

September 2014

Scott Market Report



Inventory Grows As Market Improves

Our market is currently contradicting the law of supply and demand. In an Economy 101 class you learn that as the supply for any good or service increases the price goes down. Right now in the Outer Banks real estate market we are seeing slight increases in both inventory and sales prices. The dollar volume in Outer Banks real estate sales through the Outer Banks Association of Realtors is still higher than last year but the number of sales has gone down slightly. For residential properties both average sales prices and median sales prices are up slightly. The number of Outer Banks properties for sale is also up. It is up approximately 9% over last year at this time.

I've always felt that the law of supply and demand was a natural law similar to the law of gravity. If inventory is up then prices must be down. There has to be a reason for this counterintuitive trend. My best guess at why we are seeing prices and inventory go up at the same time is that there are fewer distressed sales compared to last year. Distressed properties are frequently in worse condition and the final negotiated price usually reflects that. For the few years prior to the fall of 2013 our distressed sales represented close to 25% of all properties sold. Over the six months or so our distressed sales are closer to 15% of all properties sold. The Outer Banks real estate market is turning more positive but a complete positive change may take more time.

Sales agreements are also up significantly for this summer. This points to an even better fall sales season. If you are a buyer then opportunities for a good valued property are still readily available. For sellers, there are buyers looking for a property like yours but they will still be price sensitive. For more information on anything to do with Outer Banks real estate please contact Scott Team Realty.



Sincerely,

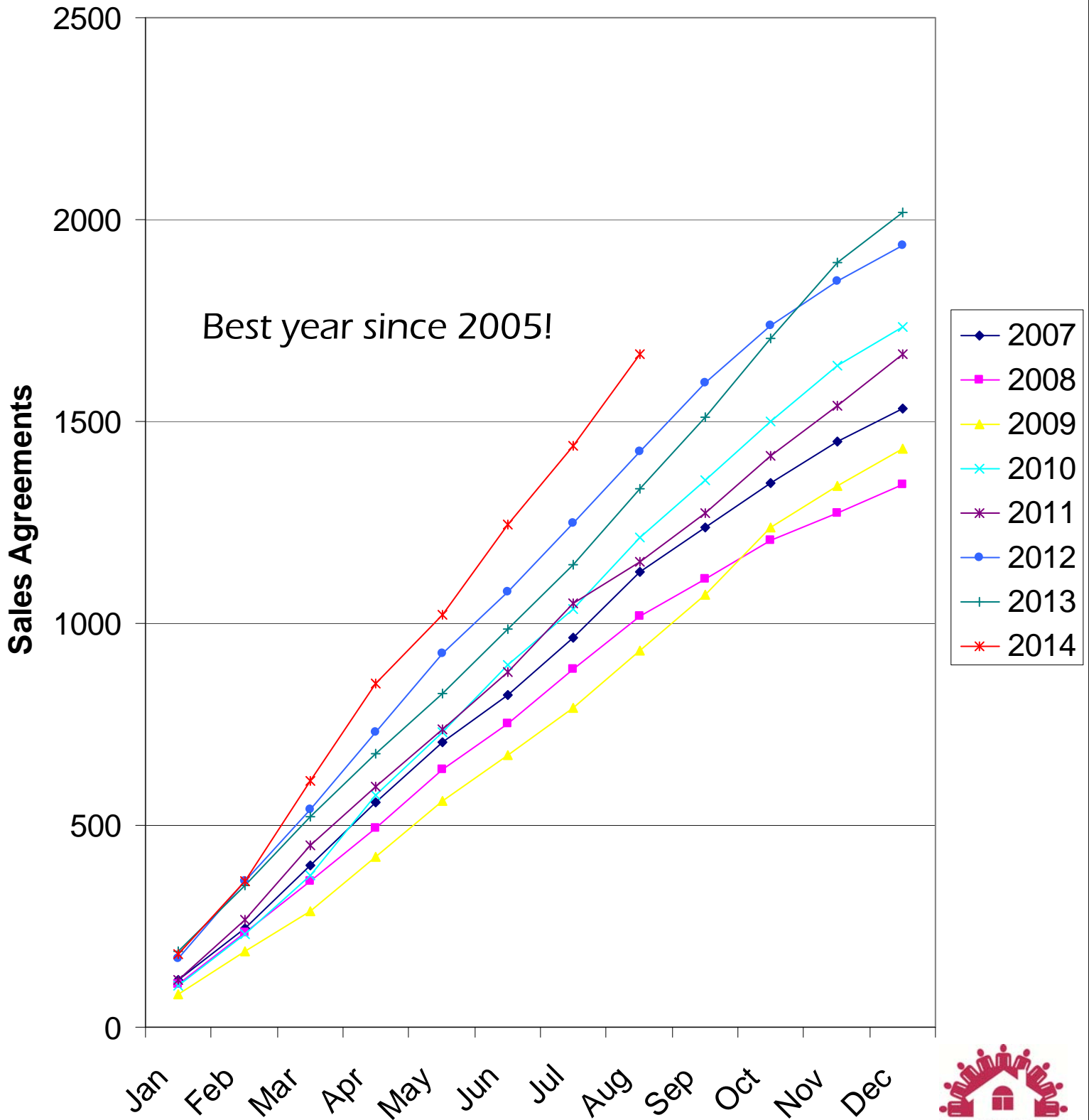
President ABRM,CRB,RRS,e-Pro,SRES
Scott Team Realty

Request a custom market snapshot for any OBX market segment here:

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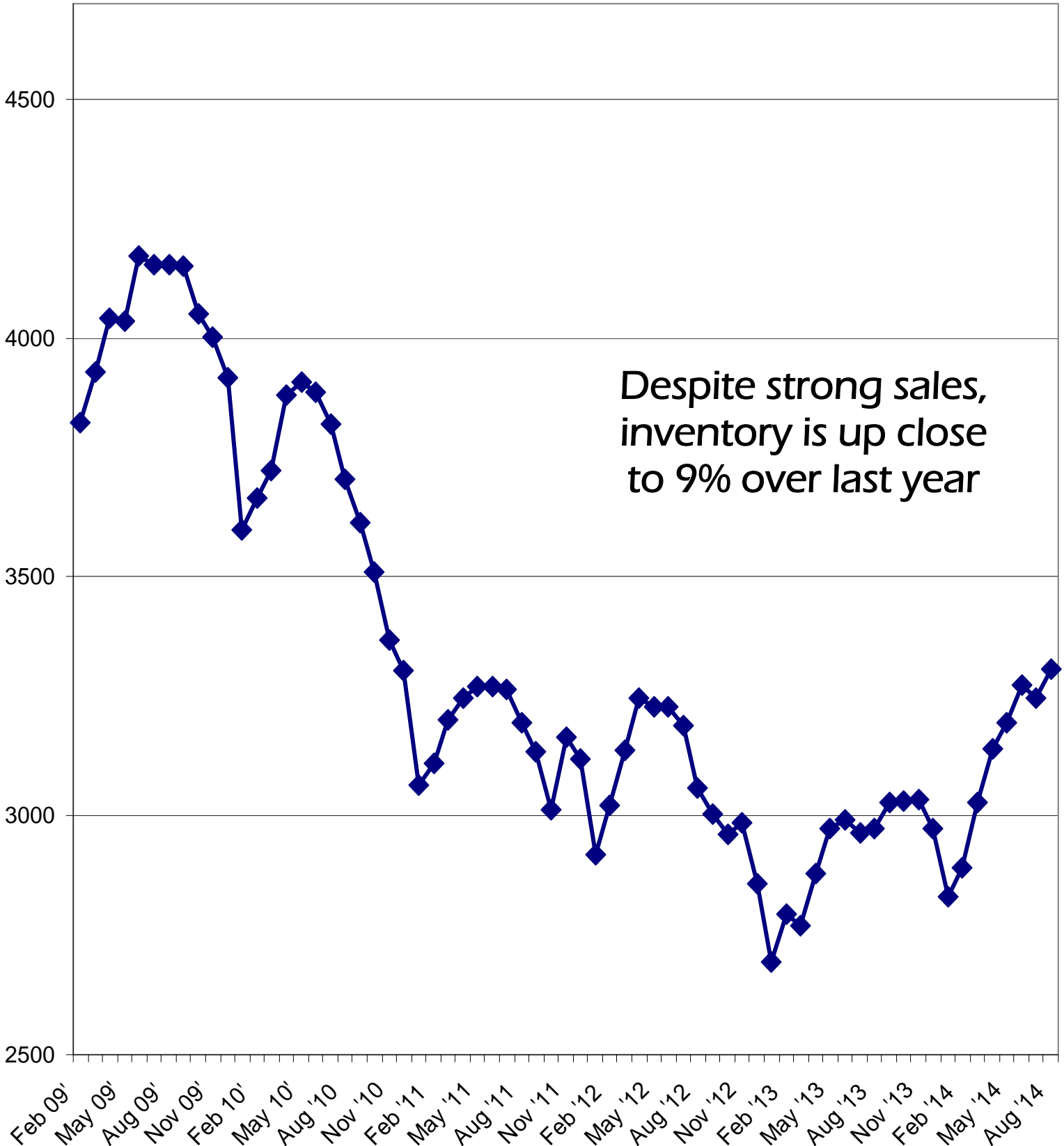
Scott Team Realty 5535 N. Croatan Hwy Southern Shores, NC 27949
Toll Free 866-438-8382 Local 252-261-1500 <http://scottrealtyobx.com>
Information herein obtained through the OBAR MLS

Total OBX MLS Sales Agreements*



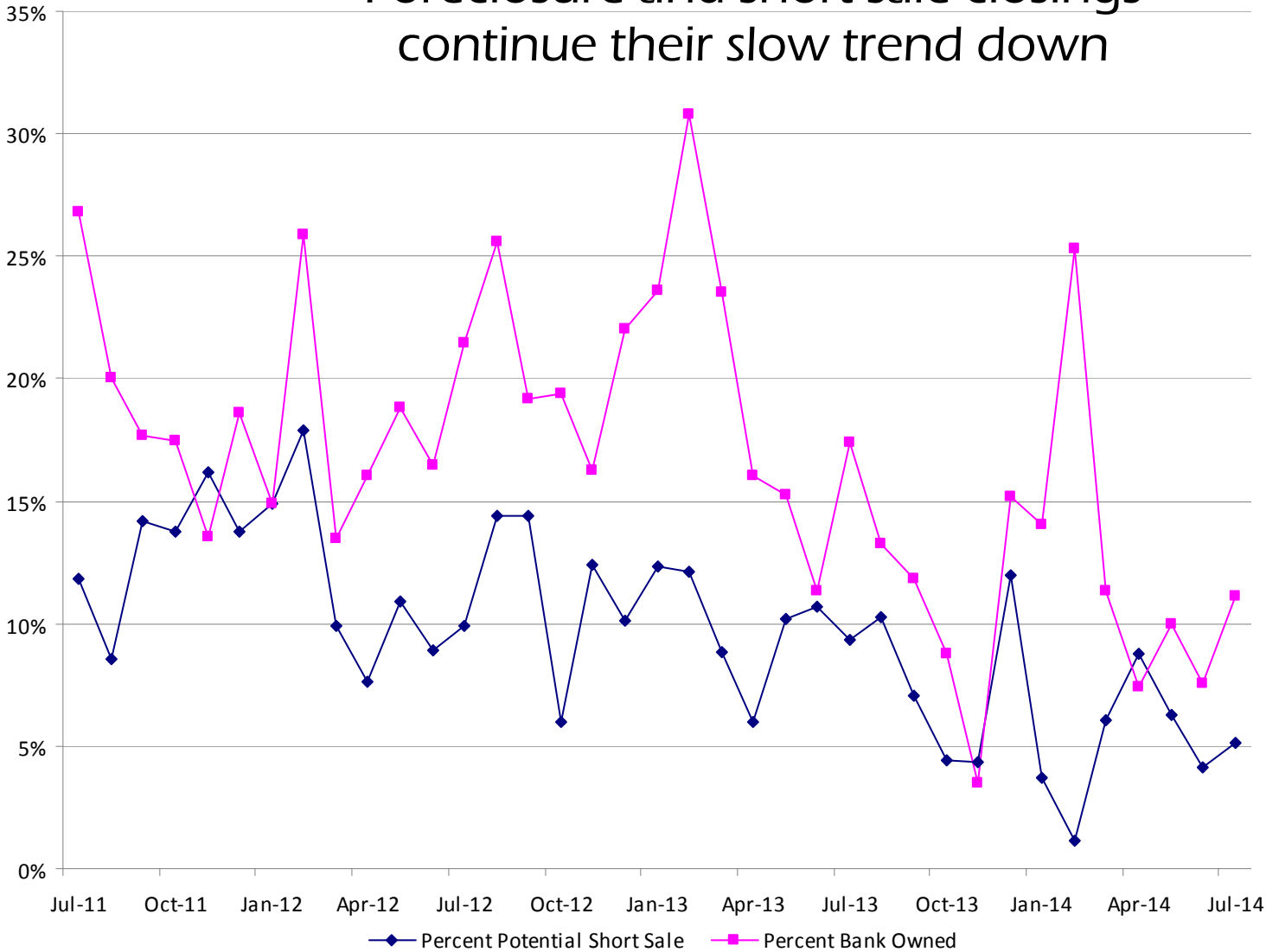
*Includes all properties in under contract and under contract continue to show statuses.
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Total OBX Listings



Total Outer Banks Residential Distressed Sales

Foreclosure and short sale closings
continue their slow trend down



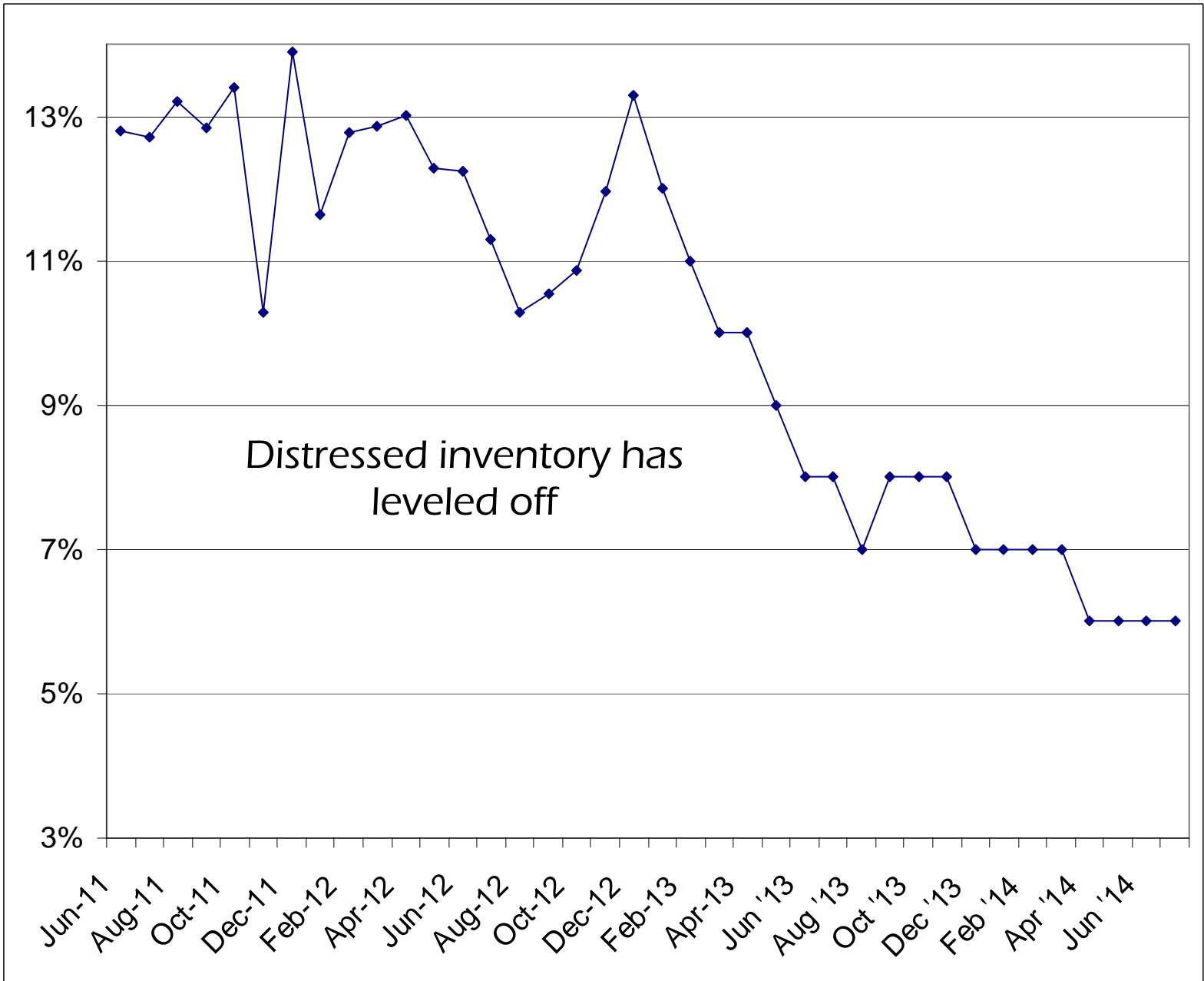
Graph provided by the Outer Banks
Association of Realtors



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Active OBX Distressed Inventory (Measured as a percentage of the whole)



Distressed inventory has leveled off

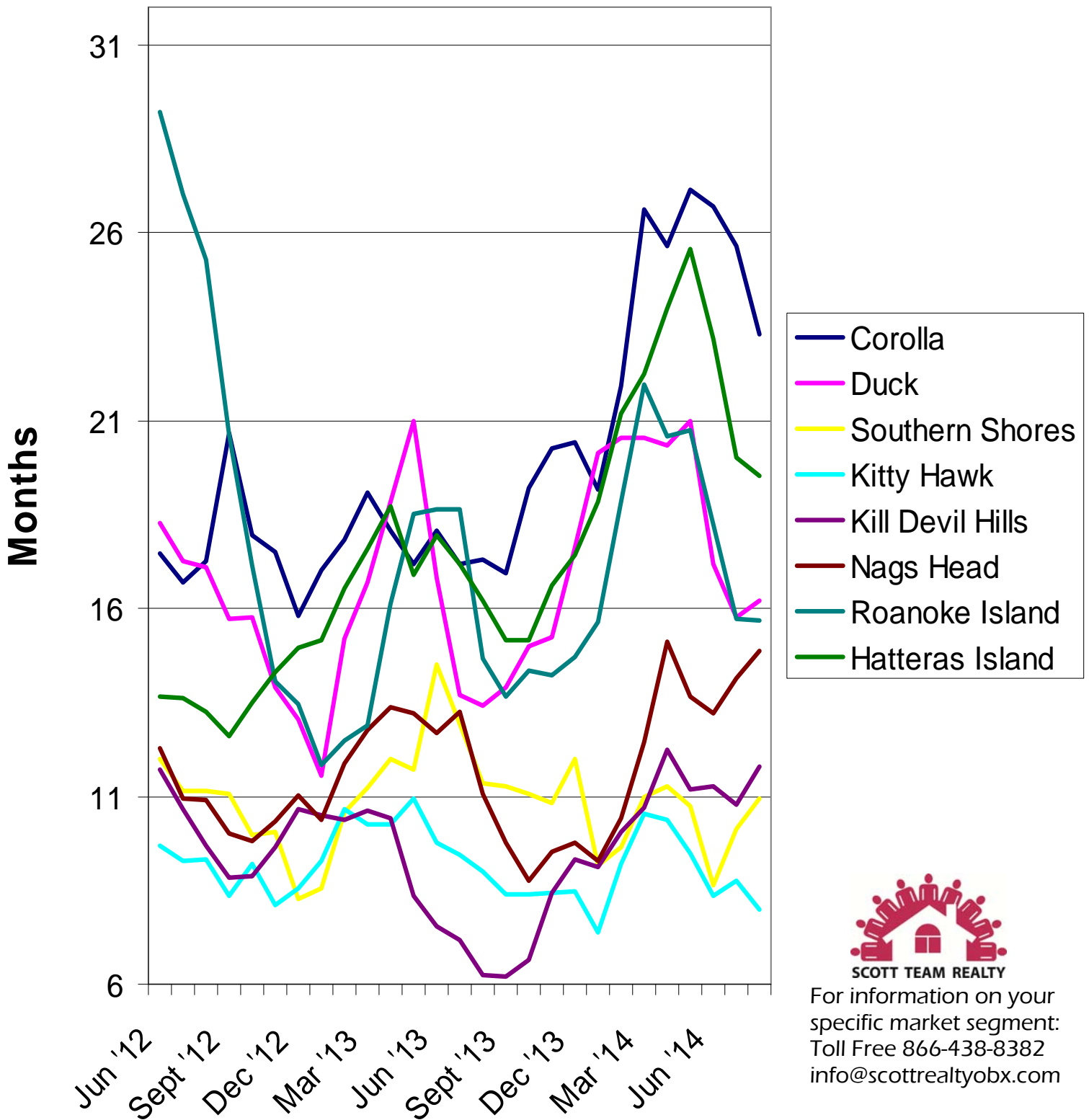
Data provided by the Outer Banks Association of Realtors



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OBX Absorption Rates (residential listings/residential sales)

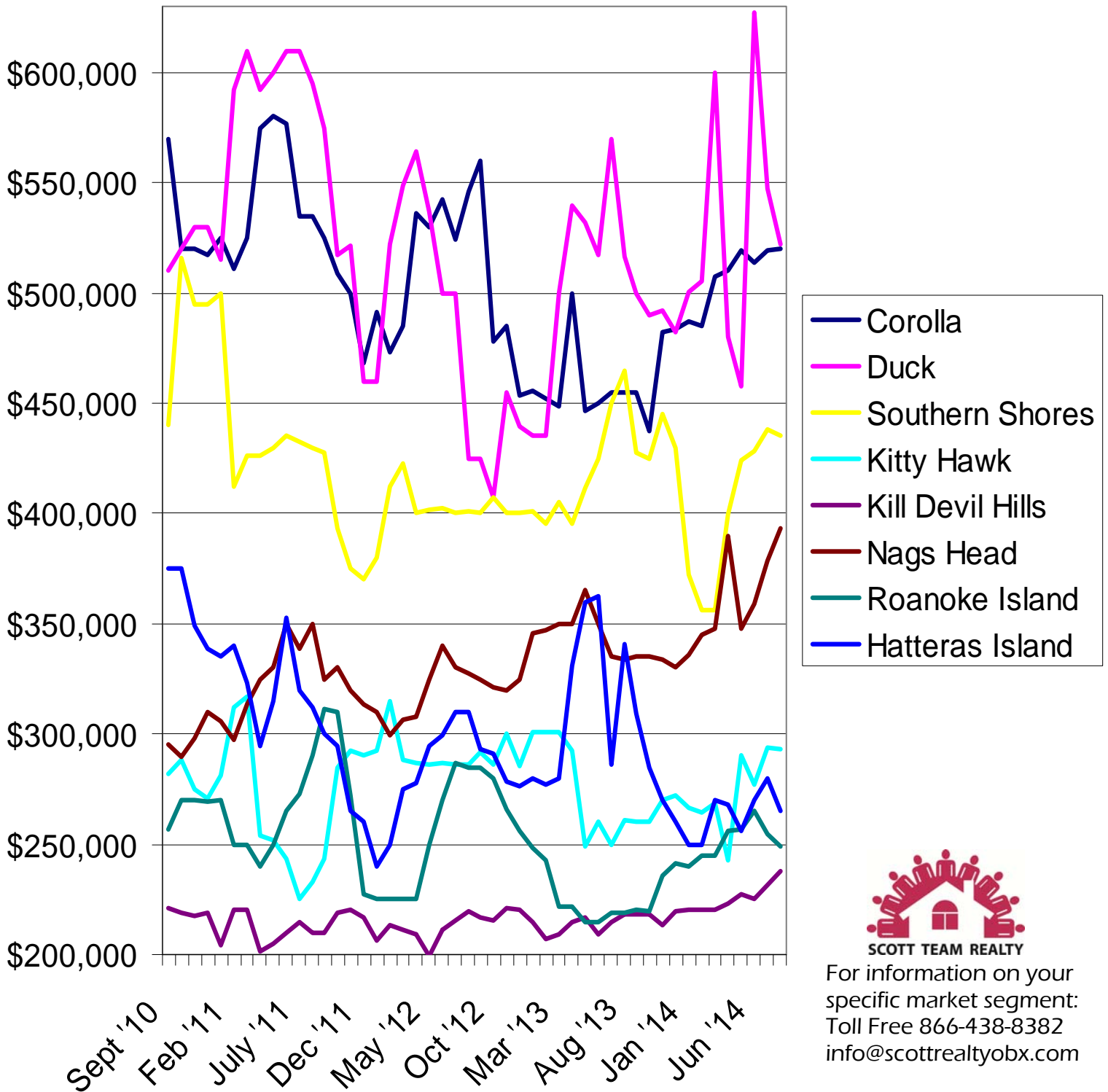


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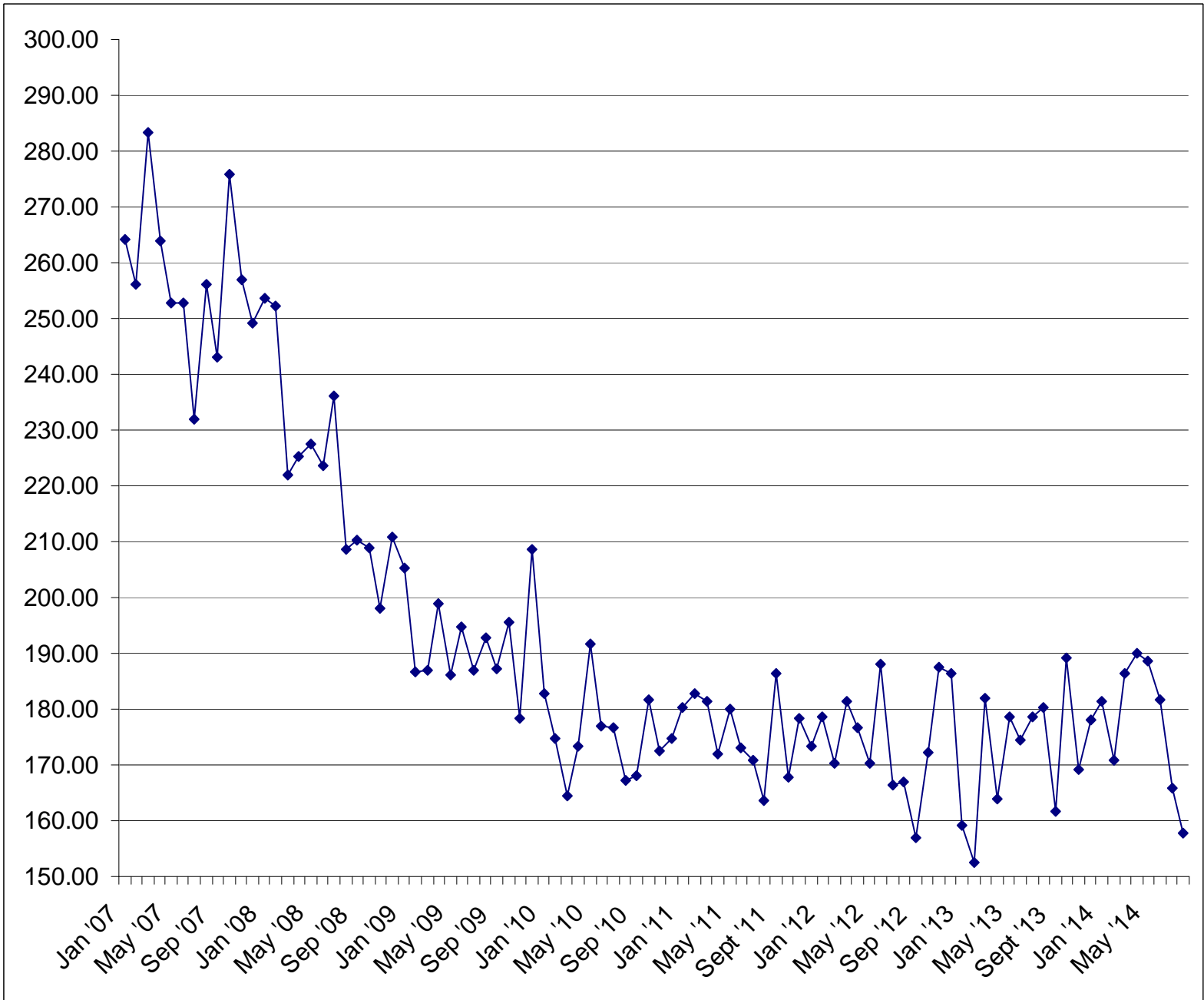
OBX Median Sales Prices

(residential sales)



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



Data provided by the Outer Banks
Association of Realtors

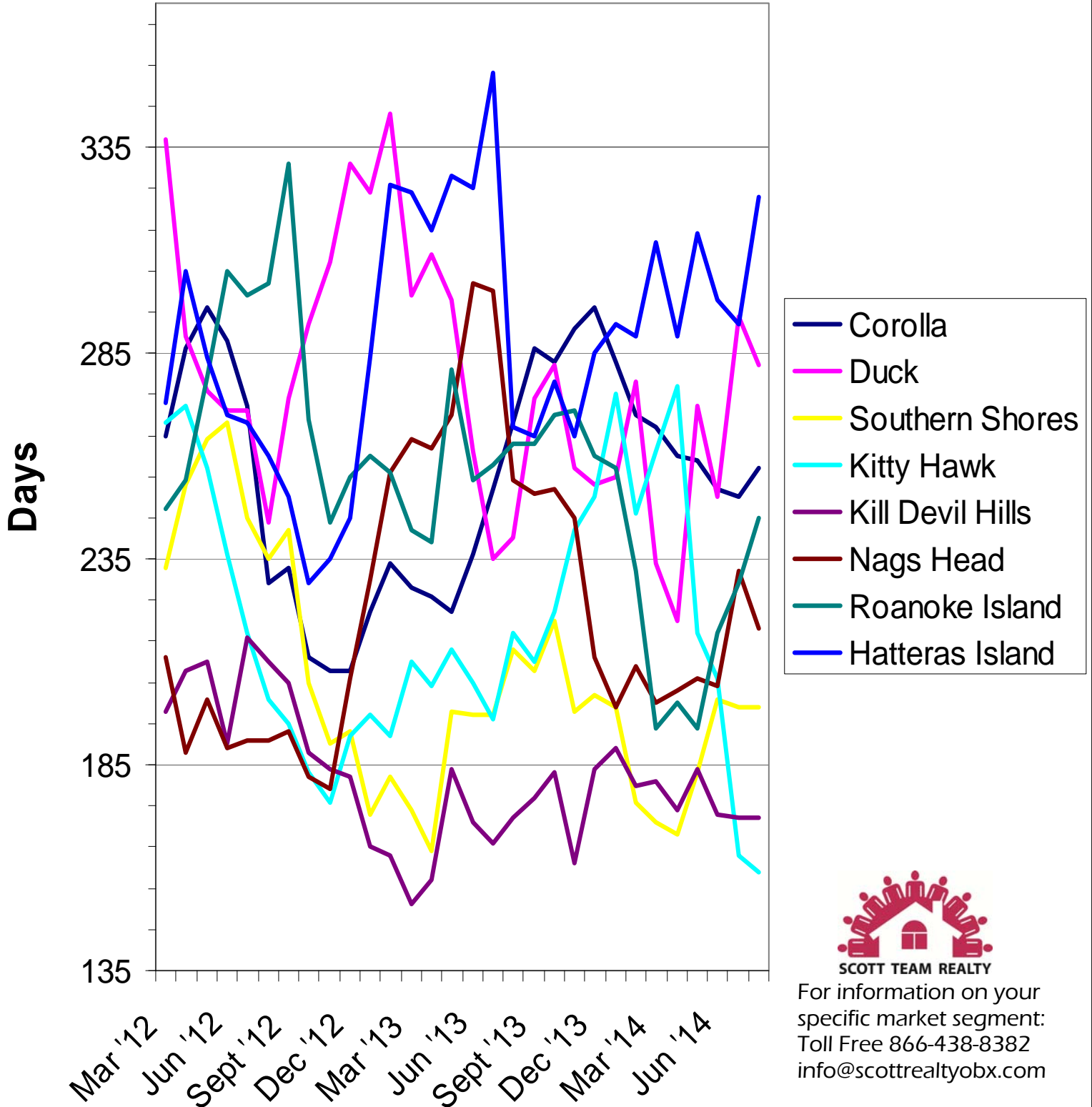


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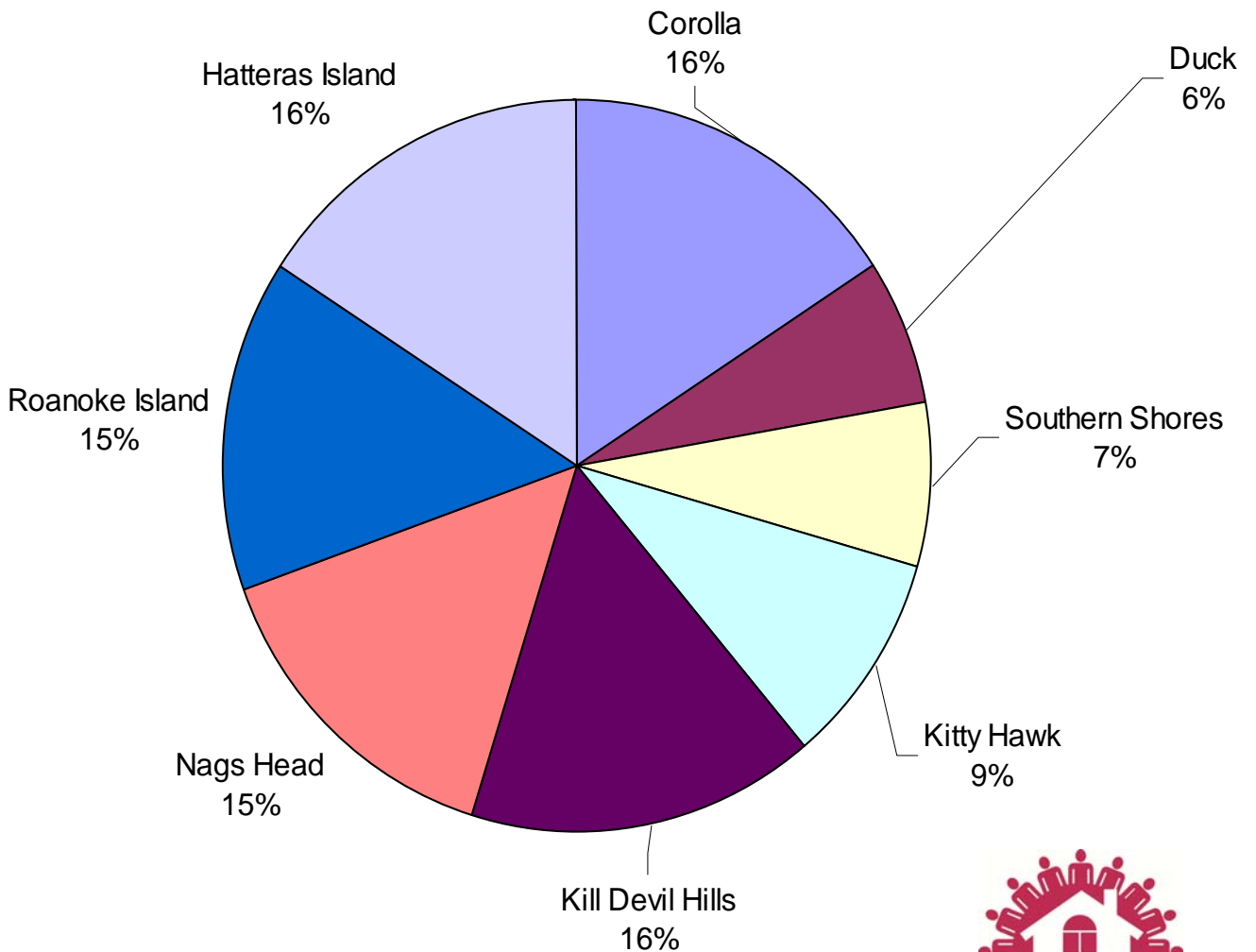
OBX Days on Market

(residential sales)



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OBX Residential Sales Market Share August 2014



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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 15th 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.

How are Sales Agreements calculated?

Sales agreements are calculated by first searching for properties that are in the following statuses: under contract, under contract continue to show and sold. Once those listings are identified they are sorted by contract date. Contract date does not show up on under contract continue to show listings so those are sorted by status change date. All listings that have either the contract date or the status change date in a particular month are counted towards the total number of sales agreements.

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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