

## Hudson Valley Luxury Market

Dutchess, Columbia, and Ulster County Luxury Residential Sales

### 2010 Year in Review

- Worst of slump is over with days on market average down to 2007 levels
- Median sale prices have increased while number of properties sold declined
- Listing inventory remains high

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| Hudson Valley Market Matrix,<br>All Sales \$750,000 and over |              |              |              |              |              |              |              |              |  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
|  | 2007         | 2008         | 2009         | 2010         | Q1 2010      | Q2 2010      | Q3 2010      | Q4 2010      |  |
| Median Sale Price  | \$ 950,000   | \$ 990,000   | \$ 966,500   | \$ 1,150,000 | \$ 1,200,000 | \$ 979,600   | \$ 1,275,000 | \$ 1,140,000 |  |
| Average Sale Price   | \$ 1,257,000 | \$ 1,255,000 | \$ 1,186,700 | \$ 1,358,763 | \$ 1,329,884 | \$ 1,142,302 | \$ 1,518,199 | \$ 1,444,666 |  |
| # of Sales   | 206          | 165          | 108          | 89           | 18           | 27           | 19           | 25           |  |
| Avg. DOM   | 229          | 217          | 256          | 222          | 232          | 250          | 168          | 239          |  |
| Avg. List Price  | \$ 1,363,914 | \$ 1,420,515 | \$ 1,323,325 | \$ 1,601,360 | \$ 1,520,380 | \$ 1,574,222 | \$ 1,622,722 | \$ 1,688,117 |  |
| Listing Discount   | -7.84%       | -11.65%      | -10.32%      | -11.38%      | -10.57%      | -14.44%      | -6.07%       | -14.42%      |  |
| Listing Inventory  | ---          | ---          | ---          | ---          | 130          | 284          | 424          | 457          |  |

Source, all tables & graphs: NYSORPS, Mid-Hudson MLS, Ulster MLS, Columbia-Northern Dutchess MLS

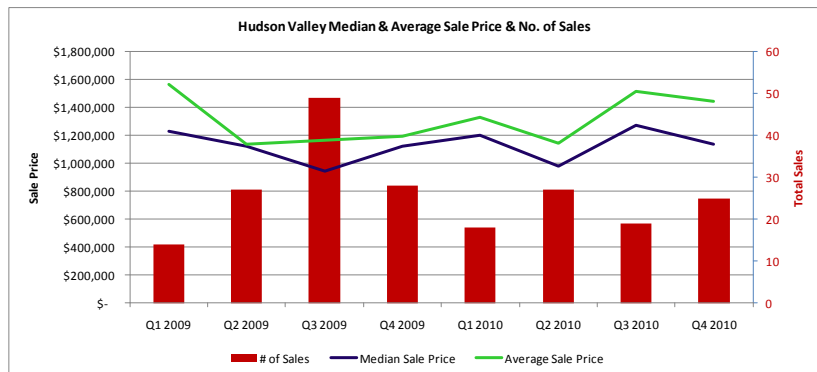
The luxury home market of residential properties sold at \$750,000 and above in the Hudson Valley has shown early signs of stabilization after several years of weakness.

Incoming market data are mixed with some showing distinct improvement and others still lagging (chart on page 1 and tables on pages 1 and 2). But even a mixed picture is in contrast to the unrelieved weakness of 2008 and 2009 when the housing bubble burst and the recession set in. The recent real estate market appears to have benefited from at least some pent-up demand in combination with the decline in prices over the past few years.

Many indicators have been erratic from quarter to quarter, in part as a result of seasonal fluctuations in

demand. Looking through the volatility to the broad annual averages suggests at least cautious optimism. The worst of the housing slump in the luxury market within the Hudson Valley appears to be history. The combination of prices that have declined by roughly one-third in three years, coupled with historically low mortgage rates, points to at least modest recovery in the market for the coming year.

The most favorable indicator is median sales price, which rose 19% in 2010 compared to 2009. The median is a better measure than the mean or simple average as it minimizes the weight of the most expensive properties which distort year-to-year changes. Average days on the market (DOM) also look better, having fallen to 222 days for the year and down from 256 in 2009. The time it takes to sell a luxury residential property, in



fact, has come down to the level it was at the peak of the last market boom in 2007.

Region-wide there were 89 sales in 2010 selling at above \$750,000, an 18% decrease from 2009 levels. This 2010 volume was roughly cut in half from peak 2007 levels and seems to have flattened out, though at the lower level. There was also some steadying in the listing discount, which is the spread between the listing price and the eventual selling price. However that spread remains above 10%, indicating a continuing gap between both buyer and seller expectations.

Reports from Heather Croner Real Estate agents stress how far apart those expectations still are. "Many sellers are still unrealistic about pricing their properties," commented one of the agents. Another viewed "customers as very cautious... and looking long and hard at their finances to see if a second home is a good investment."

Listing inventory remains high across all three counties, with many potential sellers having

| Hudson Valley Median Sale Price by Market Subset |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
|  | 2007         | 2008         | 2009         | 2010         |
| <b>\$750,000 - \$999,999</b>                     |              |              |              |              |
| Median   | \$ 845,000   | \$ 850,000   | \$ 850,000   | \$ 874,372   |
| # of Sales                                       | 127          | 99           | 59           | 39           |
| <b>\$1,000,000 - \$1,999,999</b>                 |              |              |              |              |
| Median   | \$ 1,330,000 | \$ 1,295,000 | \$ 1,237,500 | \$ 1,358,194 |
| # of Sales                                       | 57           | 45           | 38           | 35           |
| <b>\$2,000,000 - \$3,999,999</b>                 |              |              |              |              |
| Median   | \$ 2,620,000 | \$ 2,295,000 | \$ 2,225,000 | \$ 2,660,007 |
| # of Sales                                       | 18           | 17           | 9            | 15           |
| <b>\$4,000,000 +</b>                             |              |              |              |              |
| Median   | \$ 5,252,000 | \$ 6,120,000 | \$ 6,000,000 | \$ 4,500,000 |
| # of Sales                                       | 4            | 4            | 3            | 1            |

responded to the glimmers of strengthening in the market. As a result, absorption time, the number of months it would take to clear the market of existing inventory at the current sales rate, continues to be quite high, at 55 months in the three counties.

Chances of a pickup in the market in Dutchess County appear more promising than in either Columbia or Ulster County (tables on pages 2 and 3). That may well be under way now, judging by the relative increase in sales prices for the county last year. Yet it must be kept in mind that prices in Dutchess fell especially sharply after the bubble burst, in comparison to Columbia and Ulster Counties.

In the luxury market proper, beginning with sales in the \$1MM to \$2MM range, the 2010 sales volume matched the 2009 volume, but it is down 22% from 2008 and 38% from 2007. In the \$2MM to \$4MM range, the volume increased substantially from 2009 levels, but is slightly lower than 2008 and 2007 levels. The top end of the market was sluggish, with only one sale above \$4MM in 2010. Experience suggests that with prices beginning to firm and volume no longer on the decline greater activity can be expected in 2011.

The immediate future depends a great deal on how much longer it will take for the expectations of buyers and sellers to come into

| Dutchess County Market Matrix      | 2007         | 2008         | 2009         | 2010         | Q1 2010      | Q2 2010      | Q3 2010      | Q4 2010      |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Median Sale Price                  | \$ 935,000   | \$ 900,000   | \$ 959,528   | \$ 1,155,000 | \$ 1,099,500 | \$ 979,600   | \$ 1,397,500 | \$ 1,140,000 |
| Average Sale Price                 | \$ 1,397,154 | \$ 1,232,549 | \$ 1,317,892 | \$ 1,475,885 | \$ 1,362,263 | \$ 1,069,150 | \$ 1,701,598 | \$ 1,770,530 |
| # of Sales                         | 101          | 87           | 60           | 49           | 12           | 18           | 8            | 11           |
| Avg. DOM                           | 183          | 214          | 188          | 231          | 326          | 194          | 130          | 273          |
| Avg. List Price                    | \$ 1,527,856 | \$1,452,633  | \$ 1,514,279 | \$ 1,979,176 | \$ 1,894,014 | \$ 1,925,660 | \$ 2,074,257 | \$ 2,022,773 |
| Listing Discount                   | 7.73%        | -7.77%       | -14.26%      | -10.55%      | -9.78%       | -14.20%      | -5.75%       | -12.47%      |
| Listing Inventory                  | ---          | ---          | ---          | ---          | 130          | 112          | 190          | 203          |
| Median Sale Price by Market Subset | 2007         | 2008         | 2009         | 2010         | Q1 2010      | Q2 2010      | Q3 2010      | Q4 2010      |
| <b>\$750,000 - \$999,999</b>       |              |              |              |              |              |              |              |              |
| Median                             | \$ 847,524   | \$ 822,257   | \$ 862,500   | \$ 865,000   | \$ 870,000   | \$ 900,800   | \$ 792,000   | \$ 900,000   |
| # of Sales                         | 61           | 58           | 35           | 25           | 6            | 11           | 3            | 5            |
| <b>\$1,000,000 - \$1,999,999</b>   |              |              |              |              |              |              |              |              |
| Median                             | \$ 1,220,500 | \$ 1,250,000 | \$ 1,272,500 | \$ 1,280,000 | \$ 1,400,000 | \$ 1,167,500 | \$ 1,397,500 | \$ 1,150,000 |
| # of Sales                         | 22           | 21           | 16           | 15           | 4            | 6            | 2            | 3            |
| <b>\$2,000,000 - \$3,999,999</b>   |              |              |              |              |              |              |              |              |
| Median                             | \$ 2,525,000 | \$ 2,312,225 | \$ 2,129,945 | \$ 2,725,000 | \$ 2,625,078 | \$ 2,000,000 | \$ 2,950,000 | \$ 3,325,000 |
| # of Sales                         | 14           | 6            | 7            | 8            | 2            | 1            | 3            | 2            |
| <b>\$4,000,000 +</b>               |              |              |              |              |              |              |              |              |
| Median                             | \$ 5,252,000 | \$ 8,065,000 | \$ 6,000,000 | \$ 4,500,000 | --           | --           | --           | \$ 4,500,000 |
| # of Sales                         | 4            | 2            | 3            | 1            | 0            | 0            | 0            | 1            |

| Columbia County Market Matrix      |    | 2007         | 2008         | 2009         | 2010         | Q1 2010      | Q2 2010      | Q3 2010      | Q4 2010      |
|------------------------------------|----|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Median Sale Price                  |    | \$ 1,005,000 | \$ 1,100,000 | \$ 950,000   | \$ 1,250,000 | \$ 1,302,000 | \$ 902,500   | \$ 1,500,000 | \$ 1,300,000 |
| Average Sale Price                 |    | \$ 1,299,257 | \$ 1,297,468 | \$ 1,220,980 | \$ 1,454,611 | \$ 1,600,400 | \$ 999,375   | \$ 1,805,000 | \$ 1,413,667 |
| # of Sales                         |    | 48           | 39           | 16           | 23           | 5            | 4            | 5            | 9            |
| Avg. DOM                           |    | 259          | 264          | 346          | 235          | 328          | 232          | 200          | 180          |
| Avg. List Price                    |    | \$ 1,420,062 | \$ 1,462,771 | \$ 1,317,327 | \$ 1,554,032 | \$ 1,462,446 | \$ 1,494,700 | \$ 1,505,203 | \$ 1,753,778 |
| Listing Discount                   |    | -8.51%       | -11.30%      | -7.31%       | -13.01%      | -17.63%      | -10.57%      | -4.45%       | -19.39%      |
| Listing Inventory                  |    | ---          | ---          | ---          | ---          | 70           | 76           | 125          | 148          |
| Median Sale Price by Market Subset |    | 2007         | 2008         | 2009         | 2010         | Q1 2010      | Q2 2010      | Q3 2010      | Q4 2010      |
| <b>\$750,000 - \$999,999</b>       |    |              |              |              |              |              |              |              |              |
| Median                             | \$ | 820,078      | 882,000      | 846,500      | 840,000      | --           | \$ 850,000   | \$ 800,000   | \$ 867,500   |
| # of Sales                         |    | 24           | 18           | 8            | 6            | 0            | 3            | 1            | 2            |
| <b>\$1,000,000 - \$1,999,999</b>   |    |              |              |              |              |              |              |              |              |
| Median                             | \$ | 1,477,500    | 1,165,000    | 1,250,000    | 1,412,500    | \$ 1,200,000 | \$ 1,400,000 | \$ 1,387,500 | \$ 1,662,500 |
| # of Sales                         |    | 19           | 11           | 6            | 12           | 3            | 1            | 2            | 6            |
| <b>\$2,000,000 - \$3,999,999</b>   |    |              |              |              |              |              |              |              |              |
| Median                             | \$ | 2,833,058    | 2,475,000    | 2,325,000    | 2,500,000    | \$ 2,150,000 | --           | \$ 2,725,000 | \$ 2,500,000 |
| # of Sales                         |    | 2            | 8            | 2            | 5            | 2            | 0            | 2            | 1            |
| <b>\$4,000,000 +</b>               |    |              |              |              |              |              |              |              |              |
| Median                             |    | --           | \$ 4,175,000 | --           | ---          | --           | --           | --           | --           |
| # of Sales                         |    | 0            | 2            | 0            | 0            | 0            | 0            | 0            | 0            |

alignment. Property values have only just begun to recover from the losses of the past few years and have declined from levels that were unrealistic and unsustainable. Buyers will note that any further declines in price are likely to reflect the distress of individual sellers rather than general market conditions. Those deals are more the exception than the rule and

exist in good markets and in bad. It is also true that the properties with the shortest DOM are those with prices most in line with buyer expectations.

Real estate, after all, is a thin market: It takes only one buyer and one seller. Lightning at times does strike, but counting on it to do so is not a good strategy

for selling a house or, for that matter, for buying one. Properties that are competitively priced and competently marketed will see the greatest amount of action. Properties priced anywhere near the ambitious 2007 levels and far above the median levels for each price range, as shown, will probably continue to languish for some time.

| Ulster County Market Matrix        |    | 2007         | 2008         | 2009         | 2010         | Q1 2010      | Q2 2010      | Q3 2010      | Q4 2010      |
|------------------------------------|----|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Median Sale Price                  |    | \$ 905,000   | \$ 975,000   | \$ 990,000   | \$ 1,130,000 | \$ 1,341,875 | \$ 1,150,000 | \$ 1,025,000 | \$ 1,000,000 |
| Average Sale Price                 |    | \$ 1,075,991 | \$ 1,232,369 | \$ 1,021,161 | \$ 1,300,811 | \$ 1,341,875 | \$ 1,676,900 | \$ 1,034,667 | \$ 1,149,800 |
| # of Sales                         |    | 57           | 39           | 32           | 18           | 2            | 5            | 6            | 5            |
| Avg. DOM                           |    | 244          | 174          | 235          | 265          | 298          | 324          | 175          | 264          |
| Avg. List Price                    |    | \$ 1,143,823 | \$ 1,346,142 | \$ 1,138,376 | \$ 1,246,596 | \$ 1,107,570 | \$ 1,302,308 | \$ 1,288,707 | \$ 1,287,800 |
| Listing Discount                   |    | -5.93%       | -8.45%       | -10.30%      | -13.32%      | -16.00%      | -18.54%      | -8.02%       | -10.72%      |
| Listing Inventory                  |    | ---          | ---          | ---          | ---          | 104          | 96           | 109          | 106          |
| Median Sale Price by Market Subset |    | 2007         | 2008         | 2009         | 2010         | Q1 2010      | Q2 2010      | Q3 2010      | Q4 2010      |
| <b>\$750,000 - \$999,999</b>       |    |              |              |              |              |              |              |              |              |
| Median                             | \$ | 866,500      | 850,000      | 852,500      | 920,000      | \$ 933,750   | \$ 974,750   | \$ 890,000   | \$ 874,500   |
| # of Sales                         |    | 38           | 23           | 16           | 8            | 1            | 2            | 3            | 2            |
| <b>\$1,000,000 - \$1,999,999</b>   |    |              |              |              |              |              |              |              |              |
| Median                             | \$ | 1,300,000    | 1,475,000    | 1,190,000    | 1,310,000    | \$ 1,750,000 | \$ 1,150,000 | \$ 1,150,000 | \$ 1,200,000 |
| # of Sales                         |    | 13           | 13           | 16           | 8            | 1            | 1            | 3            | 3            |
| <b>\$2,000,000+</b>                |    |              |              |              |              |              |              |              |              |
| Median                             | \$ | 2,500,000    | 2,100,000    | --           | \$ 2,642,500 | --           | \$ 2,642,500 | ---          | ---          |
| # of Sales                         |    | 2            | 3            | 0            | 2            | 0            | 2            | 0            | 0            |

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