

Monthly Market Update ~ January 2011



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Puzzled by what's going on in the market today?



See the update below ... It's not all bad news ...

Summary:

Across the board, each of the area groups are seeing a stabilization of year-over-year median sales price. Areas that saw a year-over-year increase in median price are: Suburban Southwest (23% increase, 17 sales), Virginia City Highlands (11% increase, 5 sales), and West Suburban (16% increase, 13 sales).

Month's Supply of Inventory (MSI) or absorption, like last month, is in the balanced range.

Excess inventory in the high-end price range impacts the overall month's supply of inventory. Properties **OVER** \$400,000 have more than 12 month's supply of inventory. Overall absorption levels are close to MSI levels seen in July 2010, after the contract date expiration of the last tax credit.

Mortgage rates, although inching up as predicted, remain at historic low rates. Recent rate increases (4.5% to 5.0%, 30 year fixed) should be an incentive to buyers. The impact of an increase in interest rates is about \$60 per month on a \$200,000 mortgage. Current predictions are for rates to inch up this year. **Savvy investors are seeing this as an opportune time to buy real estate as evidenced by the high volume of year-end closings and the fact that investments in rental homes will "pencil" for the first time in many years.**

Key indicators for the coming months: New pending sales numbers pacing the sales numbers to control inventory levels, and market absorption numbers returning to less than 7.0 months of inventory, indicating a more balanced market.

Median Home Price & Price Per Square Foot

The median single family home price of \$159,950 is a new low. However, both median price & price/square foot (currently \$96.28/sf) show a mostly level trend for the past 20 months.

Distressed Listings

Of 701 total new listings in January, 41% were Short Sales. The entry level end of the market, **UNDER** \$200,000, continues to dominate the percentage of new listings reported as distressed.

Absorption by Price & Area Group

BY PRICE: This is the first time we have seen the \$150,000 - \$200,000 price range with an excess of 11 months inventory. The over \$400,000 price range has in excess of 12 month's supply of inventory.

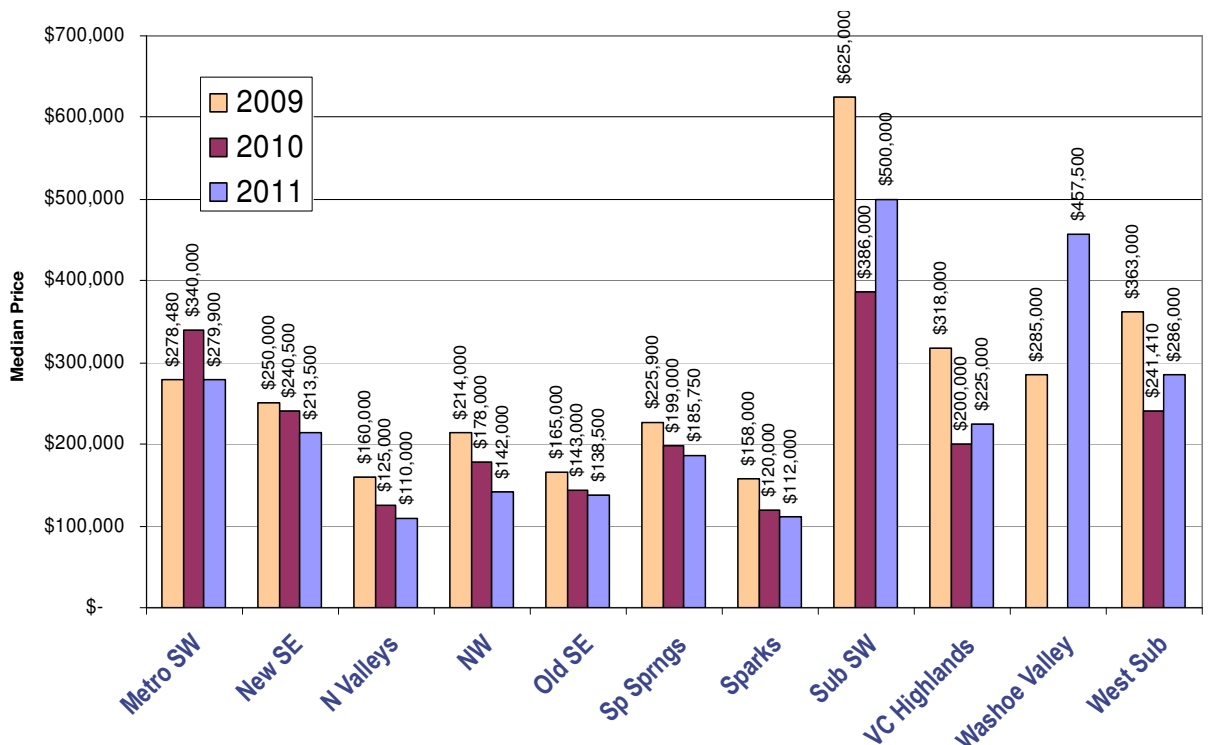
BY GROUP: All areas except New Southeast and Sparks were outside what is defined as a balanced market. Suburban Southwest had the highest month's supply of inventory (16.2 MIS). Sparks had the lowest MSI at 6.6.

The National Association of Realtors describes a balanced market as between 5 and 7 month's supply of inventory.

Inventory and Units Sold by Area Group

North Valleys had the highest level of inventory with 329 Active listings. The North Valleys, Spanish Springs and Northwest show the highest level in activity in pending sales. The North Valleys and Spanish Springs showed the highest level of units sold for the month.

Year-Over-Year Median Price January 2011



Information provided
by the Reno Sparks
Association of Realtors.



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