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## Residential Values in Benton County: Current Outlook

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# RESIDENTIAL VALUES IN BENTON COUNTY: CURRENT OUTLOOK

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Produced for the Office of the Benton County Assessor

CENTER FOR BUSINESS AND ECONOMIC RESEARCH

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## INTRODUCTION

The purpose of this report is to evaluate the current underlying economic conditions in Benton County, Arkansas as they relate to the growth in the valuation of residential property values. First, the economic section provides some details of employment and population growth during the last two years. The second section discusses residential sale values and how they have changed from 2007 to 2008. Data from the Office of the Benton County Assessor and from the Arkansas REALTOR Association are used to demonstrate the change in property valuation.

## ECONOMIC OVERVIEW

Local demand for real estate is uniquely associated with employment growth in the region. The Northwest Arkansas employment situation has been extremely conducive to both residential and commercial development in last five years. However, since mid-2007, employment growth rates have moderated substantially. Figure 1 shows the trend in employment levels in the Fayetteville-Springdale-Rogers MSA from January 2007 to December 2008. November was the first month in 2008 that Northwest Arkansas started losing jobs, on a year-over-year basis. The most recent monthly data show a 1.2 percent employment decline from December 2007 to December 2008.

Figure 1: Fayetteville-Springdale-Rogers MSA Non-Farm Employment

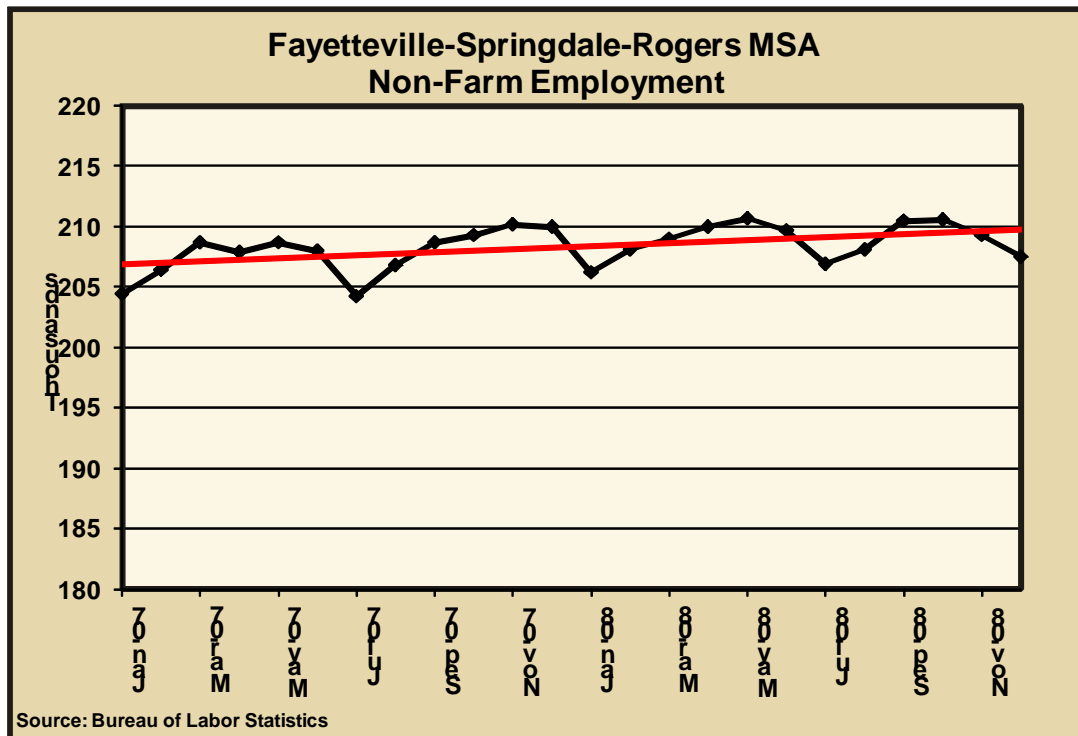
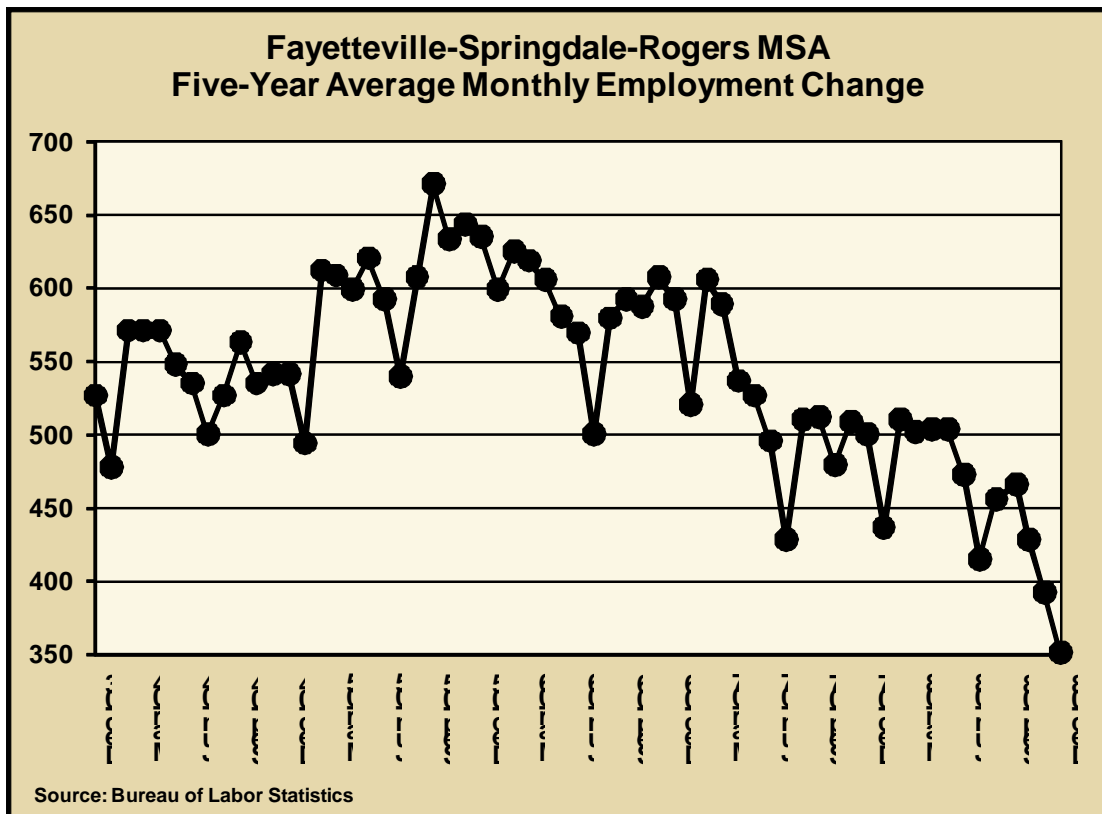


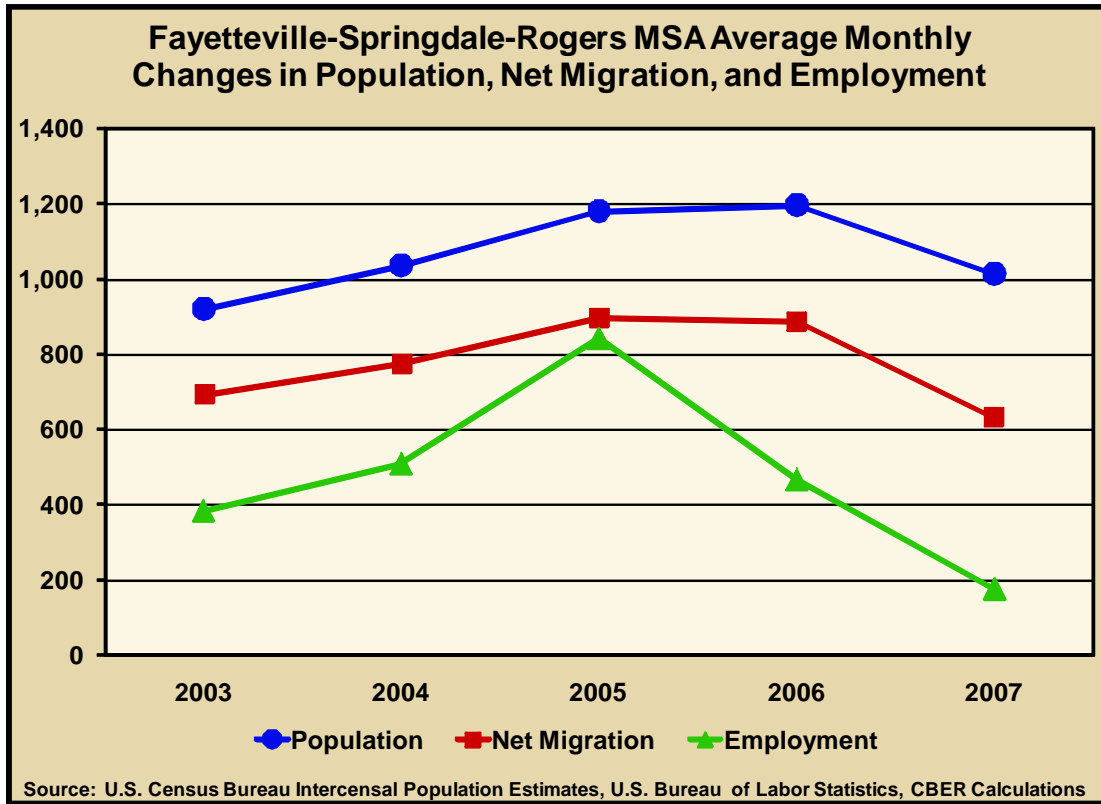
Figure 2 illustrates how average Northwest Arkansas monthly employment, calculated over the previous 5 years, has varied. The graph clearly demonstrates the torrid pace of growth from late 2004 to early 2007. In September 2005, the 5-year average monthly employment growth peaked at the creation of 670 jobs per month. This compares to the creation of a five-year average 351 non-farm jobs per month in December 2008 (by preliminary data), the lowest number over the last 5 years.

Figure 2: Fayetteville-Springdale-Rogers Five-Year Average Monthly Employment Change



The final graph in this section shows the relationship between average monthly population growth, net migration, and employment growth in Northwest Arkansas from 2003 to 2007 (the most recent data available). While the correlation is not perfect, the tendency for population growth and net migration to track employment growth is clearly visible. Figure 3 shows that as employment growth declined in 2006 and 2007, the rate of growth in population and net migration also fell.

Figure 3: Fayetteville-Springdale-Rogers MSA Average Monthly Changes in Population, Net Migration, and Employment



## HOUSES SOLD IN BENTON COUNTY

Using a snapshot of the database of all parcels from the Office of the Benton County Assessor, an evaluation of the average and median prices of sold residential improved parcels for the period of 2007 – 2008 is possible. The information available shows the most recent sales price for each parcel that was transacted between 2007 and 2008. This analysis is limited to residential improved properties because of the difficulties associated with having multiple parcels included in a single sale price. Duplicates (parcels sold at the same date from the same grantor to the same grantee at the same price) and parcels with \$0 prices were not included in the data analysis that follows.

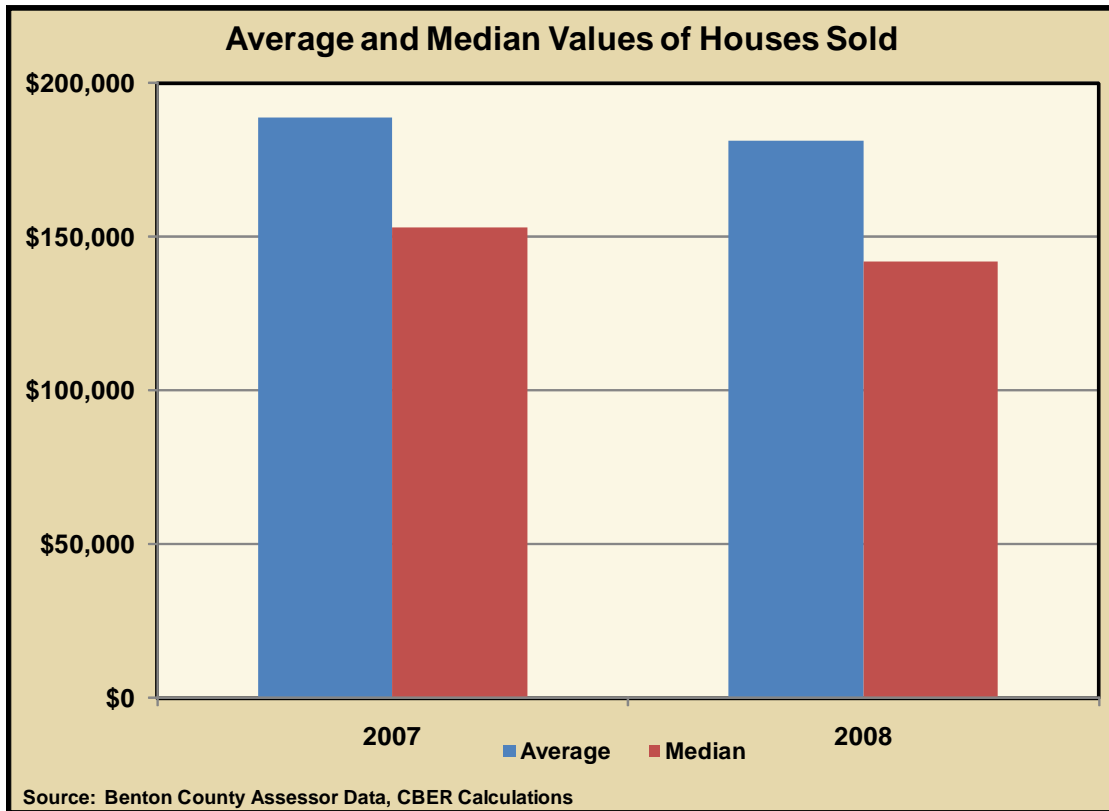
On average, prices of residential improved parcels sold in Benton County declined by 4.0 percent from \$188,818 in 2007 to \$181,311 in 2008 as seen in Table 1 and Figure 4. Meanwhile,

median sold prices declined by 7.2 percent during the same time period from \$153,000 to \$142,000.

Table 1: Average and Median Prices of Houses Sold, Benton County Assessor Data

Price	2007	2008	Change, 2007 - 2008
Average	\$188,818	\$181,311	-4.0%
Median	\$153,000	\$142,000	-7.2%

Figure 4: Average and Median Values of Houses Sold, Benton County Assessor Data



As a basis of comparison, the evaluation of sold houses' average and median prices for the period of 2007 – 2008 was made also using the Arkansas REALTOR Association data. The results of the analysis of Benton County sold houses data is presented in Table 2. According to the Arkansas REALTOR Association, the average values of houses sold in Benton County decreased by 5.3 percent from \$191,758 in 2007 to \$181,588 in 2008. Meanwhile, median values declined from \$157,050 in 2007 to \$146,000 in 2008. The total number of houses sold in Benton County by REALTOR Association declined by 19.1 percent during the previous year.

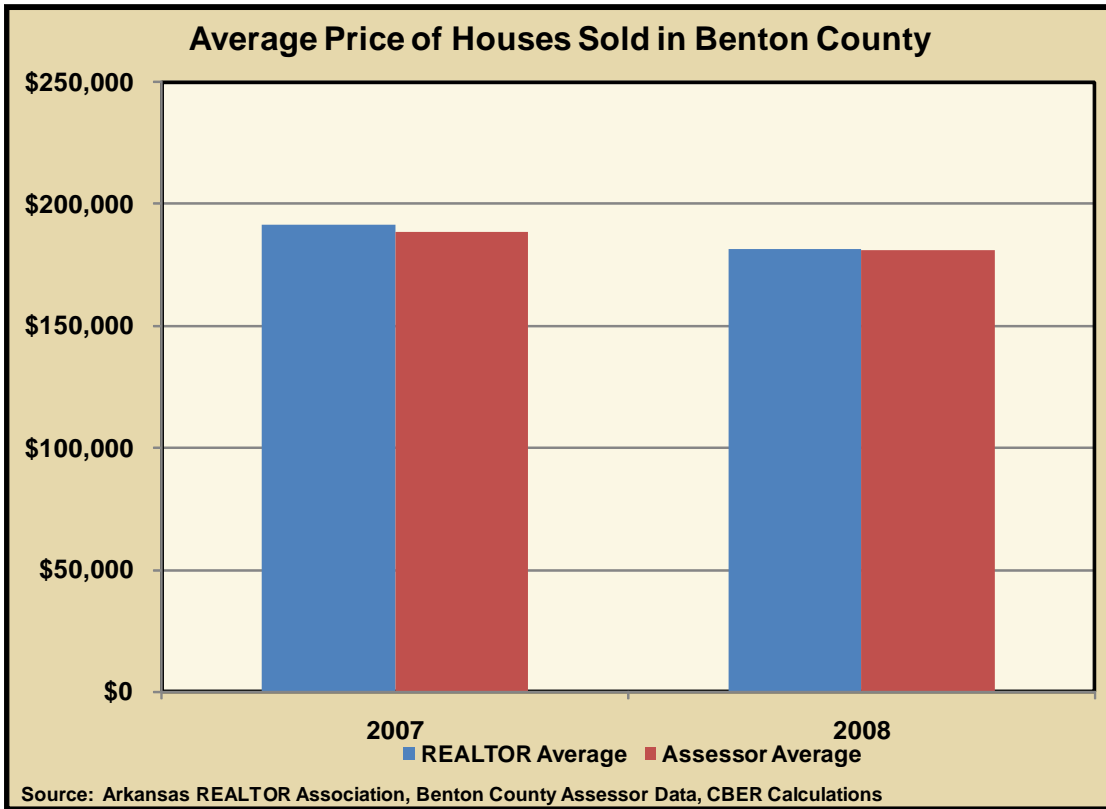
Table 2: Descriptive Statistics of Houses Sold in Benton County, Arkansas REALTOR Association Data

<b>Category</b>	<b>2007</b>	<b>2008</b>	<b>Change, 2007 - 2008</b>
<b>Average Price</b>	\$191,758	\$181,588	-5.3%
<b>Median Price</b>	\$157,050	\$146,000	-7.0%
<b>Average Price per Sq. Foot</b>	\$94.95	\$86.47	-8.9%
<b>Median Price per Sq. Foot</b>	\$93.88	\$86.62	-7.7%
<b>Average Duration</b>	152	152	0.0%
<b>Median Duration</b>	114	118	3.5%
<b>Number of Houses Sold by RELATORS</b>	4,039	3,269	-19.1%

Finally, Figure 6 compares the average values of houses sold in Benton County as reported by Arkansas REALTORS Association and house prices (the prices of residential improved parcels sold) from the Benton County Assessor's database. As can be seen from the graph, the average prices from these two sources decreased similarly. The average price of residential improved parcels sold in 2008 from the Assessor's database was just slightly lower than the average price from the Arkansas REALTOR Association.



Figure 5: Average Price of Houses Sold in Benton County



Overall, the preceding data clearly show that the sales prices of residential improved properties declined from 2007 to 2008 in Benton County.