

Real Estate

2010 Residential real estate report for Westchester and Putnam counties

Realtor firms participating in the Empire Access Multiple Listing Service, Inc., a wholly owned subsidiary of the Westchester Putnam Association of Realtors, Inc., reported 6,586 closed residential transactions in Westchester County and 646 in Putnam County during 2010. The total dollar volume of sales in both counties was \$4.3 billion in 2010 as against \$3.5 billion in 2009 and \$4.5 billion in 2008.

That level of activity constituted, in Westchester, an encouraging 13 percent increase in sales over 2009 but there was insufficient momentum – by just under one percent – to outperform 2008 as well, the year in which the so-called Great Recession became palpable in this region's real estate market. In Putnam County there was a bare one-half of one percent increase in sales over 2009, and a 12 percent decrease from 2008.

The single family house sector in both counties posted the best results. Westchester's 4,014 house sales represented a nearly 20 percent increase over 2009's sales and 5 percent over 2008. Putnam County's 576 house sales increased by nearly 6 percent over 2009 but fell 8 percent short of the 623 sales posted in 2008. Condominium sales in Westchester picked up their pace, too, with a 14 percent increase over 2009. In Putnam County, however, condominium sales were off by 28 percent from 2009.

Westchester's cooperative apartment sector performed weakly. The 1,266 sales were virtually unchanged (two units) from 2009, and were 18 percent below 2008 levels. Sales of multi-family properties (counted only for Westchester) remained at very low levels as well.

The 2010 experience was a composite of two very different real estate environments. In the first half of the year, and particularly in the second quarter, sales increased by significant double digit percentages compared to 2009 amounts. The apparent rejuvenation of the market at that time was largely attributable to the first-time homebuyers tax credit that required contracts to be signed by April 30 and closed by June 30 (later extended to September 30). This resulted in a burst of sales of condominiums and cooperatives, the housing types that are most affordable to first-time buyers. The single family house market also benefited, however. The resurgence was so strong that it appeared there would be continued growth even after the tax credit program expired.

The reality was different. Third quarter sales came in at 5 percent below 2009 levels, and fourth quarter sales were down by a major 25 percent from the prior year. Seasonally adjusted, Westchester's fourth quarter sales were equivalent to an annual volume of 5,870 units, a scant 2 percent increase over the third quarter rate, and more characteristic of annual volumes posted in the mid-1990s.

Prices

The same kind of split-level patterning that applied to sales volume has complicated the analysis of the region's real estate price trends in 2010 as well. On a quarterly basis, the highest median sale price ever posted for Westchester single family houses was \$730,000 during the third quarter of 2007. Thereafter the price trend was downwards until the most recent low point of \$532,000 in the first quarter of 2009. After that, prices increased again

through the third quarter of 2010 when surprisingly, in the midst of a recession, a new record median of \$730,250 was established.

The dominant reason for the erratic price track in the single family house sector was not inconsistent appreciation (or depreciation) but rather the ratio of sales of high-end properties (\$1 million and up) to the balance of the market. Generally speaking, higher priced properties have fared better from a sales volume aspect than have lower priced properties, and that fact has tended to elevate the overall average price while masking a lower level of price performance among the more moderately priced properties. Sales of high end properties accounted for 23 percent of total sales in 2008, then fell to a 17 percent share in 2009. The high end bounced back again in the first half of 2010 but the infusion of lower priced transactions stimulated by the tax credit program tended to restrain the amount of overall average price increase. When the tax credit program expired, high-end sales once again obtained a larger market share – up to 28 percent – which circumstance produced the record high \$730,250 median sale price systemwide.

It appears that with the 2010 fourth quarter, the market mix may have started to change again; the high-end share was just 16 percent, thus mitigating any increase in the overall median sale price. The \$576,500 median sale price of a Westchester single family house in the fourth quarter of 2010 stood about 3 percent above the 2009 level. Probably all of that 3 percent increase constituted true price appreciation rather than statistical artifact. That improvement was shared by the condominium and cooperative sectors. The fourth quarter median sale price of a Westchester condo was \$359,000, up 3 percent from 2009, and the Westchester co-op median of \$172,250 was up by 2 percent.

Foreclosures and inventory

Nationally there is a continuing worry about backlogged processing of foreclosed properties as well as yet-to-be-filed foreclosure actions. However, in the Westchester-Putnam real estate market, foreclosure activity to date appears not to have caused serious damage in terms of excess inventory or a depressed price structure. Foreclosure filings recorded by the Westchester County Clerk's office declined by 50 percent in the fourth quarter of 2010 compared to 2009, and by 42 percent in Putnam County. Many if not most filings are resolved through so called short sales. Realtors who are active in the short sale submarket report that while short sale transactions obviously yield lower sales prices than those obtained from normal market transactions, that fact does not necessarily result in a loss of value among the unimpaired properties as a class.

The end-of-quarter inventory of Westchester properties listed for sale was 5,703 units, 6 percent more than at the end of 2009. The single family house inventory in Putnam County was also higher by about 6 percent. Inventory has steadily – but slowly – increased since 2007, reflecting in part the slower pace of sales systemwide. In recent quarters the cooperative unit sector has contributed the most to inventory accumulation as first time and moderate income buyers remain cautious

about entering the market. Overall, however, Westchester and Putnam inventory is not excessive and in fact is at about the same levels as it was in 2005 – 2006 before the recession took hold.

A look ahead

Nominally, prospective home buyers should be seeing mostly green lights for the ride back to normalcy. These include:

- Mortgage interest rates probably as low as they'll ever be, currently averaging about 5 percent (or less) for a 30-year fixed rate loan.
- Foreclosure activity at manageable, non-threatening levels in our area.
- Current inventory offering ample choice to prospective home buyers.
- Price moderation in the range of 8-15 percent from the top of the market in 2006-2007.
- Local unemployment easing ever so slowly, but nevertheless steadily, by about one-half percentage point from the start to finish of 2010.

• A gain of about 10 percent in the Dow Jones Industrial Average over the course of 2010, and continuing increases thus far into 2011. The performance of the equity markets is important not just for confidence building among consumers but for maintaining high-earnings employment – and home buying capability – in our region's financial industry jobs market.

Yet pervasive uncertainty remains about job security, tax policy, the safety of personal investments, and the national economy in general, among other worries. Prospective first time buyers in particular have been reticent to step onto the first rung of the housing ladder with a starter house or cooperative apartment. Yet their confidence in the future is what is needed to power ascending sales volumes like those posted in the first half of 2010 during the homebuyer tax credit program – this time without the program. Without them, the relatively lackluster performance of the second half of 2010 will con-

stitute the “new normal” for assessing progress in 2011.

The Empire Access Multiple Listing Service, Inc. (EAMLS) is a subsidiary of the Westchester Putnam Association of Realtors, Inc. EAMLS serves more than 925 real estate offices having listings in Bronx, Westchester, Putnam and Dutchess Counties. All data tables refer to Westchester County sales unless expressly noted otherwise. The reported transactions do not include all real estate sales in the area or all sales assisted by the participating offices but they are fairly reflective of general market conditions. EAMLS does not provide data on sub-county geographic areas. Persons desiring sub-county data are invited to contact participating real estate offices in the desired areas. Any text or data from this report may be reprinted with attribution to Empire Access Multiple Listing Service, Inc. as the source. Prior reports dating back to 1981 are available on the Realtor Association's website, www.wpar.com; click on Market Statistics. A membership directory searchable by municipality is also available on that site.

1 There are very few cooperative apartments in Putnam County, hence few sales posted with the MLS. The co-op sales are included with condominium sales and are statistically insignificant.

2 The seasonally adjusted rate is an annualized rate for a given quarter. It represents what the total sales volume would be for the whole year based on the quarter's customary share of total annual sales.

3 The median sale price is the mid-point of all reported sales, i.e., half of the sales were for more than the median price and half were for less. The median is not affected by unusually low or high sale prices. The mean sale price is the arithmetic average, i.e., the sum of all sales prices divided by the number of sales. The mean does reflect the influence of sales at unusually low or high prices.

Dillard's Inc. explores forming a REIT to fund planned expansions

Dillard's Inc. said it plans to form a real estate investment trust to have greater access to debt and equity markets, according to a regulatory filing Wednesday.

The regional department store's plans come at a time when REITs are surging

after one of the worst downturns in commercial real estate in a generation. REITs outperformed the broader equity markets again last year and mall and shopping centers REITs were among the top performing sectors amid rising retail sales.

Code Green: Making older buildings energy efficient

The Preservation League of New York State recently entered into a partnership with the New York State Energy Research and Development Authority (NYSERDA) to provide workshops throughout New York State that will address code compliance and energy conservation in existing and historic structures.

The League will offer a series of workshops in 2011, held regionally throughout New York State, specifically targeting the merging of historic preservation principles and practice with the requirements of the 2010 NYS Energy Conservation Construction Code.

“The technology for enhancing the energy efficiency of historic buildings is improving all the time,” said Jay DiLorenzo, President of the Preservation League. “The choices property owners make today can extend the useful life of

their buildings and pay dividends for owners and residents both now and in the future.”

Additional information and a schedule of workshops will be made available on the League's website at www.preservenys.org later in 2011.

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