



THE REAL ESTATE REPORT

February 2009

The 2008 Real Estate Market Report

Since all markets have been in turmoil these last months I have emphasized real estate trends more than usual. This Report is a year-end summary for 2008 with comparisons to prior years.

As I have always cautioned, what you read or hear in the media about real estate sales and prices can be misleading because national, state and regional performance figures often differ widely, partly from issues having to do with reporting (see attached Report on statistics) and partly because of real differences from place to place.

The following figures are for sales numbers and median sale prices of existing single-family houses. It does not reflect the trends in new home sales, commercial, multi-family or other classes of real estate. The data is publicly available online from the National Association of Realtors (NAR) at <http://www.realtor.org> and from the New York State Association of Realtors at <http://www.nysar.com>.

Sales statistics

National

The number of sales of single family existing homes during the last year was off nationally -3.5% while median prices were down 15.3% . Despite the torrent of bad housing news, national sales were off only 3.5% . How can that be? The answer is in the averaging: the western region's sales numbers were up 31.6% while prices were off 31.5% , read this as distress selling - a lot of it.

The Northeast

Northeast sale numbers were off -14.3% in the last 12 months, but median prices were off only -7.8% . Relative to other parts of the country our region has had the slowest sales but prices have held up quite well.

New York State trends

One year through December 2008 New York State sales were off 16.2% , prices down 8.5% . That is pretty close to what the Northeast as a whole did.

Hudson Valley trends

For the same year Columbia County sale numbers were down -22.9% (down -25.7% over two years). On the other hand the median price was off only -3.2% (off just only -1% over two years).

In Dutchess County the number of sales was down -8.1% in the last 12 months, and down -25.3% over two years. Median prices were down -7.6% in the last 12 months, and off -11.6% over two years. Dutchess County's median price is now \$309,450; Columbia County's is now \$230,000.

Compare the above trends with median price changes over the last year in other Hudson Valley counties: Westchester (-5.1%), Putnam County (-6.8%), Rensselaer

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County ($+0.3\%$), Ulster County (-5.9%), Orange County (-9.9%) Rockland County (-9.1%), Greene County ($+5.2\%$), Albany County ($+1\%$). In terms of prices, which is what is important to buyers and seller (it is just brokers who worry about numbers of sales) the Hudson Valley region is doing about same as the state and Northeast region. Is that good or bad? Comparing house prices to stock market prices, housing looks relatively healthy in the northeast.

Comment

In our region we have experienced at least three real estate market cycles of about ten years each in which prices have advanced (usually doubling) for about five years and then stayed the same or decreased a little in the next five years, this cycle then repeating itself. Early in the present real estate cycle, median prices doubled (2000-2005) - as they had in the prior two cycles - while in the latter half of this cycle prices have stayed quite steady.

As prices advanced in each cycle, so did the number of sales; when prices subsequently stayed level for five years, the number of sales dropped about 30%. If the pattern of the present cycle continues to follow that of the prior two cycles (it has so far), 2009 should be the end of the present cycle before a new cycle of increasing prices and sales begins. That, of course, presupposes an average recession which is not what we have. So when will the real estate market turn around? Obviously we don't know. Ironically, that level of uncertainty allows for a more orderly balance of sales and purchases. No one is yelling *fire!*, crowds are not running for the exist.

What to do?

The lesson for sellers? Fewer buyers and longer periods of time to get a sale, although if you are patient, you will likely get near the same price as a year ago. Even in these difficult financial times there are quite a number of buyers, if not as many as before.

For buyers? If you have been anticipating that the market would go down, or at least down further, and you could get a real bargain, such a bargain is not likely. Indeed, in some counties you may pay more than a year ago. Also, if you have been thinking there is no mortgage money available, you are wrong again. For qualified buyers there is funding available at historically low rates.

The Real Estate Report is a regular feature of *Capital District Home Style Magazine* and *Berkshire Home Style Magazine* covering the upper Hudson River Valley. It is also sent out to clients, colleagues and friends by email. If this is sent to you in error or it is not appropriate to your interests please reply to that effect.