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Skyline Report: Home Prices Decline In Benton And Washington Counties

Staff Writer

The Arvest Skyline report was released today. The report is sponsored by Arvest Bank and conducted by the Center for Business and Economic Research in the Sam. M. Walton College of Business at the University of Arkansas (CBER).

Here's a summary of that report from Arvest:

Residential Skyline Report □ 2nd Quarter, 2009 Falling prices and values combined with supply slowdown signal that the residential market is nearing healthier balance.

In the new construction section of the market, which is how researchers at the Center for Business and Economic Research (CBER) gauge new supply being added in the market, 266 building permits were issued in the quarter. This is an increase from 185 that were issued in the first quarter of 2009. Looking at second quarter permit data from previous years reflects the magnitude of the building slowdown: 1,454 in 2005, 1,702 in 2006, 744 in 2007 and 416 in 2008.

Benton County accounted for 146 permits and Washington County for the remaining 120. The most active value range for building permits was the \$150,001 to \$200,000 range with 73 permits issued. Fifty-four permits were issued in the \$100,001 to \$150,000 range and 62 were issued for the \$200,001 to \$250,000 range. Over the last twelve months, the most active range has shifted slightly, up from the most active of \$100,001 to \$150,000 reported in the second quarter of 2008.

In past summaries, the number of complete, but unoccupied houses has served as an indicator of oversupply in the market. At its highest, 2,973 complete, but unoccupied houses were reported in the fourth quarter of 2006. Since that time this number has steadily declined and now stands at 741 complete, but unoccupied units reported this quarter.

The inventory of complete, but unoccupied homes declined this quarter as 382 houses in active subdivisions became occupied. This absorption rate is an increase from the first quarter of 2009 where 277 became occupied, but is a 53.9 percent decline from the second quarter of 2009 where 900 homes became occupied in active subdivisions. The current absorption rate implies that there is an 84.2-month supply of remaining lots in active subdivisions across Northwest Arkansas.

Moving away from new construction to the entire residential real estate market, including existing homes, there were 1,247 homes sold in the second quarter of 2009. This is a decline of 4.6 percent in sales from the same time period in 2008 where 1,307 were reported sold. Of the 1,247 homes sold, 267 were new construction homes.

The average sale price of a home in Benton County decreased by 11.6 percent over the last 12-months from an average of \$181,215 in the second quarter last year to an average this quarter of \$160,114. In Washington County, the average sale price decreased by 10 percent year-over-year from \$184,158 to \$165,824. In looking at the average price per square foot, Benton County prices fell 15.5 percent to \$75.41 and average Washington County prices fell 13.2 percent down to \$83.50 over the same quarter last year.

Researchers at the Center for Business and Economic Research believe that the falling prices, while not a desired result of the market's oversupply and current economic conditions, when combined with lower but steady demand and greatly decreased supply levels will lead the NWA residential real estate market back to a healthier balance than has been seen in some time.

Following is a release regarding the report:

FAYETTEVILLE, Ark. (August 12, 2009) □ Arvest Bank today released second quarter results of its Skyline Report on residential real estate in Northwest Arkansas. This report signals that the residential real estate market is nearing a healthier balance as indicated by more sustainable levels of inventory and enough demand to match, or slightly exceed, the much smaller supply of new homes coming onto the market.

Todd White, senior vice president commented, "This is the first residential skyline I've looked at in some time that let me think we may be about ready for an upswing in the real estate market in Northwest Arkansas. While I don't think we're there yet, the market has begun to absorb some of the abundance of supply we were facing several quarters ago and that is very encouraging."

Looking at the supply side of the equation two key indicators of supply continued decreasing during the quarter. The number of complete but unoccupied homes this quarter (741) has decreased 75 percent from its high in late 2006 (2,973) and has decreased more than 50 percent from the same quarter last year (1,566). The number of building permits issued during the quarter (266) for future construction decreased 36 percent from the second quarter of 2008 (416) and is 64 percent below the number issued in the same quarter of 2007 (744).

Commenting on this quarter's report, Kathy Deck, lead researcher for the Skyline Report at the Center for Business and Economic Research at the Sam M. Walton College of Business, said, "While no one ever likes to see a market's home values fall like we see in this report, we've been warning for some time that the degree of oversupply that we experienced almost always leads to price pressures. When you factor in the national and regional economic conditions, some price deterioration was inevitable. Now that prices have fallen in a significant way, we can start looking for market stabilization and balance in the coming months. This is the recipe for sustainable residential real estate development in Northwest Arkansas."

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The report also shows decline in home prices both the average price of homes sold and the price per square foot. Benton County average prices decreased by 11.6 percent over the last 12 months from an average of \$181,215 in the second quarter last year to an average this quarter of \$160,114. In Washington County, the average price decreased by 10 percent year-over-year from \$184,158 to \$165,824. Looking at price per square foot, Benton County fell 15.5 percent to \$75.41 and Washington County fell 13.2 percent down to \$83.50 over the same quarter last year.

The Arvest Skyline Report is a quarterly analysis of the latest commercial, single-family residential and multifamily residential property markets in Benton and Washington counties. The report is sponsored by Arvest Bank and conducted by the Center for Business and Economic Research in the Sam. M. Walton College of Business at the University of Arkansas (CBER).

In 2004, Arvest Bank entered into a contract with CBER to collect information about the local real estate markets. CBER researchers aggregated and analyzed data from local governments, property managers, visual inspections and the business media to provide a complete picture of the status of property markets in the two counties.

The Center for Business and Economic Research at the Sam M. Walton College of Business provides excellence in applied economic and business research to federal, state and local government, as well as to businesses currently operating or those that desire to operate in the state of Arkansas. The center further works to improve the economic opportunities of all Arkansans by conducting policy research in the public interest.

Arvest Bank ranks highest with satisfaction in retail banking for the southeast region according to the recently released J.D. Power and Associates 2009 Retail Banking Study. Arvest Bank operates more than 200 bank branches in Arkansas, Oklahoma, Missouri and Kansas through a network of 16 locally managed community banks, each with its own board of directors and management team. These banks serve customers in 90 communities with 12-hour weekday banking at most locations. Arvest also provides a wide range of banking services including loans, deposits, treasury management, asset and wealth management, life insurance, credit cards, mortgage loans and mortgage servicing. Arvest operates a mortgage company, asset management company, insurance division and mortgage servicing company.

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