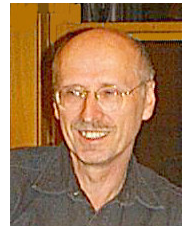


This is the first article of a monthly column on the real estate market and related issues in the upper Hudson River Valley. It also appears in Capital District HomeStyle Magazine.



THE REAL ESTATE REPORT

Roderic H. Blackburn

Preface

Almost all residents of our area have a stake in real estate through ownership or rental; knowing what is happening in this market is valuable to them. Reliable market information, however, is not readily available, especially about our own region.

This column is about real estate trends and issues in the Upper Hudson River Valley: What is happening now in real estate sales? What is moving the market, the causes, and consequences? What can we learn from past trends? How are different markets causally interrelated, such as interest rates, the stock market, the dollar, commodities?

In addition to bringing you regular updates on real estate trends, there will also be in-depth comments on how to understand real estate statistics: how to assess the importance of inventory levels, sale prices, days-on-market, numbers of sales, and listing vs selling prices. We will examine the distribution of sales by price level, sales by township, of listings vs sales, and of assessment vs sales to better understand what the market is doing. We will also look at what is happening in different kinds of real estate: land, residential, commercial, and multi-family; and what is happening in other counties and states.

Property issues will also be highlighted. How do tax assessments differ town to town and why? How to locate and assess the right contractors? If preparing to sell, what are the cost effective improvements and what isn't worth fixing? If ready to buy: how to calculate your buying power, buyer/seller strategies, where to get the best information and advice. While working with brokers, assessors, inspectors, contractors, sellers, and buyers, you will want to know about their goals, potential conflicts of interest, level of knowledge, and ethical standards.

The first columns will focus primarily on Columbia County which is generally representative of upper Hudson River Valley real estate activity. Future columns will expand to other counties.

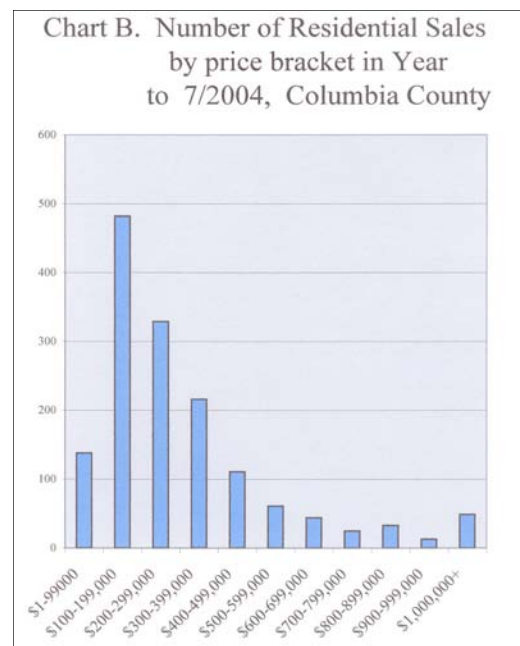
Market Trends

2004 saw the largest percentage increase in sale prices (25%) of residential properties in Columbia County in the last decade (**Chart A**). No other year came close to that record. 2003 was 15%. The average sold residence was worth \$275,651 in 2004 while a year before it was just \$220,791. The record single sale was a \$3,100,000 for a new Federal period-style 5100 sq. ft. house on 100 acres. The year's "bargain" - \$21,500 for a brick row house, "handyman special."

There are contributing factors to such a strong year. Inventories of houses (number of houses listed for sale in any month) have been dropping in recent years, from nearly 1000 in 1998 to just 501 last December. Not surprisingly, the average number of "days on market" before a sale has been dropping as well, from a high of 351 in 1998 to 192 in December. Through this period, however, the number of residential sales has grown steadily from 388 in 1996 to 729 last year indicating strong demand regardless of availability or price.

If buyers have been aggressive, sellers have been even more so, at least in their asking prices. In recent years asking (or list) prices have, on average, been escalating faster than selling prices. In 2000 the average asking price was 25% above the average selling price, by 2004 the difference was 53%. These are aggregate figures, if only sold residences were compared to their list prices the percent difference is much smaller, but still escalating.

How are sales distributed through the price range of houses? Chart B shows the number of houses sold by price range in a one year period (to 7/04). Despite all the advertising and promotion of expensive houses in Columbia County, less than 10% of them sold for over \$500,000, whereas 75% sell for under \$300,000. What is noteworthy in the chart is the consistency



tent trend between increased price and fewer number sold. With the slight exception of those in the \$800,000 range which show some clustering, this suggests that here is where buyers are finding the property features they seek the most.

How does Columbia County compare on these factors to adjacent counties? Average selling prices have, since 1996 increased (through 2004) by the following percentages: Columbia County 113% to \$275,651, Northern Dutchess 165% to \$385,088, and "other," which includes eastern Greene and southern Rensselaer counties, 105% to \$257,928. Northern Dutchess, being closer to New York City, has experienced a stronger market with higher prices. What will surprise many is the fact that adjacent areas of Greene and Rensselaer Counties are about equal in price to Columbia County, generally thought of as a more up-scale area. The average days on market before a sale for the three regions have been decreasing, Columbia and Dutchess about even at 190, and "other" somewhat higher at 237.

There are four types of property for which statistics are available: residential, vacant land, commercial, and multi-family (apartment houses). Looking at Columbia County, we would expect residential properties to have increased the most given the strength of that market, especially from weekenders from New York City. Surprisingly, this is not obviously the case. Since 1996, average price increases are: 113% residential, 175% vacant land, 120% commercial, and 177% multi-family. Residential has been the slowest! This is confirmed by data on the growth in number of sales for each property type, residential being the weakest. Curiously the high appreciation of multi-family rental housing is at odds with the relatively slow escalation of rents in recent years.

How well do houses sell in these price ranges? A comparison of total number of listings to total number of sales during the same one year period shows a downward trend in percent sold as price range increases. 75% of houses listed under \$100,000 sold but as price range increases a lower percentage sell, down to just 21% for those in the \$500,000-599,000 range. Above this price range percent sold picks up to 30-40% until \$1,000,000. Above one million sales rate drops to just 18%. Clearly there is stronger demand in the \$600,000-999,000 range.

What is the best month or season for buying or selling?

There is a decided seasonality to the real estate market now and in the past. The number of listings fluctuates dramatically with the season. Listings and sales are lowest in the winter quarter (January-March), highest in the second or third quarter and lower in the fourth. Sales follow the same trend. But remember, the sale date is the closing date which can be a month to three months after the buyer has decided on the house and even longer since the buyer first started to look for a property. So, low sales in the winter means buyers were not looking in the latter part of the fourth quarter. Why? Come the holidays from late November into January buyers have another priority - the holidays. Sellers do too. Lots of houses go off the market during the holidays. Who wants strangers parading through your family holiday?

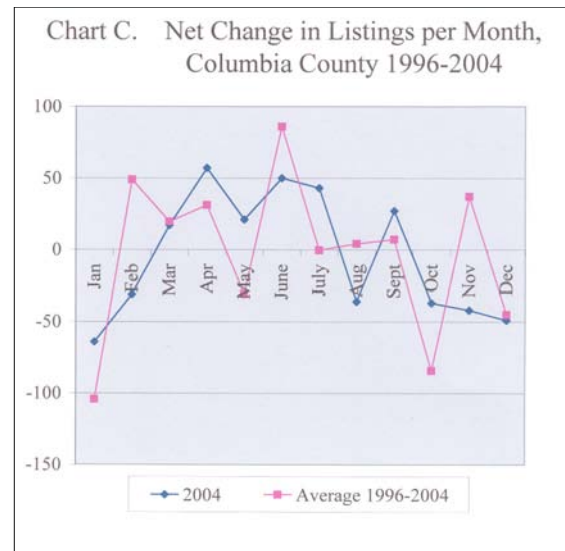


Chart C shows more closely the monthly listings activity. Net new houses on the market (total listings less sales) in 2004 peaked in April with 50 net new listings in Columbia County. On average there is an August slump, then a brief pickup in September before the season dies.

So when is the best time to list your house? Would you believe January? By the time the broker gets the paper work done, the multiple listing data is submitted, and the ads are published, your house will be in the public eye just when buyers become active, February and March. For buyers, the highest number of fresh new listings are on the market from April to July, then September. Are we like French and take a vacation from vacation house looking in August?

In sum, real estate trends in and around Columbia County have been accelerating since at least 1996, especially in the last year. In all types of property inventory is down, days-on-market shorter, selling prices higher and listing prices even higher. We saw similar market activity in the 1980s too. In future columns we will explore the reasons behind these trends.

This first column has played catch-up on a decade of local real estate trends. In subsequent columns I will briefly update these trends monthly and, in more depth, quarterly. I will also be writing about owner and buyer questions and issues. Your suggestions and questions are encouraged (blackburn@berk.com).

Roderic H. Blackburn is the principal of R. H. Blackburn & Associates, Inc.- Real Estate. An anthropologist by training with a career in museums, architectural history, and real estate. He has several books to his credit, including *A Visible Heritage, Columbia County, New York, A History in Art and Architecture* (recently reprinted), and *Dutch Colonial Homes in America* (Rizzoli International Publications, 2002).