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Robert Paul Properties: Is Cape Cod high-end market in a recovery?

September 27, 2012 - Front Section

Is the Cape Cod high-end market really in a recovery? The numbers for the first half of 2012 indicate that buyer conviction has returned and we are in a soft recovery driven by price, inventory and pent-up demand. Single family homes are encroaching on sales levels not seen since the peak of the market 2007. The high-end of the market, \$500,000 and above, has seen a significant 25% increase in home sales over the same period in 2011. Market-wide sales in all price ranges and property types experienced a 27.8% increase, which supports the notion of a broad market recovery.

The most encouraging statistics are "pending" sales, which account for homes put under contract and waiting to close. At the end of the first half of 2011, there were 131 sales pending in the high-end. Over the same time period in 2012, 196 sales were pending. This 47% increase demonstrates the true momentum that is driving the market upwards. While there is always a seasonal spring bump in sales statistics, the improved pendings indicate a more fully entrenched upswing in the marketplace. Buyers are taking a long-term view of the value of a Cape Cod purchase, and feel their investment now makes sense. Sales activity, (the number of showings, web hits, and open house visits) remains robust and supports an overall upward trend.

A diminishing inventory offers further support for this positive momentum. At the end of the first half of 2011, there were 1,747 unsold homes in the high-end. At the end of 2012, there were 1,656 unsold homes on the market, showing a downward trend of over 17%. While a stable market comes in at only 6 months of available inventory, that number is always higher in a second home market such as Cape Cod, and is closer to 12 months. When a market hits this optimum number, it transitions from a buyer's market to a seller's market. Trending in this direction is very positive for future activity, and while it will take months to achieve a healthy balance, the numbers are moving in the right direction.

Finally, the most asked question is: are prices rising? It is no coincidence that this is also the most difficult question to analyze. Prices across Cape Cod remain stable and have not declined in 6 months. While nationally there is some price improvement as well as increased home sales, this national phenomenon is driven by investors taking advantage of bottom prices and distressed developers. On Cape Cod, there are few investors, and few distressed developers. Therefore, pricing remains in the buyer's court, and in general they continue to buy only what makes economic sense to them, keeping price increases at bay. We have seen a number of new listings that are priced to market, and sell easily within the first 60 days. Conversely, there are a group of listings that have undergone a significant round of price reductions, finally finding the market and selling.

The overhang of unsold homes which languishes on the market and need price adjustments remain around 50%. This heavy inventory will keep price increases at bay for some time to come, even as

other markets begin to overheat as a result of thin inventory.

The sweet spot in the Cape Cod market continues to be the \$750,000 to \$2 million market. Newer or well-staged homes are more popular than homes in need of restoration, even though the newer home may have an inferior location. The most sought after sub-category of second homes at this time are homes with private ocean or bay beaches. While the days of the frantic bubble market when buyers would buy almost anything are long gone, there is some true urgency for buyers who want beach fronts today as the inventory is scarce. Multiple offers are not unusual for these hard to find beach front homes.

A gentle tail wind has lifted Cape Cod real estate from the trough of the great recession, but it is important not to overlook the forces capable of undermining this fragile recovery. The European sovereign debt crisis, sluggish domestic job growth, tight credit, and of course the upcoming elections are all factors that impact market behavior and consumer confidence. But for now, home sales are robust and Cape Cod's luxury real estate market is exhibiting impressive growth. Nothing seems as powerful a motivator as the opportunity to own and enjoy a second home, and buyers are surprised what their dollars can buy today.

In the ultra-high-end, high profile buyers recognize that during this demographically and economically transitional time, there are rare opportunities to secure amazing estates which infrequently come to market. What makes a landmark property so sought after are the intangibles, like a rare piece of art, and the pedigree of the location. While few can own such ultra-luxury estates, the sophisticated buyer's interest in investing in these mega-sale homes confirms a consumer confidence in Cape Cod real estate which will remain for years to come.

Robert Paul Properties, owned by Robert Kinlin and Paul Grover, is one of the most recognized and respected names in the luxury marketplace across Cape Cod and the South Coast. A boutique firm - built on a tradition of excellence and fueled by an elite team of talented agents - Robert Paul Props. is committed to providing exceptional service while representing premiere waterfront, village and golf course properties for those discerning buyers who want an extraordinary way of life for years to come.

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