

# MarketNotes

A Publication of The Stephen Howell Realty Group at Keller Williams Select Realtors

## Where Have All The Buyers Gone?

There's never a buyer around when you need one! From November to February it appears that buyers took a breather and home purchases slowed significantly. After three months there is plenty of inventory and buyers are just now starting to return to the market.

### First The Bad News

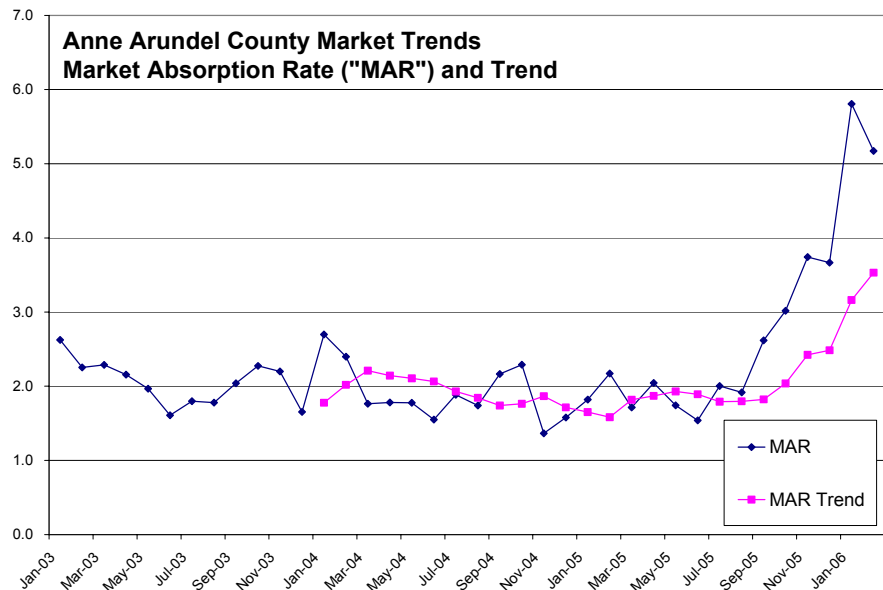
The Market Absorption Rate ("MAR") – defined as the ratio of active listings divided by sold listings – climbed to a peak of 5.8 in January and declined slightly to 5.2 in February. The average sold price peaked in December at \$452,466 but has declined to \$403,019 in February – an eleven percent (11%) decline in prices.

The number of active listings on the market in Anne Arundel County has hit a new high water mark at 2,503 in February – a level of inventory not seen in this area since late 1999 and early 2000.

In case you haven't taken note, this is a buyer's market. Along the Bestgate Corridor – for example – there were fourteen active listings for town homes on the market the weekend of March 11<sup>th</sup> and 12<sup>th</sup>. Personally, I can't remember when buyers had so many choices.

### Now For The Good News

Although buyers may have taken a break over the winter, prospects remain extremely good for the immediate future. The National outlook remains solid with third quarter 2005 real gross domestic



production ("GDP") growing at a rate of 4.1%. Overall, the housing market remains strong. Government spending on war and rebuilding may bolster the economy as a whole. Economic forecasts for 2006 predict GDP growth from 3.5% to 3.8%.

Prospects in Maryland and for our local economy remain excellent with low unemployment and personal income growth remaining strong. And, Anne Arundel County continues to be a desirable growth area. Expected base closures and consolidation at Ft. Meade, the government's focus on domestic security, overseas war and rebuilding will all benefit the local economy in ways that have a direct impact on the continued demand for housing, its availability and prices.

Interest rates are likely to push upwards towards the high sixes and low sevens in the very near future. While a 6.5% mortgage interest rate is still very affordable for many buyers, house prices are not. Consider that a \$150,000 town house seven years ago at 6.5% would have a principal, interest,

taxes and insurance payment ("PITI") of \$1,043 with 5% down. Today that same townhouse costs \$400,000-plus and has a PITI of \$2,782 with 5% down – an increase of \$1,739 more per month. One conclusion some readers reach is that they cannot afford to buy the house they now live in if they had to buy it today!

### Conclusion

The very best homes will continue to sell, although it may take longer than sellers expect, prices may decline, and those seller's that recognize current market trends and price their home at or below market are likely to generate strong buyer interest soon after going to market while their competition will continue to sit on the market overpriced and unsold.

So, if you're thinking about selling your home or know someone who is, for a confidential, private, professional assessment of your home in today's market, please contact Stephen Howell at 410-923-3217.