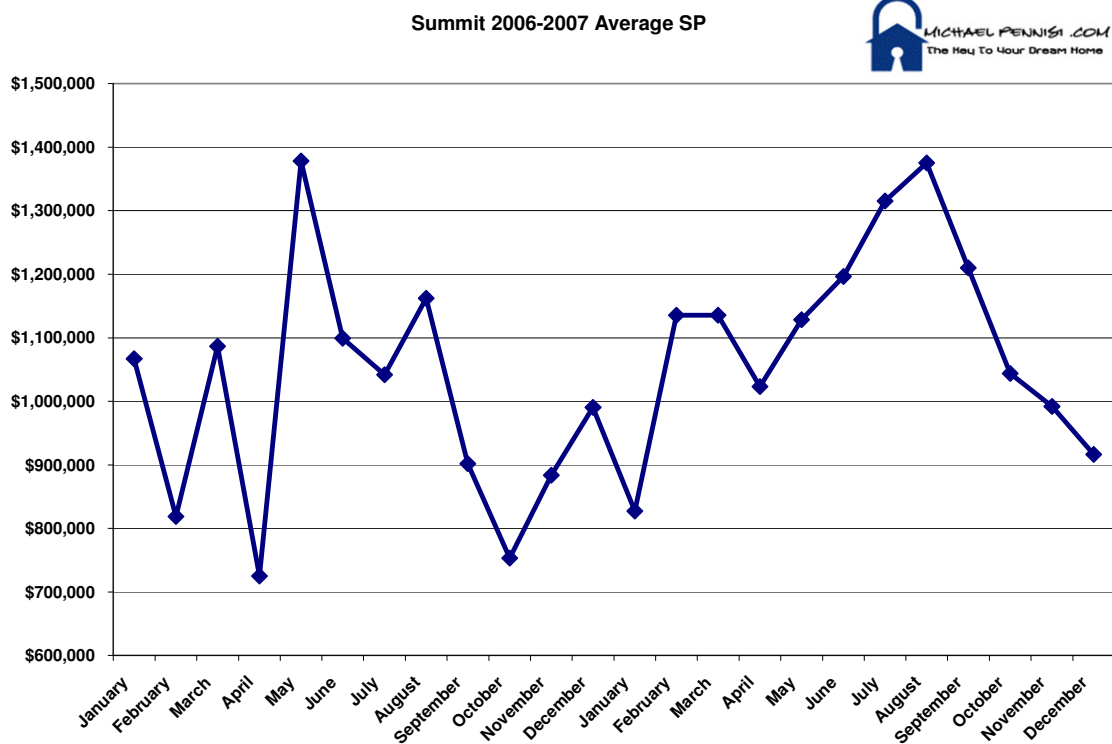


## **The Summit, NJ Housing Market Trends for 2006 to 2007**

Who ever first said, "Don't believe everything you hear" must have been quite familiar with mass media. Newspapers, televised special reports, and radio broadcasts have been forecasting a depreciating housing market for sometime. In fact, these scare tactics have been a catalyst in creating a national influx of homeowners looking to sell their home before the market gets worse. Generally speaking, this increase in inventory, or supply, inevitably led to a decrease in price. The entire domino effect is all too reminiscent of an Economics 101 lecture. I can hear my professor now, "An increase in supply with a relatively constant demand slides the price down the curve until equilibrium is met." As simplistic as this theory may sound, I realize many Realtors wish their sellers could relate. Fortunately, not all sellers need to come to grips with high levels of depreciation. Regardless of what the media may claim, some markets are still thriving today. As a Summit, NJ Realtor I am proud to claim that Summit is one of these rare markets.

To better illustrate this positive trend across the Summit, NJ market; I researched every sold home in the past two years and developed a monthly price point that can be seen visually. As any real estate savvy individual can attest, there are many different statistics that can be used to dictate a market's success. I concur with this opinion and thus analyzed different ratios including the average sale's price, average original list price, average list price, and average days on market. I also analyzed the average list to sale price ratio; however, this statistic did not provide a useful trend as it remained fairly constant. Once I concluded this research, I used these averages to formulate comparisons between 2006 and 2007. Below I have broken down each statistic with a brief explanation of what is occurring in the most recent months.

## The Average Sale's Price of Homes Sold in Summit, NJ 2006 – 2007

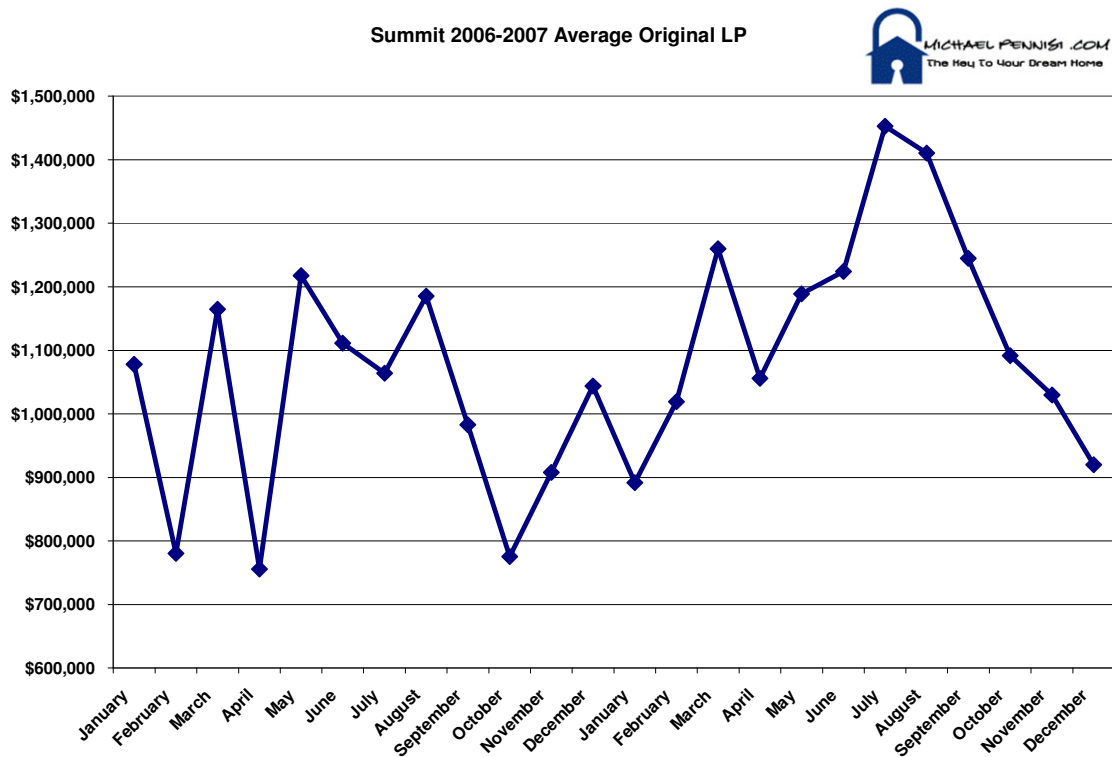


Graphically, this portrays the average sale's price of all of the homes sold in Summit, NJ for the past two years. One point I immediately noticed, was a downward sloping trend seen from August to December of 2007. Although most media outlets would contend that this is the market reacting to recession, I caution the public to look more closely. From August to November of 2006 we have witnessed a similar trend. This is due to the cyclical nature of real estate. What I contend is, regardless of the December "year-end" average, which happens to be 8 percent lower for Summit from December 2006 to December 2007, the overall yearly average is more reflective a statistic. When I averaged all of 2006's monthly data and compared this number to the average of all of 2007's monthly data I found a ten percent appreciation from 2006 to 2007. Monetarily the average sale's price went from \$992,181 in 2006 to \$1,108,160 in 2007. This is quite a significant rise for a one year period.

This rise in the average sales price for Summit, NJ homes was also met with an increase in the amount of homes sold. Summit had 273 homes sold in 2006. Compared to Summit's 290 sold homes in 2007. This equates to a 6

percent increase in homes sold. Further more, the combination of higher sale's prices and an increased amount of homes sold, drove Summit's overall sale's volume considerably higher. In 2006, Summit NJ's total sales volume was \$279,955,340. In 2007, this same figure rose to \$331,482,507, a substantial increase of \$51,527,167 or 16 percent.

### The Average Original List Price of Homes Sold in Summit, NJ 2006 – 2007

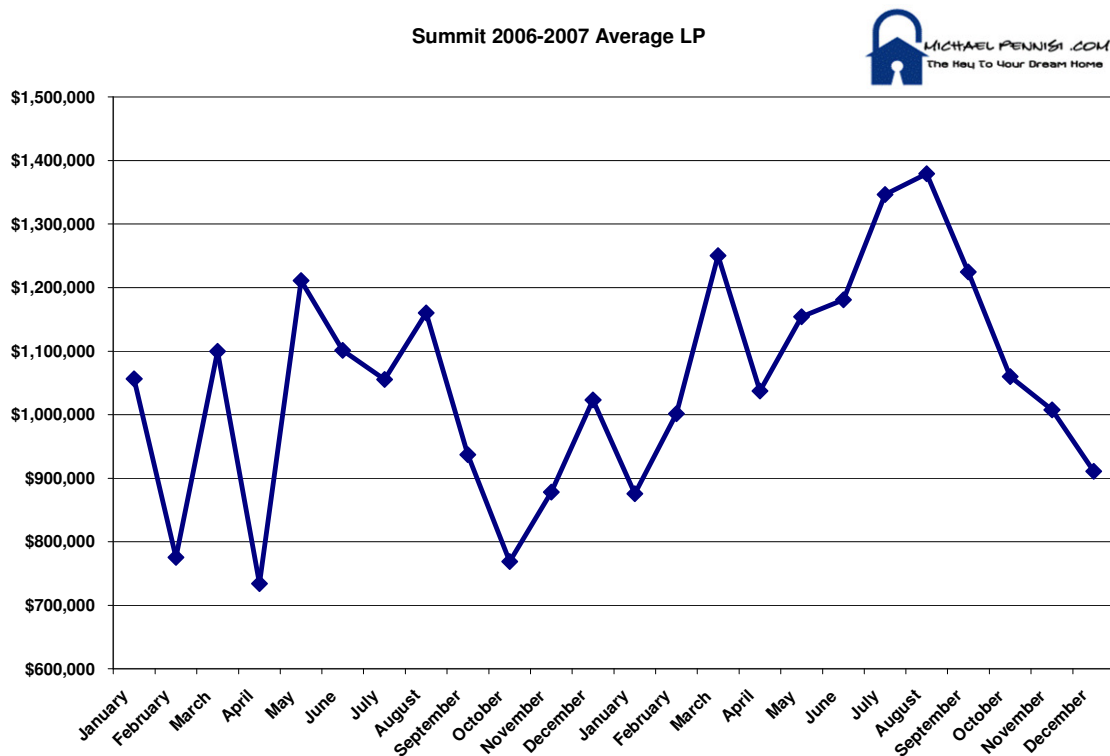


This chart analyzes the average original list price for the Summit market from 2006 to 2007. I, personally, find this chart to be important because it is a clear reflection of how Summit's sellers are responding to the market. Since the original list price clearly references the initial price point a seller has decided upon, it gives a clear perspective of the average seller's expectations. As you may have noticed, Summit's sellers expected the most for their homes in July and August of 2007. This is understandable because homes sold in July and August were, more then likely, entering the market in the spring; typically our

strongest market. Since that point, we have seen a progressively downward sloping trend. Fortunately, we still remain above the numbers seen for last year's December market; however, as I mentioned above this is not the most crucial element to consider.

One aspect we need to reflect upon is why these sellers have suddenly entered the market at lower positions. With an average original list price consistently above a million dollars, Summit, NJ homes have target markets specific to the New York City business person looking for an easy commute into the city. Given Summit's location and the fact that it remains a transportation hub along the Midtown Direct train line this target market has continued to respond over time making Summit's real estate more and more desirable. The problem, however, is that many of these business people were questioning their bonuses this year due to other economic indicators. This diminished the amount of ready, willing, and able buyers actively searching for the past few months and sellers took notice. Consequently, prices dropped to meet the levels of demand and homes began to sell again. In fact, as I am writing this in late January, I have noticed a tremendous increase in buyer activity since January 1st. Buyers have taken advantage of these lower prices and the historically low interest rates being offered. The combination is affording these buyers more home for their money.

## The Average List Price of Homes Sold in Summit, NJ 2006 – 2007

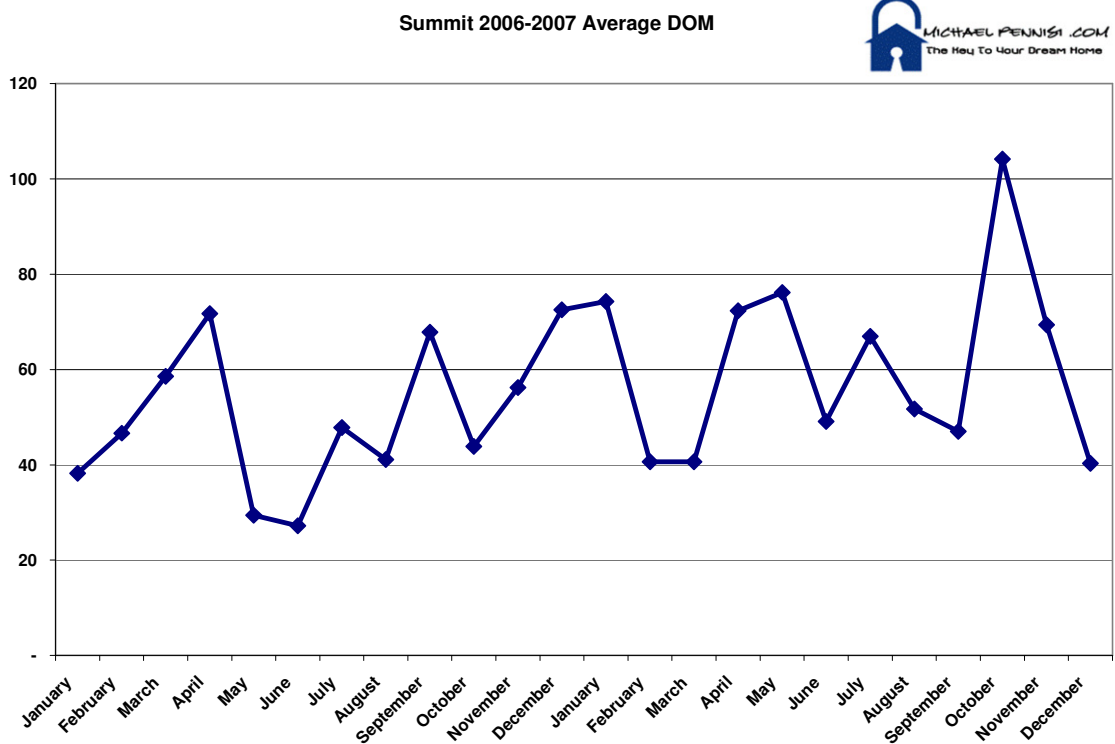


The average list price is a statistic that connects the average original list price to the average sale's price. The best way to examine this chart is to consider the order of events. If a Summit seller decides to enter the market at a given price, we refer to this price as the original list price. Although this price is what the seller expects, or at least hopes, to render from the transaction, this does not mean that the market agrees. Buyers may view the home and not perceive the same value. Over time this seller will need to reposition, in other words lower the price, until the market responds with an offer. Thus the average list price represents the value in which buyers decided to make an offer. Keep in mind, the buyer's offer may be higher or lower than this list price, yet this is the price in which buyers responded. Since we can observe that Summit's average list price graph is extremely similar to Summit's average original list price graph, we can conclude that sellers are generally getting what they ask for. The slight inconsistencies will occur when sellers overprice their homes and need to adjust.

This is reflected in the list to sale price ratio, however, as I mentioned above this ratio has been relatively consistent over time.

Finally, it is important to view the past four months carefully because as the average list price falls from August to December, the total amount of sold homes was also steadily declining for three of these months. This means that seller's were becoming aware of the non-real estate related issues I discussed under the average original listing price section above. These Summit sellers realized that price would feed this demand. In fact, once the Summit average sale's price reached a level, buyers deemed acceptable, we saw an increase in sales.

## The Average Days on Market of Homes Sold in Summit, NJ 2006 – 2007



Unlike the three charts above, which primarily dictate the seller's view of the market; the average days on market is a statistic that enables us to visualize the market from the eyes of a buyer. Here we can see how long it takes the average listing to receive an offer or, in real estate terms, go under contract. The reason I label this chart, the buyer's perspective, is because this chart helps us see how quickly buyers will respond to the average new listing. The longer it takes for the average listing to sell, the less desirable a market may be. October 2007 is a prime example of a lackadaisical summer market because homes sold in October were, primarily, the same homes that went under contract in August after sitting on the market for the summer months. As we can conclude the fall market saw a legitimate decline in days on market. In fact, December 2007's days on market are among the best in the past two years. This means that those homes priced correctly are still selling quickly.