MEMORANDUM

CITY OF NOVI
cityofnovi.org

TO: VICTOR CARDENAS, CITY MANAGER

FROM: EZEKIEL CHOJNACKI, GRADUATE MANAGEMENT ANALYST

SUBJECT: RESIDENTIAL AND CONDO MARKETS IN NOVI AND OAKLAND COUNTY

DATE: SEPTEMBER 5, 2023

Mayor and Council –

Please see some interesting data sets that staff has been tracking. The Novi housing market remains strong however, the overall housing market seems to be cooling off a bit.

- Victor

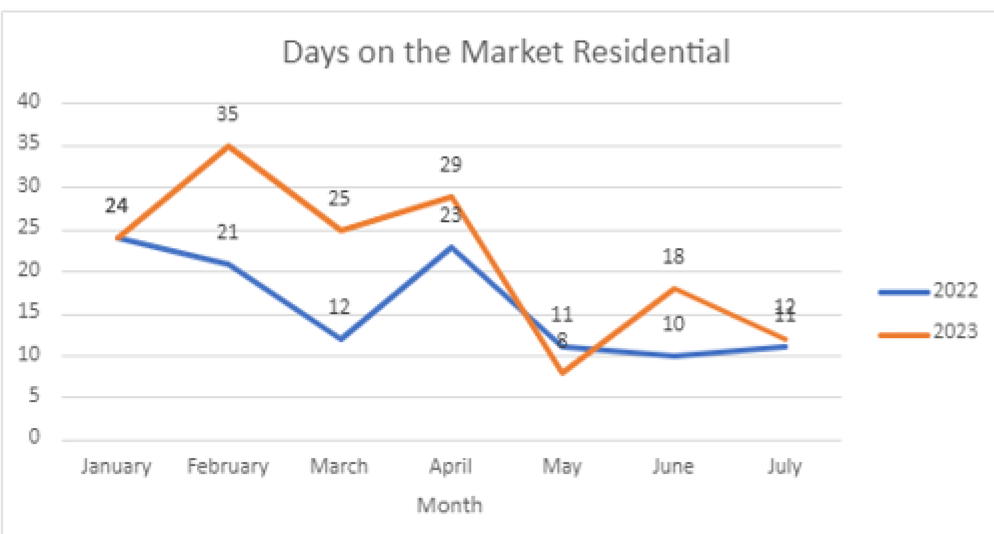
Executive Summary:

City staff has been analyzing the 2022-2023 residential and condo markets in Novi and Oakland County. The data has month-to-month composites of new listings, pending sales, closed sales, days on the market until sale, median sales price*, average sales price*, percent of list price received*, inventory of homes for sale, and months' supply of inventory. The data is over the 2022-2023 period for January-July.

Novi is experiencing the effects of a slowing and stagnating property market. Nonetheless, Novi excels within Oakland County and demonstrates its high value. Residents can expect the slowing market to continue and sale periods to remain long.

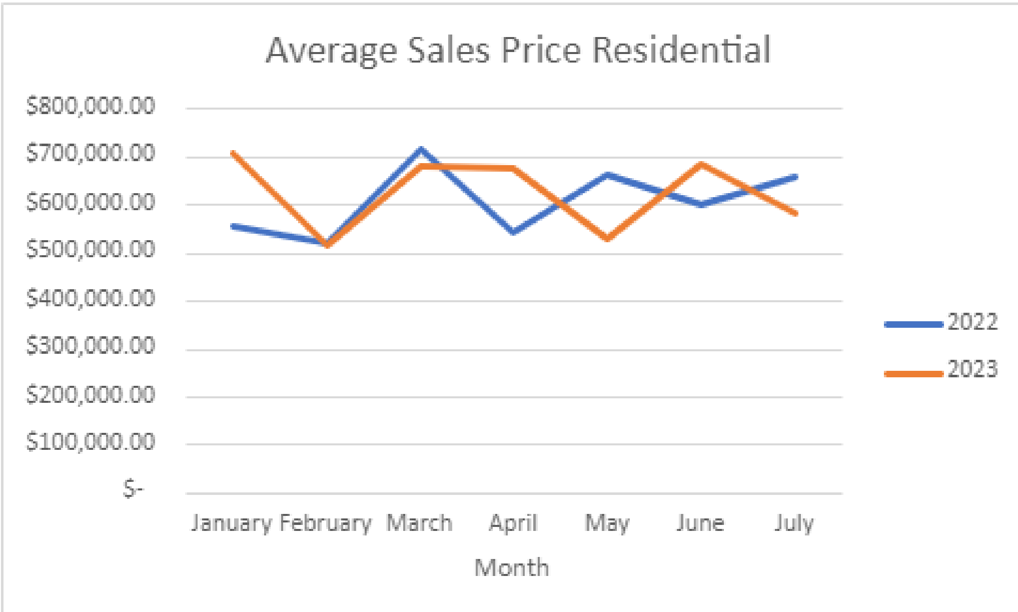
Novi Data:

There is a significant change between the market in 2022 and 2023 in Novi. New listings, pending sales, and closed sales have significantly fallen in residential and condo markets. Focusing on the residential market, new listings fell 41%, pending sales fell 36%, and closed sales fell 44%. This contributes to a smaller inventory in 2023. Notably, the number of days on the market has risen compared to 2022 for almost every month. The average time on the market is now 21.5 days compared to 16 days in 2022.



Graph of Days on the Market for Residential Properties in the City of Novi (Figure 1)

Although we see these trends in extended sales periods and fewer homes on the market, the actual average sales price is relatively unchanged. Between 2022 and 2023, the average sales price only increased by 3% over the period studied (2023 average sale price $626,607 compared to 2022 $608,591). Inflationary forces easily explain such an increase. Residential prices fell relative to overall inflation, which was an average of 6% over the study period.[1]



Graph of Average Sales Price for Residential Properties in the City of Novi (Figure 2)

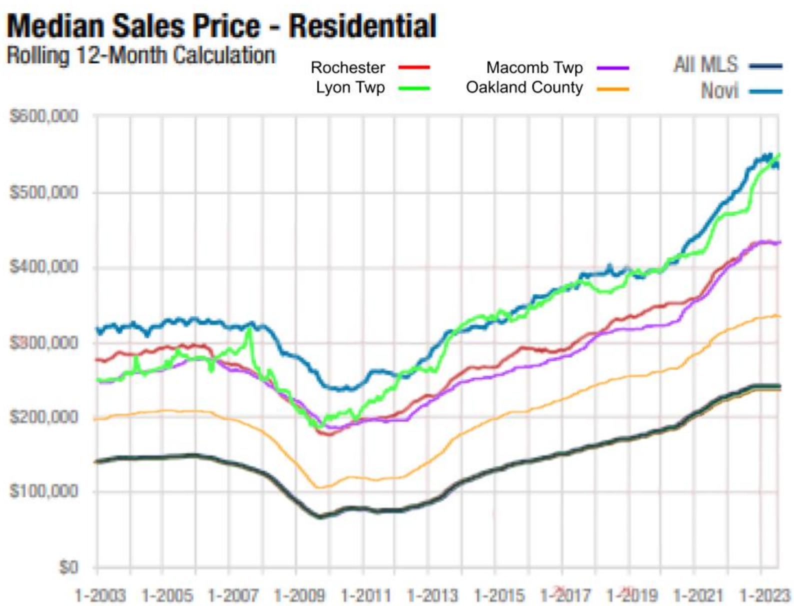
Finally, 2023 saw a lower percentage of the price received compared to the initial list price. It is difficult to determine causality, but this could be caused by more accurate listing prices or extended sale periods. According to statistical analysis of our data, we can explain 42% of the percent list price received with how many days a property spent on the market.

Oakland County Data Comparison:

Data from Oakland County has far less variation due to the larger sample size. All the trends discovered in Novi persist in the Oakland County data. Comparing Novi to Oakland County averages illuminates Novi as a high-value location within the county. Residential properties in Novi are worth almost 1.5 times (1.46) as much as the average residential property in Oakland County. Additionally, while Oakland County properties spent an average of 29.6 days on the market, Novi properties spent only 21.5 days in 2023. Novi also has a proportionately higher number of condos than the rest of Oakland County. Although Novi is only an estimated 2.2% of the residential market, it is an estimated 5.2% of the condo market.

Other Communities:

The markets in Rochester, Lyon Township, and Macomb Township display the same market trends as Novi. It is important to remember that most fluctuations in the housing market are due to national and regional trends. Individual cities have very little influence on the market trends within their city.



Future Implications:

Relative price stagnation could significantly affect migratory patterns in the City of Novi, such as leading residents to stay longer before moving. Residents can also expect properties to remain on the market for more extended periods than in the past few years. Looking toward future sales, the city has developed an advanced interactive (https://experience.arcgis.com/experience/27fe8f9f6aa4410bbfdb65e9db1b2d63) map that shows home sales across the city from 2020 to 2022.

1. https://tradingeconomics.com/united-states/inflation-cpi