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OHIO REAL ESTATE CONSULTANTS, INC.

APRIL 2012 NEWSLETTER

This letter will update you on our current assignments, the trends we see in the industry, staff accomplishments, community service and other current information.

Current Assignments

- Corporate Office Building, CBD Columbus
- Single-Family Condominium Development, Canal Winchester
- General Office Building, Worthington
- 4 Single-Family Subdivisions, Southern Delaware County
- Apartment Community, Knox County
- Apartment Community, Madison County
- Apartment Community, Northeast Columbus
- Apartment Community, Cleveland MSA
- Apartment Community, Dayton MSA
- 2 Affordable Housing Communities, Allen County
- 2 Rural Housing Communities, Eastern Ohio
- 2 Rural Housing Communities, Northwest Ohio
- Apartment Community, Columbus Near East Side
- Apartment Community, Columbus CBD
- Commercial Land, Columbus CBD
- Owner-Occupied Industrial Property, Columbus
- Industrial Land, Grove City
- Car Wash, Clark County
- Flowage Easement, Northwest Ohio
- Commercial Office, Near East Side Columbus
- Daycare, Southern Delaware County
- Executive Estate, Eastern Ohio

You and/or your clients may benefit from information we have used in our current assignments, as well as the more than 350 assignments we have completed within the past 12 months.

RESIDENTIAL MARKET OVERVIEW

Although economic conditions within the regional market are beginning to improve, market conditions within the housing sector remain fragile and do not yet point to a sustained recovery. The following paragraphs summarize activity over the past year within the new sale, re-sale and distressed sale categories for the Columbus regional market.

New Sale Activity

The regional housing market for the new sales activity category encompasses Franklin, Delaware, Licking, Fairfield, Pickaway, Madison and Union Counties.

Single-Family: Although activity has increased from the market lows experienced in the mid-2000's, market conditions within the new sale market remain weak. The following chart summarizes volume activity (building permits, platting activity, new home sales, lot sales and inventory) within the new build single-family residential market (condominium activity is discussed on the following page). As shown, 2011 annual results for the entire region, in all categories, experienced declines over 2010 annual results. The largest difference represents platting activity. However, declining platting activity and inventories are positive factors for the housing market, as these factors alleviate oversupply in the current market environment.

Volume Activity - Single-Family				
	2010	2011	Diff	%
Building Permits:	2,290	2,115	-175	-7.6%
Platting:	1,092	798	-294	-26.9%
New Home Sales:	1,979	1,627	-352	-17.8%
Lot Sales:	922	887	-35	-3.8%
Inventory:	14,123	12,709	-1,414	-10.0%

Source: Binns Real Estate Services

The majority of volume occurs within Franklin and Delaware Counties, followed by Licking, Fairfield and Union Counties. Limited new sale activity occurs within Pickaway and Madison Counties. Over the past year, Delaware County experienced the best overall results, with positive building permit and new lot sale activity, and new home sales only 12.8% below prior year results. While platting activity declined 59% in the county, as mentioned previously, this is a positive attribute to the county's housing market, which continues to experience a large inventory.

Currently, the regional market has an inventory of 12,709 lots, down 10.0% from year-end 2010. Approximately 35% of this amount is located within Franklin County, while +/-20% each is located within Delaware, Licking and Fairfield Counties. Although inventory has decreased, the existing supply is still substantial, as new home sales totaled only 1,627 in 2011. Applied to the remaining inventory, this amount indicates an overall supply of over seven years.

While regional activity declined in all volume categories over the past year, the average new home sale price remain largely unchanged and the average lot sale price increased over the same time frame. Although the difference was nominal for new home sales, the average lot price increased by 9.2%. However, this is mostly due to a change in distribution to more expensive lots, rather than market appreciation.

Pricing Activity - Single-Family				
	<u>2010</u>	<u>2011</u>	<u>Diff</u>	<u>%</u>
Average New Home Sale Price:	\$256,689	\$256,297	(\$391)	-0.2%
Average Lot Sale Price:	\$59,979	\$65,486	\$5,507	9.2%

Source: Binns Real Estate Services

All counties, except Delaware and Pickaway Counties, experienced increasing new home sale prices. The average new home sale price declined 1.7% in Delaware County, and the average new home sale price declined 4.4% in Pickaway County. The average lot price increased for all counties, except Licking County, where prices declined 35.0%.

Condominiums: The majority of activity within the condominium market occurs in Franklin County, followed by Delaware County, Fairfield County and Licking County. A small percentage of activity occurs in Union and Pickaway Counties, and the Madison County submarket is in-active within the Condominium market. As shown below, building activity has increased over the past year, as the number of building permits within the region increased 31.0%. However, the remaining indications were negative. Although decreased platting activity helps alleviate the over-supply, the number of new sales decreased 8.6% from 2010. While the average sales price decreased 7.4%, much of this difference represents a difference in distribution to a lower price-point, rather than true value declines. Still, the substantial supply/demand imbalance within the regional condominium market is anticipated to negatively impact condominium sales activity and development for the next several quarters.

Market Summary - Condominiums				
	<u>2010</u>	<u>2011</u>	<u>Diff</u>	<u>%</u>
Building Permits:	510	668	158	31.0%
New Sales:	829	758	-71	-8.6%
Platting:	765	606	-159	-20.8%
Average Sale Price:	\$193,797	\$179,397	-\$14,400	-7.4%

Source: Binns Real Estate Services

Re-Sale Activity

Overall results within the regional re-sale market are beginning to show some signs of nominal improvement. The following information has been compiled by the Columbus Board of Realtors, which includes a broader market range than Binns Real Estate Services. The Board of Realtors data includes all of Franklin, Fayette, Licking, Madison, Morrow, Pickaway and Union Counties, and small parts of other outlying counties.

Volume Activity - Columbus Region				
	<u>2010</u>	<u>2011</u>	<u>Diff*</u>	<u>%</u>
Closed Sales:	19,956	19,700	-256	-1.3%
In Contracts:	20,151	21,117	966	4.6%
Days on Market Until Sale:	89	100	11	11.0%
New Listings:	41,296	35,136	-6160	-17.5%
Inventory for Sale:	16,019	11,398	-4621	-40.5%

Source: Columbus Board of Realtors

As shown above, although the number of closed transactions decreased slightly between 2010 and 2011, the number of listings in-contract increased over the same time frame. This discrepancy indicates that a small percentage of contracts never closed. In the current market environment, there are several likely causes, including financing difficulties, unsatisfactory inspections, and distressed/lender-mediated influences. While the number of days on the market has increased, the total number of new listings and inventory for sale has decreased, which alleviates over-supply. Currently, the regional market has an approximate 6.9-month supply, which has improved substantially over the market lows experienced in the mid-2000's.

The average and median sale prices have also decreased slightly between 2010 and 2011. The average sales price, \$156,428 as of year-end 2011, decreased 2.2% while the median sales price, \$127,900 in 2011, decreased 4.6%. The range between the sales price and both the original and last listing prices increased slightly in 2011, indicating a continued gap between what sellers wish to receive and what buyers are willing to pay in the current market environment.

Pricing Activity - Columbus Region				
	<u>2010</u>	<u>2011</u>	<u>Diff</u>	<u>%</u>
Average Sales Price:	\$160,020	\$156,428	-\$3,592	-2.2%
Median Sales Price:	\$134,000	\$127,900	-\$6,100	-4.6%
Percent of Original List Price Received	90.6%	89.5%	-1.1%	-1.2%
Percent of Last List Price Received:	95.0%	94.7%	-0.3%	-0.3%

Source: Columbus Board of Realtors

Distressed Activity

Due to the strong influence of distressed activity within the housing market, the Columbus Board of Realtors has also begun to track “Lender-Mediated”, or distressed, properties. A summary of this information is included in the following chart. This activity peaked in mid-2010, but has steadily declined since that time. As shown, the amount of new “lender-mediated” listings decreased 23.2% between the 4th quarter of 2010 and the 4th quarter of 2011. Over the same time frame, the inventory of lender-mediated properties for sale decreased 40.6%, while the number of lender-mediated properties sold increased 1.3%. The majority of this activity occurs within the \$80,000 and under price range. With a substantial decline in both the available inventory for sale and new listings, coupled with increasing sales, “lender-mediated” or distressed sales should have a decreasing impact on the overall housing market in 2012.

Lender-Mediated Activity - as of 4th Quarter 2011:				
	<u>4Q '10</u>	<u>4Q '11</u>	<u>Diff</u>	<u>%</u>
All Residential New Listings:	2,566	1,970	-596	-23.2%
All Residential Properties Sold:	1,514	1,534	20	1.3%
Median Sales Price:	\$68,400	\$63,950	-\$4,450	-6.5%
Inventory for Sale:	4,005	2,378	-1,627	-40.6%
Inventory by Price Range:				
\$80,000 and Below:	1,505	1,023	-482	-32.0%
\$80,001-\$120,000:	940	549	-391	-41.6%
\$120,001-\$160,000:	698	348	-350	-50.1%
\$160,001-\$250,000:	551	294	-257	-46.6%
\$250,000 and Above:	308	164	-144	-46.8%

Source: Columbus Board of Realtors

Overall, lender-mediated activity accounts for approximately 20.9% of total residential inventory for sale and 34.9% of total residential sales. Municipalities with the percentage of lender-mediated inventory or sales above 25% include:

- Blacklick
- Canal Winchester
- Columbus
- Delaware
- Gahanna
- Groveport Madison
- Hilliard
- Lancaster
- Lithopolis
- London
- Minerva Park
- Newark
- Obetz
- Pataskala
- Pickerington
- Reynoldsburg
- Southwestern CSD (Grove City)
- Sunbury
- Valleyview
- Washington Court House
- West Jefferson
- Whitehall

It is significant to note that the majority of these municipalities were popular locations for entry-level production builders in the mid-2000's, which illustrates the drastic impact of over-building and aggressive lending practices in these areas.

Conclusion/Projections

Although the overall economy is beginning to show signs of improvement, the housing market remains fragile. In the new sale category, 2011 activity was below 2010 results in all volume categories, for both single-family and condominiums. While this is largely due to the federal tax credit, which positively influenced volume activity in 2010, market demand still remains weak within the new housing market. The re-sale market also experienced slight declines between 2011 and 2010; however, the inventory of listings and new listings decreased substantially, which moves the market closer to equilibrium. In addition, distressed or "lender-mediated" inventory and listings have also decreased substantially over the past year. With continued job growth and economic gains, the housing market is anticipated to improve slightly in 2012. However, the substantial over-building that occurred in the mid-2000's will continue to negatively impact the regional housing market until a substantial inventory of completed lots/condominiums is sold and demand increases.

Company News

I hope that you found this newsletter informative. If you would like additional information, please visit our website at www.ohiorealestate.org, or call us at 800-536-0038.