

MarketNotes

A Publication of The Stephen Howell Realty Group, LLC at Coldwell Banker Residential Brokerage

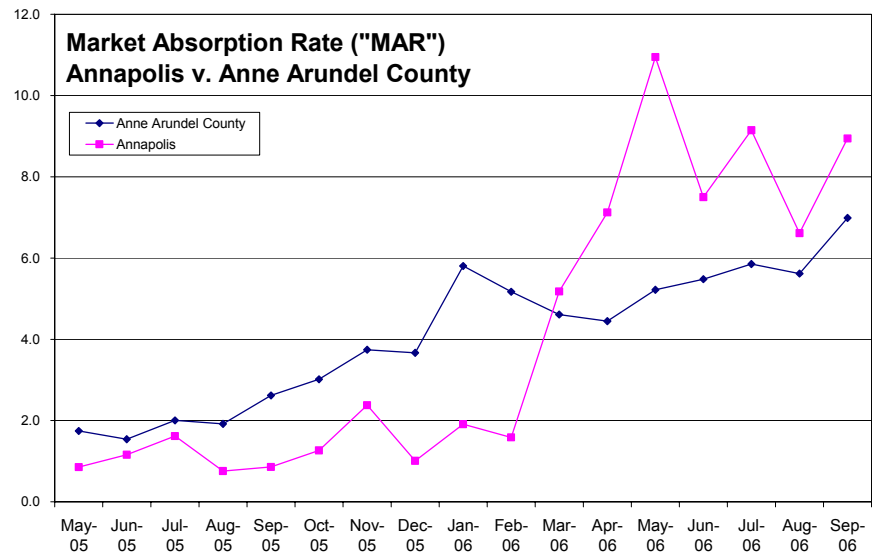
Market Conditions Remain Stable

It's a slow market, not a bad market. Inventory levels both in Anne Arundel County and Annapolis seem to be floating within a narrow range with the county level inventory around 4,000 active listings and the Annapolis area at 930 active listings (on 10/4/06). The Market Absorption Rate ("MAR") in Anne Arundel County was 7.0 for September, up from 5.6 in August, while Annapolis was 8.0 for September, up from 6.6 in August. The spread on the average sold price in Annapolis has increased to nearly five percent (5%) – i.e., sellers are getting only 95% of their asking price in about 78 days in Annapolis (the 21401, 21403 and 21409 zip codes).

Possible Causes

There are several causes that help us understand our current situation. These causes include fewer trade-up buyers in the market, stable but higher mortgage interest rates, and an upcoming November election.

Trade-up buyers are not yet able to purchase their next home until their current home is sold. While the sellers of higher priced homes are waiting for the trade-up buyers to come along from the pool of sellers of the lower priced homes, those sellers are in-turn waiting for the lower priced purchasers to step into the market – many of whom are first-time home buyers and for whom asking prices have become very high. Using industry accepted loan-to-value and debt-to-income ratios (80/20 loan-to-value and 28% debt-to-income



ratios), the income needed to qualify for the average priced home in the Annapolis area is \$130,000 – although many mortgage programs may have lower income thresholds.

An upcoming election in November – although not a Presidential year – may result in turn-over of control from the Republicans to the Democrats in some states and races. The impact here in Maryland and to Annapolis in particular may not be much – but – there is almost always an “election” effect, i.e., buyers and sellers will want to wait until after the election to see how all this shakes out before making big purchases of homes, cars, etc.

Observations

Sales bottomed out in the County in January of 2006. Although not nearly as high last month as the peak in June of 2005, the number of units sold during the last seven months has been fairly level – between 640 and 750 per month – not enough to absorb the excess inventory, but enough to keep the local housing market afloat.

And, as if we needed it, more bad

news may be on the way. Everyday we hear something about the housing bubble bursting. This morning was no exception – news from Moody's Economy.com, a private research firm, presented one of the starkest views yet on the housing market slowdown. The report projected more than 133 of the nation's 379 metropolitan areas would suffer price declines, including Washington DC. The only good news was to characterize our current situation as a “correction” not a “crash”. Furthermore, the report warns that falling home prices will impact other types of consumer spending.

Conclusions

We understand as real estate professionals how to help you as buyers or sellers take advantage of these trends. So, if you're selling or buying a home or know someone who is, for a confidential, private, professional consultation without any obligation to discuss today's real estate market, please contact Stephen Howell at 410-923-3217.