

The Real Estate Residential Market Report of Northwest Arkansas 3rd Quarter 2011

Accumulated Market Activity Through September 30th of 2011



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The Pulse of the Market

Every month, the Market Report of Northwest Arkansas brings you the pulse of the residential real estate market.

Our video (link below) is watched by thousands of interested brokers, agents, loan officers, appraisers, bankers, investors, and others interested in the real estate market.

Our database goes back 28 years, long before Northwest Arkansas experienced its tremendous growth starting in the late 1990's.

We update over 25,000 records every month and produce 100 charts and [graphs](#) covering nine cities, both counties and the region. Ask a participating agent for areas or cities of interest. We *know* the real estate market.



Supply: Months of Inventory

The "[Months of Inventory](#)" chart shows the ratio of the *inventory* and the number of *buyers* putting homes under contract (pending). Dividing the current end of quarter inventory by the average number of pending during the last 9 months gives the MOI [index](#). Pending is selected as being more "in market" than sales. Once a buyer makes an acceptable offer on a home it is removed from the market and in general, the activity on the home *as far as the market is concerned*, ceases.

The MOI is a momentary snapshot that is only useful when compared to the trend of MOI from previous months or years. It can be shown that a 5 to 6 month supply of homes is a stable market. Less is a [sellers market](#) and more a [buyers market](#).

The MOI average for the *existing home market* thru the third quarter of 2011 is **8.7** The *new construction market* is at **6.6**. A sharp reduction in the inventory over last year, affecting the buyer to inventory ratio has brought the MOI down.

The *existing inventory* at **3,970** is down about **1,200** units from September 2010. *New construction* is down 110 units from last year and stands at **332** Units.

Demand: Monthly Volume, Sales, and Median Price

In this report, the *Volume, Units and Median Sales Price* is accumulated from January. For *existing* sales, volume through Sept is **584** million, up **↑3%** over 2010. Units sold are **4,094** up **↑12%** and median sale price is **\$110,000** down **↓11%**.

For *new construction*, volume is **103** Million, up **↑9%** over 2010. Units sold are **452** units, down **↓2%** and the [median](#) sale price is **\$208,250**, up **↑20%** over 2010.

Total sales volume thru the 3rd quarter stands at **688** million up **↑4%** from the same time period last year. Total units at **4,546** are up **↑10%** and the median sales price at **\$119,900** is down **↓8%** More high-end new construction homes are selling this year. Volume and units look better. The inventory is down from last year. While the [median](#) sales price took a big hit-it is now in keeping with pre-bubble day values.

Market Indexes

Various indices can be used to indicate the health and activity of the market. Below we look at several of them. Watch the [video](#) to see them in action.

National Indicators

Gross Domestic Product (The GDP). This is the most important indicator for the overall health of the National economy. It is found by summing all the goods and services in the United States and comparing quarterly figures. The final 3rd quarter of 2011 is up **↑1.3** percent over the 2nd quarter of 2011. It is also up from last year. While many say this indicates the end of the recession, **consumer spending, unemployment and foreclosures** say not yet.

Unemployment Index (The UI). Shows the amount of workers not employed and considered part to the work force. 3-5 percent is good. For the end of August of 2011 the regional UI was **6.6%** while the National index was **9.1%**. At the end of August of 2010 it was **6.4** and **9.5**. **Both UI indexes seem to have reached their peak.** We are still **↓27%** below the national index. Remember the unemployment figures do not count people who have given up trying to find a job.

National Interest Rates (IR). In 2010 the average accumulated interest rate thru September was **4.76%**. In 2011 the average accumulated rate is **4.24%**. Unless something unforeseen happens this will be the lowest rate since modern records were kept starting in 1962.

Michigan Sentiment and Consumers Confidence Indices (MSI and CCI). These two indicators ask different questions, but both are trying to capture the future economic outlook of the American public. The most recent highs of **96.9** and **111.2** came in the 1st quarter of 2006. Since then, it has been a general decline. Our modern lows came in February of 2009 when the MSI stood at **56.3** and the CCI was **25.3**. They have risen from this low with 2011 September figures of **59.4** and **45.5** respectively. However, this is a decrease from last year and is still a long way from the highs. **Nothing in our economy is giving consumers a consistent positive outlook.**

Calculated Indices

The following are indicators I have developed over the years to track and predict the market under various circumstances. Both have stood the test of time, although neither are perfect.

Market Activity Index (The MAD). Used to show activity between the supply and demand sides of the market. The monthly data points consists of two indicators: the number of new listings coming on the market and the number of pending. This is an **activity** indicator and not designed to track sales volume. For 2010, the seasonally adjusted 3rd quarter average indicator was **.77** For 2011 it is **unchanged**. Modern individual monthly high was **1.48** August of 2005.

Seller's Market Index (The SMI). Uses four indicators: The ratio of the monthly inventory to the pending, the number of listings that went pending within 15 days, the days on market from contract to closing, and the sales price to list price ratio. The accumulated 3rd quarter, seasonally adjusted, **preliminary** index (that uses only the first two indicators), stands at **.60**—up from **.51** last year (Compare with its highest month-January 2005 **1.241**).

Our inventory fell 1, 300 units from last year, giving a better ratio between homes offered and the number of buyers. In effect, this keeps homes more competitive for buyers and helps the [SMI](#). *Still, local and national signs indicate a continuation of the sluggish market well into 2012.*

Your Guide

Paul R. Bynum the Principal Broker and owner of Mount Data. He is an Educator, Software Developer, and Market Analyst.

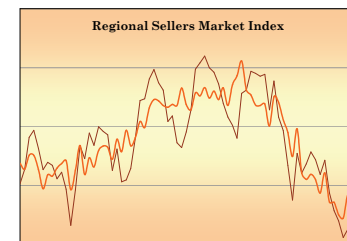
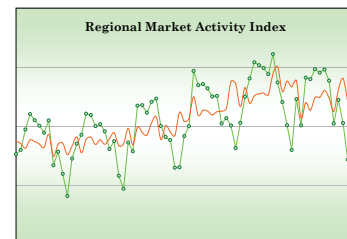
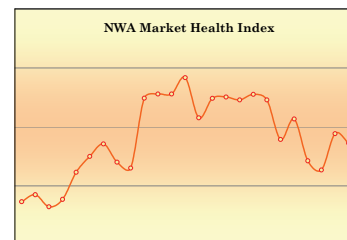
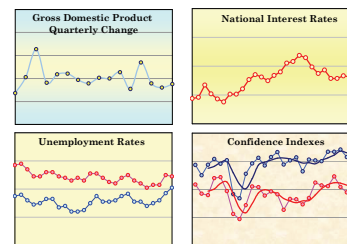
Paul has a degree in Mathematics from Los Angeles City College where he won the coveted 'Department of Mathematics' award for outstanding achievements.

He has tracked and interpreted the real estate market for over sixteen years. Paul **knows** the real estate market.



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Compiled and presented by Paul R. Bynum

See the current data charts on the video, [Here](#)



Links:

[The Market Report Video](#)

3rd Quarter of 2011. Give us 1 minute, We'll give you Northwest Arkansas.

[American Fact Finder](#)

The easy way to search the US Census Bureau site and get vast information on any area.

[Arkansas Labor Market Stats](#)

Keep up-to-date on Northwest Arkansas' labor market

[National Interest Rates](#)

Find current and historical rates going back 46 years.

[NAR Research Site](#)

THE source for national real estate statistics and news.

[Mount Data Glossary](#)

Search for unfamiliar terms all crossed referenced.