THE REAL ESTATE REPORT

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A monthly column on the real estate market and related issues in the upper Hudson River Valley by Roderic H. Blackburn, principal of R. H. Blackburn & Associates, Inc.— Real Estate of Hudson and Kinderhook, NY. It also appears in *Berkshire HomeStyle* and *Capital District HomeStyle* magazines. If received in error notify blackburn@berk.com. Questions welcome.

Lies, damn lies, and statistics

— attributed by Mark Twain to Benjamin Disraeli

When it comes to the real estate market that quote easily comes to mind. Selective quotation and interpretation of the facts of real estate sales are the grist of the mill of some commentators, pundits, and especially those who make their living off of this market.

There equivocal terms used to describe what ever is happening in the market, designed to soften the blow of unfavorable news so that buyers and sellers will not take precipitous action. A down market is said to be "softening," "correcting after over exuberance," or "stabilizing" when in fact it may have entered a long term down trend.

If sales of new housing are down, a housing commentator may point with upbeat enthusiasm to the fact that existing house sales are "holding their own;" or that sales are off more elsewhere in the country; or that interests rates are still historically low and will likely support sales. Same facts, selective interpretation or comparison.

To avoid the bias of interpretation I think it best for everyone to look at the facts and figures of the market and draw their own conclusions. Since the real estate market is highly variable from state to state, and even locality to locality, we should pay attention first to our own area first.

Columbia County trends

The table shows what has happened in Columbia County in the last three years in residential sales. It is divided by selling price because there are significant differences in trends at each price level: 1) up to $250,000 selling price, 2) $250-499,999, 3) $500-999,999, and 4) $1,000,000 and over. The median price is the midpoint of the price range, half of all sales above and half below this figure. Square footage (of the living floors) is an average. DOM is days on market before closing, an index of how long it takes to sell a house. This is also an average.

All figures are for years ending on May 25, giving you the most up-to-date comparisons. The percent part of the table at the bottom converts the figures above to percentages for easier comparison.

Number of sales

In the last 12 months the number of houses sold has decreased 11% (vs +11% the prior year). The biggest decrease has been in the under $250,000 houses (which constitute half of all county sales), down 20%. Sales were down just 3.5% in the next two price levels, but up 114% in the over $1,000,000 houses. The latter is a small number (15 sold or 2.2% of all sales), so this may not be so significant.

During the same period, with sales down, there was a 14% increase in the number of houses for sale. Starting in April 2005 the number of houses offered for sale began to jump in the county as people decided it was time to sell. This is a reversal of a nine year trend of fewer and fewer houses for sale. The result has been an imbalance in the supply vs demand ratio which is now being corrected by reducing asking prices. If you look at the number of reductions in the asking price of houses for sale over the last year you will note there has been a lot of them, much more than in prior years.

Yr to date		AvSale$ under $250k	Av Sales$ 250-499k	Av Sale$ 500-1000k	Av sale$ $1m+
5/25/04	# sales	471	381	46	6
	Median Price	$140,000	$325,000	$733,563	$1,793,750
	Sq Ft	1400	2100	2917	3561
	$ per Sq Ft	$100	$155	$251	$504
	DOM	104	125	201	128
5/25/05	# sales	442	227	78	7
	Median Price	$165,000	$323,500	$709,591	$1,714,286
	Sq Ft	1362	2150	1892	3283
	$ per Sq Ft	$121	$150	$375	$522
	DOM	92	115	208	316
5/25/06	# sales	354	219	75	15
	Median Price	$175,000	$335,000	$655,000	$1,300,000
	Sq Ft	1367	2100	2800	3500
	$ per Sq Ft	$128	$160	$234	$371
	DOM	97	122	166	129
2004-5	# sales	-6.16%	-40.42%	69.57%	16.67%
	Median Price	17.86%	-0.46%	-3.27%	-4.43%
	Sq Ft	-2.71%	2.38%	-35.14%	-7.81%
	$ per Sq Ft	21.15%	-2.78%	49.14%	3.66%
	DOM	-11.54%	-8.00%	3.48%	146.88%
2005-6	# sales	-19.91%	-3.52%	-3.85%	114.29%
	Median Price	6.06%	3.55%	-7.69%	-24.17%
	Sq Ft	0.37%	-2.33%	47.99%	6.61%
	$ per Sq Ft	5.43%	6.09%	-20.19%	-59.18%
	DOM	5.43%	6.09%	-20.19%	-59.18%

Median prices

The median price of all sold houses over the last year was up 9%. But that follows the prior year when prices were up +29%. Here is a case where year to year comparison is essential. 9% looks good until you see the year before. The rate of price increase, which has been going up strongly for several years, is now slowing significantly.

Looking within the sales — by price level — we see a definite pattern. The lowest priced house sales (under $250,000), were up 6.6% in median price in the last 12 months (even as the number sold was down 20%, see above). But as one goes up the price ladder, the median price dropped: 3.5%, -7.7%, and, for those over $1,000,000, -24%. The higher the price of houses the less they increased (mostly decreased) in price from

the prior year. We have seen that the 1M houses ($1,000,000+) doubled in number of sales this last year (up 114%, 15 vs 7 sales) yet the median price was off 24%.

Square Footage

The size of a house has more to do with its market value than any other factor, assuming it is in good condition. Not surprisingly, the expensive houses average over 3200 sq ft, those priced about $500-999,999. are on average about 2800sq ft, $250-599,999. are 2100sq ft, and those under $250,000 have an average size of about 1400sq ft. I don't see any trend in size of house and what has sold, per se, but look at the price per square foot. Three years ago the price per square foot ranged from $100 for the lower priced houses to over $500 for the 1M houses. Those prices went up in the prior year but in the last 12 months they have diverged: the lower priced houses continue to go up (to $128/sq ft) , those $250-499,999 increased slightly ($160 from $155), but higher priced houses have come down significantly. $500-999,000 houses dropped from $375 to $234, and 1M houses dropped from $522 to $$371.

What does this mean? One needs to take into account four factors at once to see what is happening: number sold, median price, square foot price, and all these within each price level. Here are my conclusions, you may come to different ones.

Housing selling for under $250,000 makes up half of our market. As prices of houses have been going up over the last five years, more and more people look to this level as "affordable," so there is increased demand and as a result median prices have continued to go up. Yet there has been a 20% drop in sales during the last year. It means an increasing number of would-be buyers at this level cannot afford or will not pay for these houses. As mortgage rates go up and availability tightens, a larger percentage of people who want to buy these houses will not be able to do so. Affordable housing is disappearing.

For the $250-499,000. level of the market, which makes up 32% of all houses sold, there has been a 43% drop in number sold in two years. Yet prices have gone up 3% in this period as has the cost per square foot. Likely a good number of those who were looking at this price level are now looking at lower priced houses.

Houses selling between $500,000 and $999,999. are far fewer than the less expensive ones. This group makes up only 11% of all sales. In two years the number sold has increased from 46 to 75 (+63%) but the median price has dropped 11%. The buyers are still at this level, they are becoming more price conscious. This is the level of pricing which allows weekenders to buy most of what they want: an appealing older home (or their own new house) with adequate privacy, very good condition, three bedrooms and two bathrooms, a large enough kitchen (upgraded or not), and hopefully not close to a noisy road.

At the one million plus level, sales are small in number (1.5-2.5% of all residences sold) but the number sold has been increasing, at least this past 12 months (15 vs 7). Yet the median price dropped 24% in the last year and price per square foot is off 29%. The affluent still like big houses (3500 sq ft), they just won't pay as much for them. At this high level there are still wealthy buyers, but never more than a handful. They do demand all the "ideal" features listed above, just more of them, and with no "issues." Issues are those features which you can't cure with money, especially the lack of privacy, noise, substandard neighborhood, and too far from New York City (Columbia County is the end of the line for them). They may like those big period houses but these usually come with some issue. As a result quite a number of large new houses, some very large, have been build recently, usually with enough acres to have privacy, quiet, and views of either water or mountains.

DOM (Days on market)

The number of days it takes to finalize a sale should be a good index of the market as a whole and the proper (vs inflated) pricing of individual properties. The available statistics are averages which therefore reflect the market as a whole. In the lower priced houses, DOM has been running 90-100 days which means from the day it goes on the market, a house priced at or near market value should have an acceptable offer in about 50-60 days, leaving 30-40 days for contract, contingency satisfaction, mortgage, title and closing.

At $250-499,999. the DOM has been 115-125 reflecting a slightly lower level of buyer demand and competition. At $500-999,999, DOM has been 165-210 days in the last three years. And at $1,000,000+ DOM has been 128-316 days, the latter figure a blip two years ago. The caveat about understanding DOM is that it includes only the houses which sold. There are quite a lot of houses which don't sell. They sit on the market because they are overpriced for what they offer or they are taken off the market for various reasons.

Listings vs Sales

One can get a feeling for this other "no-sell" group by comparing the average price of all houses sold in the last twelve months ($300,000) to the average price of all houses on the market ($460,000). That is a big difference! Either there are a lot of expensive houses on the market or a lot of all the houses are very over priced. For example, in the over $1,000,000. level, of which 15 sold in the last 12 months, there are currently over 60 up for sale and more being added weekly. The odds of selling are not good, at least for those which are over priced.

At the other end of the price ladder, there are over 500 for sale at asking prices of $250,000 or less vs. 350 which sold in this price range in the last 12 months, a much more balanced ratio of supply vs demand..

What to do

If you are a seller: today is now a buyer's market in which buyer's determine sales. There are fewer buyers, they are more timid, less willing to spend money, and they have a lot more choices. They have seen a lot of houses, they know value better than sellers. If you want to sell your house, ignore other seller's asking prices as so many are inflated. Find out your house's real market value and price close to that—and be flexible. This especially goes for high value houses.

For buyers: you have more choices now than in several years. The ideal houses (see above) are still hard to find, most have "issues." You may have to build to get a perfect high-end house. Come with pre-approved mortgage amount. Find your own agent (broker or sales person) to give you a full assessment of each house you look at (remember the seller's listing broker owes loyalty to the seller, not to you, but they should be at least honest).

Market value may or may not go down in the next year, but finding just the right property - when you need it - is likely worth the risk since the ideal house is hard to find irrespective of the many houses available today.