



Hot Springs Village Quarterly Real Estate Update Through June 2021

Description

By Lloyd Sherman, July 6, 2021

This quarter's report reflects the addition of a couple of items requested from the May, 2021 report. Those being the addition of previous years' data basically covering the last five years. However, the current year will still be compared to the previous year's data through the reporting quarter. The other is the addition of Median Selling Price information.

[Information provided comes directly from our MLS \(Cooperative Arkansas Realtors MLS – CARMLS\) and contains only information from within the Village boundaries. Other sources may be providing their statistics based on zip code and most of them also contain lot and townhome information, which my quarterly report breaks out as their own categories.](#)

Single family properties sold through 6/30/2021

- **331 for 2021**
- **Available for sale = 36**
- Average selling price – \$297,530
- Median selling price – \$250,000
- Average price per square foot – \$123.35
- Average date on market – 30
- Under Contract – 66
- Taking Backup Offers – 21

Properties sold through 6/30/2020

- **261 for 2020**
- **Available for sale = 141**
- Average selling price – \$228,296
- Median selling price – \$198,000
- Average price per square foot – \$99.93
- Average days on market 77
- Under contract 67
- Taking backup offers 40

What does this tell us?

1) **Inventory remains low** plus time on the market continues to be less than half the time we experienced last year. While inventory remains low, we have experienced an increase of **27%** sold houses over what we experienced last year. Houses hitting the market are selling, on average, in less than half the time of the previous two years. In many cases, houses are getting contracts on them within hours of being listed. In some cases, offers are exceeding the asking price, and again in cases we have had bidding wars. While I am sure we have differences of opinion on this, this writer believes we are near, or at, the peak of this market. We have reached a point where buyers are pushing back on asking prices. Again, time will tell.

2) Both average selling price and price per square foot have increased significantly, and while the price per square foot has seen an increase, the numbers here appear to be more reflective of sales in the \$300K and above categories. For instance, in 2020 57 properties were sold in above \$300K; this year it has been 117, or a **129%** increase. Much of that increase is actually in properties sold in the above \$600K category at 18 this year vs 3 last year.

3) The reported number above for 2021 includes the sale of 26 new builds that have been closed.

Caution: Keep in mind that these numbers only include transactions that have gone through the MLS and as such, the new build number will not include those where lot owners have contracted directly with a builder.

Speaking of Lots of Lots

This category continues to be a shining star. YTD of 2021 shows 156 MLS lots bought and closed. Last year at this time it was 30. Additionally, the last report I received on POA lots sold indicated that another 64 lots had been sold with 27 of those being through the Real Estate Partner Program. **A conclusion could be arrived at that due to low inventory, building will continue which is a good trend. However, the downside of this equation is spiraling costs of lumber and material as well as a shortage of labor.**

Opinions of the writer

1) Building – Average cost per square foot is now at \$151.89, and even up for custom builds. So now for a 2,000-square foot house, you are looking at \$300K. The price of materials has skyrocketed to the point where some builders can't calculate a selling price until the bulk of their materials have been ordered, and in some cases actually received. Will this continue? Probably for the near term. A number of agents who have been in the business a lot longer than I are shaking their heads as to what is going to happen.

2) Existing House Sales Market – There are some signs that we are at, or near, the peak of this market cycle. Low inventory is still demanding high prices to secure a property, but for those with a mortgage need, they may find themselves on the outside looking in when an appraisal doesn't come back supporting the sales price of a house and that has begun to happen.

3) Cash Sales – As reported last month, the other aspect that enters the picture is the cash buyer. They are flush with cash and an appraisal doesn't impact them, EXCEPT, they have now locked themselves into houses that may never (or might not for a long period of time) be worth what they paid for it so they are upside down.

4) How long? Your guess is as good as anyone else's. Inflation is here and at some point interest rates are going up. If the government raises taxes, it will further squeeze the middle to low-income wage earners. So much like the military was, we hurry and then we wait to see what will happen.

DISCLAIMER: The above represents only my opinions and the questions I have about the current market conditions and how much further buyers will go before price becomes a limiting decision. The fact that many are fleeing high density areas and relocating to places like the Village should be a favorable sign for us, but like most things these days, time will tell.

Feel free to reach out to me by email at lesherman1948@gmail.com if I can answer any questions for you.

First Six Months 2021 V First Six Months 2020

[5-Year-History-Through-Jun-21](#)

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