



CELEBRATING  
55 YEARS

# nerej

## **New England market is hyper local, but astute agents can complete a transaction in any community**

July 26, 2012 - Spotlights

The residential real estate market in New England is schizophrenic. Understanding the psychology of today's buyer is more critical than it has ever been.

Real estate is hyper local. One town can see its market on fire with multiple offers on choice properties. The 2005 real estate market seems to be repeating itself and buyers are disheartened that they can't buy a house for being outbid by cash offers. Some desperate buyers are waiving home inspection and financing clauses. Yes, there is even some of that "Irrational Exuberance" where buyers are making offers with escalation clauses for \$10,000 more than any other bona fide offer. Welcome to Arlington, Mass., and pockets of Metro Boston where prices are actually higher than or close to the values they were at the peak 7 years ago.

Meanwhile, not far from Boston are high-end communities known for their elite school systems and sprawling acreage where inventory continues to sit and prices are just starting to recover from a 40% drop in the market and are now down only 25% from the top. (Think Harvard, Bolton and Groton, and parts of Essex County in Mass.)

Rhode Island is suffering from the highest unemployment rate in the nation, parts of Connecticut are still reeling from the collapse of the financial sectors in New York yet the real estate market is picking up in some communities. There is no doubt we have hit the bottom and are now coming back to life. There are sections of Maine, New Hampshire and Vermont that are humming despite national housing trends that would indicate otherwise. Why? Price.

Communities who have adapted to the change in the market, who have adjusted prices to meet supply and demand, or lack of demand, are turning their real estate over if the price feels right to buyers. Multi-family homes couldn't be unloaded five and six years ago, but with a significant drop in prices the properties that are cash positive are in high demand. Condo demand has picked up with the lowest borrowing rates in the history of mortgages and attracting first-time buyers, but over-supply in so many areas still sees a lot of units sitting if they aren't priced to sell.

### The Big Difference in Today's Market

One of the big differences we have today versus 7-10 years ago is a new crop of buyers. Don't negate the generational differences of today's buyer and how they view the market and how that is affecting sales throughout New England. Think about who these buyers are and how they were raised. At the risk of sweeping generalizations, that are certainly not universally true, this is the picture of today's buyer.

This is a generation who grew up having "things their way." This is a segment of the population that is not, overall, particularly handy, as they grew up in households where their folks had things professionally fixed. Not many young adults learned to fix the window when they through a baseball through it like the generations ahead of them.

These digital natives rely on the Internet to learn everything. These buyers know more about a house than the sellers before they see it. Today's buyers know how much the seller paid for the house and have done the recon (research?) to know about all building permits, mortgages, the price per square foot and how the amenities and condition of a property compare to every other house in the marketplace. They have probably not only "googled earthed" the property to learn the neighborhood, but they have discovered its walkability score and may have even googled the seller and know everything about him or her.

Why is this important to know? Because even in a steady and healthy market only 20% of the inventory sells in any given month. That means 80% of properties fail to sell in any given month. The failure rate for real estate is high even in a good market. Think about all the canceled, expired and withdrawn homes every month in every market.

So for agents to be successful in guiding their clients to a transaction closing, we need to be advising our clients to do what the 20% of homeowners are doing that are selling. For slower, lower absorption rate markets this advice is even more critical.

Sellers must stop thinking about their property as their home. It is a product. It is a commodity. And if today's buyers are a generation that are used to getting what they want, sellers who want to be successful need to tailor their home to be a marketable commodity by refreshing kitchens and baths, freshly painting all surfaces in hip and trendy colors and creating an attractive product from the curb, or suffer the consequences of a generation that is buying homes that will take steep and serious discounts for homes that they perceive need work.

Some of the advice we give is counter-intuitive. If a house comes empty why spend money on staging? Why? Because buyers are shopping online and a home won't look attractive if its empty or the wallpaper is personal or the furniture is plaid and features recliners and lava lamps from the 1970s and 1980s. Selling a house today is like Internet dating. A seller has to focus efforts to prepare a house to be "sexy" in photos. First showings of properties are now online and the photos need to reflect a product that today's buyers want to own. Our New England real estate market is hyper local, but successful transactions can happen in every community with sage advice by astute agents.

Linda O'Koniewski is the broker/owner of RE/MAX Heritage in Melrose, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540