

Hudson Valley Luxury Market

Dutchess, Columbia, and Ulster County Residential Sales over \$750,000

Second Quarter 2012

- Sales volume is moderately higher than prior quarter's, though still low compared with previous quarters.
- Other indicators, as well as buyer traffic, show signs of promise.
- Sellers' expectations continue to adjust to today's market.

Written in collaboration with RP Hubbell & Company and Walter Cadette

Three months ago, the sales rate for luxury properties was characterized in these pages as unusually weak. And the latest numbers, while showing some improvement, are not all that much better than the first quarter's (table on this page). The first half of the year, in fact, has turned in a sales rate more reminiscent of the post-bubble slump, 2008-2009, than of the recovery years 2010-2011.

It is not unreasonable to see the "glass as half empty." And, yet, a case can also be made for the "glass as half full."

The first-quarter sales figures have been revised up

significantly, to include now five properties picked up from non-MLS data, i.e., private sales and those under exclusive brokerage arrangements. And the second-quarter sales rate was at least moderately higher than the first quarter's even with the additional five in the count. Some further improvement is likely when non-MLS sales data for the second quarter become available.

Two other considerations support the positive perspective. First, late-June and early-July traffic was unusually active, Heather Croner Real Estate agents report. A goodly number of potential buyers and

sellers have entered into serious discussions, and some have gone to contract. Second, other market indicators for the second quarter look promising. The average DOM (days on market), listing discount, and listing inventory for the second quarter were all on the low side of the readings of recent quarters. A listing discount under 10%, even if barely, is yet another sign that the market, post-bubble, continues to move toward realistic pricing, one of the main ingredients of a healthy market.

The process is ongoing. But many properties – the latest sales numbers seem to say – are

	2008	2009	2010	2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Median Sale Price	\$ 990,000	\$ 966,500	\$ 1,150,000	\$ 1,075,000	\$ 1,050,000	\$ 1,080,000	\$ 1,046,250	\$ 940,000	\$ 975,000
Average Sale Price	\$ 1,255,000	\$ 1,186,700	\$ 1,567,031	\$ 1,654,521	\$ 1,452,368	\$ 1,115,469	\$ 1,356,351	\$ 1,070,776	\$ 1,232,603
# of Sales	165	108	90	129	39	27	36	17	19
Avg. DOM	217	256	222	255	292	195	304	250	210
Avg. List Price	\$ 1,420,515	\$ 1,323,325	\$ 1,601,360	\$ 1,759,335	\$ 1,687,684	\$ 1,718,870	\$ 1,901,329	\$ 1,883,901	\$ 1,821,023
Listing Discount	-11.65%	-10.32%	-11.38%	-13.17%	-12.07%	-10.01%	-14.55%	-13.21%	-9.30%
Listing Inventory	---	---	---	474	521	507	423	403	436

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

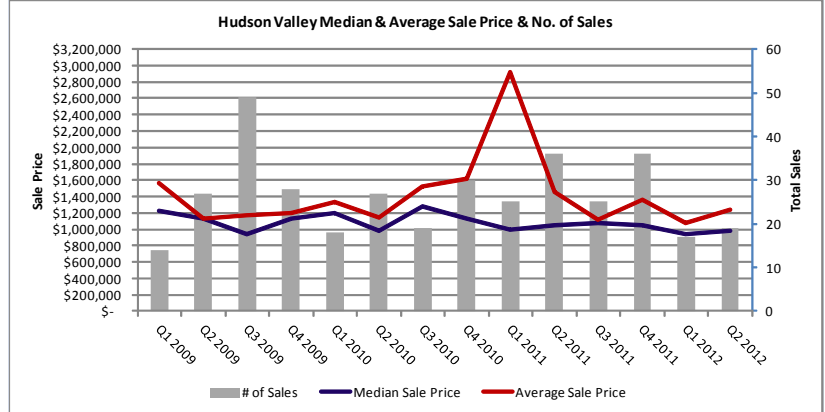
not there yet. Expectations of sellers of what a property will bring tend to change slowly; the bubble apparently is still too recent to be out-of-sight, out-of-mind.

Expectations that adapt only over time have characterized many housing markets, and there is nothing unique about the Hudson Valley in that respect. There is one local issue, however, that may well be causing sellers' expectations to adjust more slowly than they might to a new market reality: the strong land-conservancy ethic present here, especially in Dutchess County.

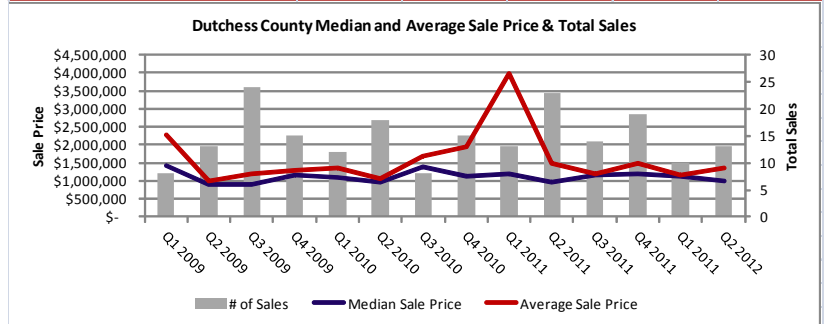
Many sellers with easements on their properties have had a hard time recognizing that, when selling their property, easements can profoundly affect the market price. An easement encumbers a property by restricting its use (and thus its underlying value) in perpetuity. By donating the development rights to a land conservancy, property owners receive a charitable deduction on their federal and state income-tax returns, which can be substantial. Just how substantial depends on the degree to which a given property becomes encumbered. But at least in theory (and there is nothing so practical as a good theory), there is a direct correlation between the income tax write-off that a property

Hudson Valley Median Sale Price by Market Subset		2008	2009	2010	2011	Q1 2012	Q2 2012
\$750,000 - \$999,999							
Median	\$	850,000	850,000	885,829	835,258	860,000	892,750
# of Sales		99	59	39	62	10	12
\$1,000,000 - \$1,999,999							
Median	\$	1,295,000	1,237,500	1,295,625	1,325,000	1,200,000	1,507,500
# of Sales		45	38	38	47	6	6
\$2,000,000 - \$3,999,999							
Median	\$	2,295,000	2,225,000	2,731,013	2,498,729	2,000,000	3,750,000
# of Sales		17	9	11	14	1	1
\$4,000,000 +							
Median	\$	6,120,000	6,000,000	4,350,000	7,022,830	---	---
# of Sales		4	3	2	6	0	0

Source: NYSORPS, Mid-Hudson MLS, Ulster MLS, Columbia-Northern Dutchess MLS



Dutchess County Market Matrix	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	
Median Sale Price	\$ 931,437	\$ 1,175,000	\$ 1,200,000	\$ 1,137,500	\$ 999,950	
Average Sale Price	\$ 1,519,335	\$ 1,198,029	\$ 1,474,033	\$ 1,170,319	\$ 1,372,919	
# of Sales	20	12	19	10	13	
Avg. DOM	225	110	259	227	232	
Avg. List Price	\$ 2,205,238	\$ 2,253,429	\$ 2,600,308	\$ 2,388,344	\$ 2,279,645	
Listing Discount	-10.10%	-5.72%	-14.41%	-15.53%	-7.43%	
Listing Inventory	227	222	182	201	199	
Median Sale Price by Market Subset		Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
\$750,000 - \$999,999						
Median	\$	806,800	835,000	858,305	812,500	900,000
# of Sales		11	3	8	4	7
\$1,000,000 - \$1,999,999						
Median	\$	1,525,000	1,220,000	1,313,353	1,200,000	1,700,000
# of Sales		3	9	8	5	5
\$2,000,000 - \$3,999,999						
Median	\$	2,700,000	---	2,239,729	2,000,000	3,750,000
# of Sales		6	0	2	1	1
\$4,000,000 +						
Median		---	---	5,448,940	---	---
# of Sales		0	0	1	0	0



owner secures and his or her property's loss of market value from restriction on its use.

Where easements are not all that commonplace, some loss of value is likely. If properties surrounding mine are not restricted by a conservation easement, but mine is, the relative value of my property will tend to fall. Where easements are ubiquitous, on the other hand, an existing easement on my property should have less effect on its market value. My neighbors' properties as well as mine will tend to hold up in value when we all are similarly restricted in the use of our land. We all benefit from a collective open-spaces guarantee.

Easements, to be sure, have had a major impact on the Hudson Valley. They have helped it stay rural and beautifully green. But in many cases they come with a *quid pro quo*. The tax deduction is not a free lunch. Sellers need to recognize just how an existing easement may have affected the value of their properties when they market them for sale. Buyers of luxury properties, whose pencils seem especially sharp these days, know full well that there is a *quid*. They buy an encumbered property, but get no benefit from the tax write-offs which have all gone to the prior owners.

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Columbia County Market Matrix	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Median Sale Price	\$ 1,099,999	\$ 1,097,500	\$ 900,000	\$ 885,000	\$ 885,500
Average Sale Price	\$ 1,255,950	\$ 1,443,531	\$ 1,050,636	\$ 938,000	\$ 888,500
# of Sales	8	8	11	5	3
Avg. DOM	376	351	432	139	278
Avg. List Price	\$ 1,561,736	\$ 1,684,696	\$ 1,795,078	\$ 1,862,711	\$ 1,910,999
Listing Discount	-14.86%	-11.92%	-12.00%	-13.62%	-13.18%
Listing Inventory	176	165	129	111	150
Median Sale Price by Market Subset	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
\$750,000 - \$999,999					
Median	\$ 855,500	\$ 892,500	\$ 866,500	\$ 852,500	\$ 885,500
# of Sales	4	4	8	4	3
\$1,000,000 - \$1,999,999					
Median	\$ 1,325,000	\$ 1,200,000	\$ 1,250,000	\$ 1,200,000	---
# of Sales	3	3	2	1	0
\$2,000,000 - \$3,999,999					
Median	\$ 2,175,000	\$ 3,900,000	\$ 2,100,000	---	---
# of Sales	1	1	1	0	0
\$4,000,000 +					
Median	--	--	--	--	--
# of Sales	0	0	0	0	0

