nerej
EST 1963 CELEBRATING 55 YEARS

Real estate market trends and concerns to watch for in 2013

February 28, 2013 - Northern New England

I am not persuaded that the economy and real estate markets are in comfortable places. There is a lot of desire out there to leave "our problems" behind us, but they won't go away quickly. "Our problems" may not be over, with a new set - or outgrowths of the old ones - coming to the fore.

The following is a summary of concerns to watch for over the course of this year.

* Housing. Housing seems to be coming back. Mostly, but not everywhere. In the Boston area, there are markets that were relatively untouched by the long housing downturn. In the rural part of New England, there was mostly suffering as a result of the unrealistic run up of prices and the easy money of the previous decade. While there is some breadth to the recovery generally, it doesn't seem to go deep. Also, it doesn't pay to generalize too much because it surely is not all blues sky out there.

* Housing Prices/Activity. Maine experienced strong double-digit home sales in December 2012. Sales increased 11.84% and the median sales price (MSP) rose 6.25% to $170,000, according to MREIS. Nationally, sales of single-family existing homes jumped 11.5% in December, while the MSP increased 10.9% to $180,300. According to NAR, December sales in the Northeast rose 10.3%; the regional MSP increased 5.3% to $231,600. For New Hampshire and Vermont, according to the NNREN, price increases were modest.

* Inventory. There are many complaints in markets near Boston that there is a shortage of inventory. What's going on out there? Are sellers waiting for higher prices, or are they just waiting? New Hampshire experienced a decline in listings from Dec 11 to Dec 12 while Vermont had an increase.

* The Fed. With interest rates near zero, quantitative "easing" is only going make getting back to "normal" more difficult. What effect would rising rates have in this economy, even small increase? My informants say nothing good.

* The People. Citizens seem to have moved beyond partisanship; those who govern them and have been elected to serve them have not. The U.S. citizenry want some movement, some results, and they don't really care who does it. We are running out of alternatives, we vote out the Democrats, the Republicans, and the Tea Party. Who or what's next?

* The Government. If some solid moves aren't made on money problems, the "next" fiscal cliff, sequestration, the debt, etc., local, regional, and national economies may be in for a rough ride. Inaction has real consequences and could well stall a fragile economic environment. I'm not taking sides but the folks in Washington need to play together better and get some resolution.

* Housing problems. Mortgage delinquency rates and foreclosure rates finished 2012 with vast improvements in almost every state. Delinquency rates decreased to their lowest levels since mid-2007. According to the Bangor Daily News. 4.3% of Maine homes were in foreclosure in April contrasted to 3.4% nationally. Regionally, Connecticut had the highest rate (4.6%), Maine was second, and Rhode Island (3.2%) was next, Vermont (2.5%), Massachusetts (2%) and New

Hampshire (1.5%).

* Commercial Markets. Observers say cap rates will remain stable. There is continued strong interest in apartments, almost too strong. (How much more can rents rise, given incomes?) Most commercial markets are in recovery, especially those in or near major population and commerce centers, but the outlying areas are still suffering from moribund local conditions. By the way, how many more drugstores, banks, and doughnut shops do we need?

It's a patchy economic climate out there. Could be worse, and there is some cause for excitement, mostly about singular events. Analysts and market participants need to resist painting the market with a broad brush and look at the peculiarities of each market, submarket, and property. It's a little like California wine country; those micro climates change the grapes being grown and you might not get the vintage you were bargaining for.

Bill Pastuszek, MAI, SRA, MRA heads Shepherd Associates LLC, Newton Mass.