

# The Real Estate Residential Market Report of Northwest Arkansas Annual 2009

Accumulated Market Activity Through December 31st of 2009



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## The End of New Construction?

Methods of tracking new construction units have changed and many old reports updated. Why?

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## The Pulse of the Market

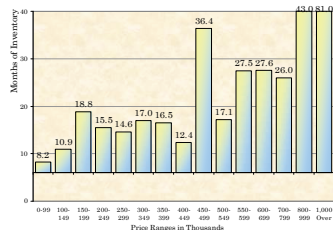
Every month, the Market Report of Northwest Arkansas brings you the pulse of the residential real estate market.

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



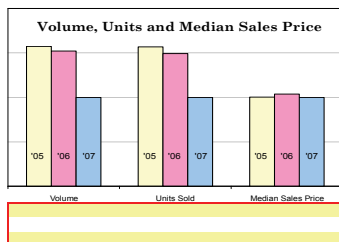
The "Months of Inventory" chart shows the ratio of the *inventory* and the number of *buyers* putting homes under contract (pending). Dividing the current end of quarter inventory by the average number of pending during the last 3 months gives the MOI [index](#). Pending is selected as being more "in 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 2009 in the *existing home market* is **10.4**. While this is still a strong buyers market, it is down from last years' final of **14.8**. The *new construction market* is at **7.9** also down from last year's **9.0**.

The decrease in MOI was helped by a increase in sales and by the reduction of inventory: down about **17%** from **5,999** in 2008 to **4,955** in 2009.

## Demand: Monthly Volume, Sales, and Median Price



In this report, the *Volume, Units and Median Sales Price* is a 2009 annual. For existing sales, volume through December is **793** million, up **6%** over 2008. Units sold are **5,032** up **18%** and median sale price is **\$127,500** down **11%** over 2008.

For new construction, volume is **132** Million, down **35%** over 2008. Units sold are **667** units, down **34%** and [median](#) sale price is **\$165,000**, down **2%** over 2008.

New construction sales have dropped **73%** over the their high in 2005 of **2,464**. *Nationally, 2009 is the worst year on record for new home sales.*

The existing home market for both sales and volume are the good news for 2009. The bad news: they were paid for by a *government subsidy* and *a decrease in median sales price*.

## 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 advance 4th quarter of 2009 is up  $\uparrow 5.7$  percent over the 3rd quarter of 2009. It is also dramatically up from last year. While this may indicate the end of the recession, **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 2009 the regional UI average was **5.5%** while the National index was **9.4%**. In 2008 it was **3.9** and **5.8** We are  $\downarrow 40\%$  below the national index.

**National Interest Rates (IR).** In 2008 interest rates averaged **6.03**. In 2009 this dropped to **5.04**. This is very low compared to the 40 year history of interest rates. In 1980 they were at **15%**!

**Michigan Sentiment and Consumers Confidence Indices (CCI and MSI).** These both reflect the outlook of the American public on upcoming economic times. Our previous modern low came after **Katrina** when the CCI stood at **85.2** and the MSI was **74.2**. They have fallen from this low and 2009's averages stand **46.0** and **67.1** respectively. As of the end of 2009 they are on the rise.

These two indicators ask different questions, both trying to capture the future economic outlook of the American public. At this point, consumers are still lacking in confidence.

### 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 MAI).** 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 2009 the seasonally adjusted average indicator is unchanged from 2008's average, and stands at **.79**

**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 seasonally adjusted, average **preliminary** indicator through **December** (only the first two indicators), stands at  $\uparrow .59$  up from 2008's average of **.48** (Compare with its highest-January 2005 **1.241**). There is upward movement from faster list to pending dates and falling inventories.

Foreclosures and securing loans are still unknowns in our market. After falling  $\downarrow 14\%$  from its high in 2007, the trend of the Median Sales Price for Northwest Arkansas is still downward.

Although the inventory has dropped considerably (**5,999** at the end of 2008 and **4,955** at the end of 2009) and sales this year were above last year, other signs indicate a continuation of the sluggish market through at least 2010.

## Your Guide

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

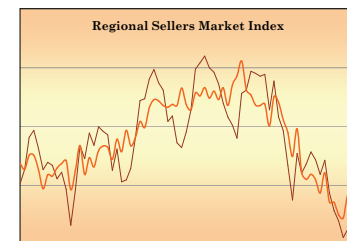
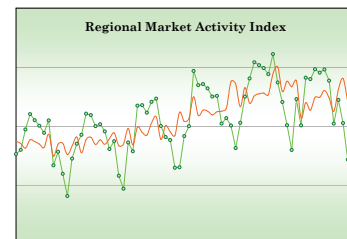
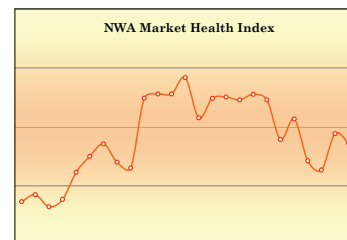
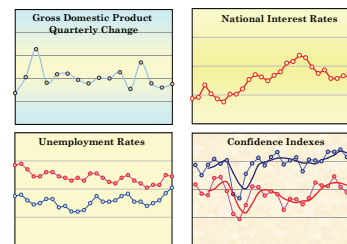
Paul has a degree in Mathematics from Los Angeles City College where he won the coveted 'Department of Mathematics' award for outstanding achievements.

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 annual video, [Here](#)



### Links:

[The Market Report Video](#)

Annual report of 2008. Give us 3 minutes, 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 45 years.

[NAR Research Site](#)

**THE** source for national real estate statistics and news.

[MountData Glossary](#)

Search for unfamiliar terms all crossed referenced.