from this database. Each indicator is based on the last six month's sales activity. Using the sales information from the last six months allows trends to become evident while tempering very high or very low individual months. Sales activity including the number of active listings will be retrieved on or about the 15<sup>th</sup> of each month. By that date in each month all sales for the previous month should be entered by all Realtor members. Because the absorption rate number is dependent upon the number of listings in each market segment and the number of listings changes constantly this absorption rate may vary slightly depending upon when the active listing count was taken. These indicators focus only on residential sales of improved property. Land and commercial sales statistics can be obtained separately from Scott Team Realty.

### **What is Absorption Rate?**

This indicator quantifies current supply and demand. It is the number of months it would take to sell the entire listing inventory at the current rate of sales. In other words if there are five residences currently on the market and one residence is being sold each month then it will take five months for all the inventory to be absorbed. When the absorption rate goes down, it means that there are more buyers and fewer sellers and is called a seller's market. When the absorption rate goes up, there are more sellers than buyers and the market favors the buyer. Most experts believe that an absorption rate of six months is a neutral rate that favors neither buyers nor sellers. Here on the Outer Banks where a much larger portion of all sales are vacation rental or second homes, the neutral absorption rate is closer to a year.

### **What is Average Days on the Market (DOM)?**

This indicator shows the average time period it takes for the total number of sold properties to go under contract. It is calculated by adding up the total days between the day sold properties were listed and when they closed and then dividing it by the total number of properties. There are a few factors that may cause this number to be lower than the true number. Sometimes a property is taken off the market and is listed by another company. The DOM for this new listing will go back to zero even though it was for sale before. Also, this number only counts those properties that have actually sold. During every period, some homes are taken off the market without selling. Even though this number may be slightly lower than the actual number, it will paint an accurate picture of the DOM trend in each area.

Average DOM information is also helpful in determining the value of specific properties. Since the spring of 2003 almost all information on properties listed in the Outer Banks MLS has been kept in an electronic history

file. This information is easy for Realtors to access. Comparing the price changes and other activity of a specific property to the average DOM will give buyers and sellers a better feel for fair market value.

### **What is Median Sales Price?**

This number is the actual sales price of a property in the middle of all the sales during that time period. For example if seven properties sold and they are put in order of highest to lowest price the sales price of the property in the fourth place would be the median sales price because there were three sales lower and three sales higher. This indicator shows changes in property values over the long term and in the short term it shows the price range where the majority of sales are occurring. Median prices vary greatly from each area of the Outer Banks. Duck and Corolla currently have the highest median sales prices over \$500,000 and Kill Devil Hills has the lowest median sales prices at close to half that number. Even when using six month's worth of sales activity, median sales prices can sometimes vary significantly between reporting periods. It is a good idea to look at a few months at a time to get a better feel for the current trends.

It is our goal that this information helps you to better understand the local real estate market. Please do not hesitate to call on Scott Team Realty for more detailed information on any particular market segment.

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