



Sargeant Appraisal Service Rutland County Newsletter

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Welcome

Our newsletter is published 4 times a year, once at the end of each season. We distribute this newsletter to real estate professionals, mortgage lenders, attorneys, financial planners and other individuals who serve the needs of home owners and home buyers in Rutland County, VT.

The purpose of our newsletter is:

1. To inform you of general changes we see that may affect property values in the Rutland County Real Estate market.
2. To keep you up to date on changes in the Appraisal industry that can affect your relationships with your Appraisal vendors.
3. To let you know about upcoming educational opportunities for lenders and other users of valuation services.

If you would like to comment on our newsletter, subscribe by email, unsubscribe or add someone to our distribution who would benefit from this information please send an e.mail to sean@sargeantappraisal.com or give us a call at (802) 775-5916.

The latest version of this newsletter is always available on our web site, www.SargeantAppraisal.com. Click on the [Newsletter](#) button in the upper right corner.

In addition, past issues of the newsletter are stored under the [Blog](#) button.

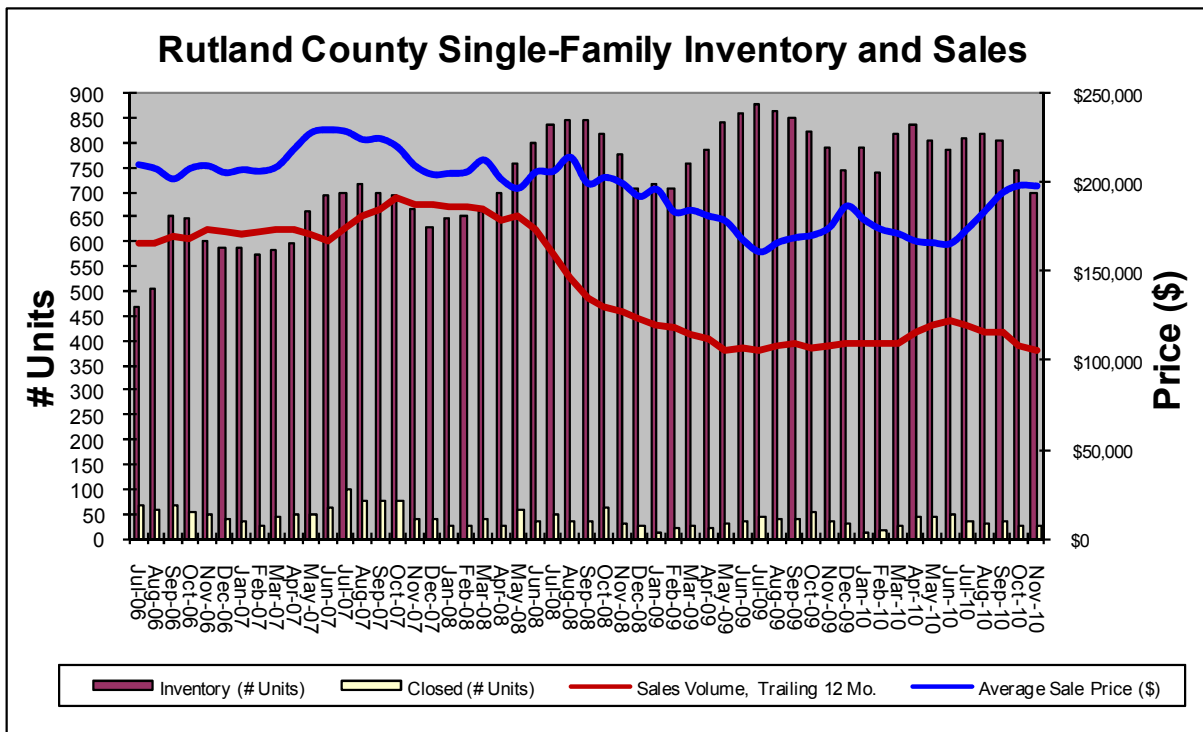
Rutland County Market Dynamics

Rutland County metrics specifically exclude Killington data, which is treated separately in our analysis because the pool of buyers in the Killington market is very different than the pool of buyers in the rest of the county.

Single-Family Data:

Sale volume in the Rutland County residential housing market appeared to bottom in May 2009. However, after experiencing year-on-year volume increases through June 2010, the trailing 12-month sales pace is now back down to its lowest level since 1991. Locally, and nationally, experts agree the first-time home buyer's tax credit only served to pull purchases forward in time. The volume 'bump' in late spring 2010 must be paid for with a volume 'trench' we expect through spring 2011.

The inventory of single-family homes listed for sale in November 2010 was 700 units; a full 10% below the inventory level of the two previous years. Overall this represents a 21 month housing supply at the six-month average sales rate, which is 10% above the 19 month supply in both 2009 and 2008. Therefore, while inventory is falling, sales volume is trending down and we could see historically high absorption times over the slow winter months.



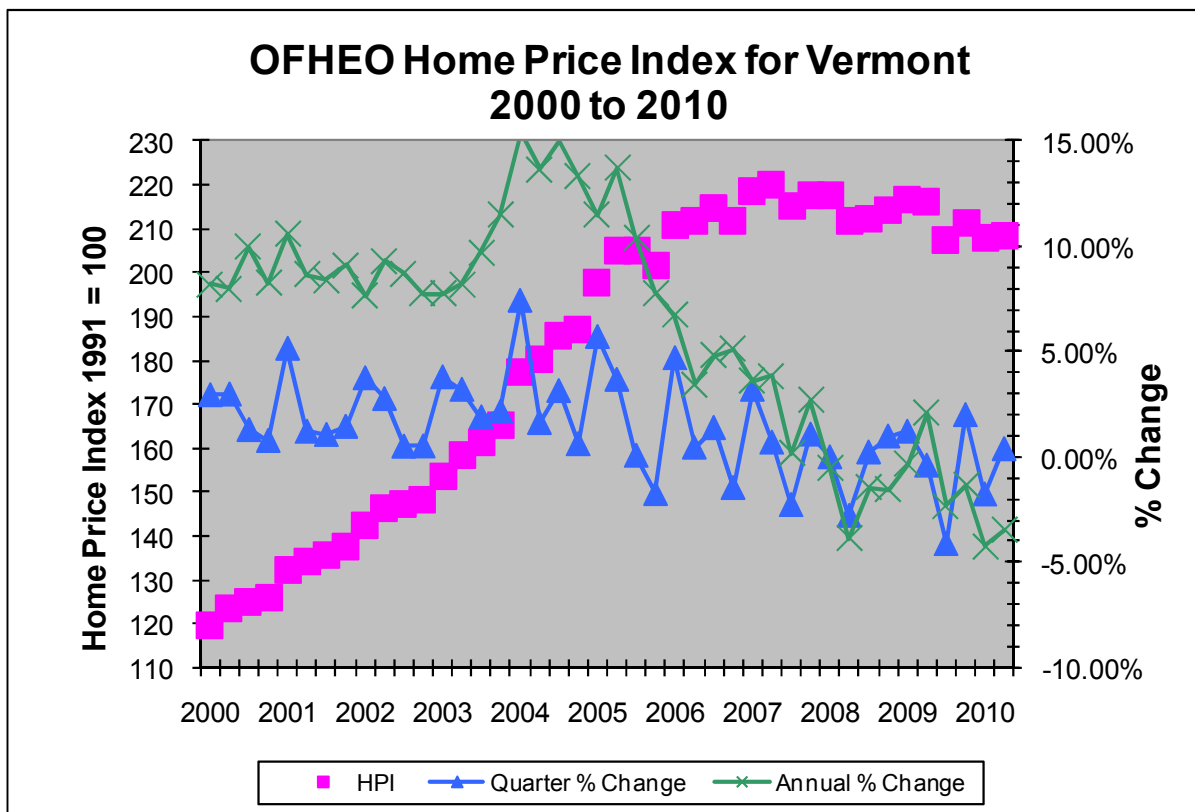
At the same time average sales price is trending up. This does not imply prices are rising; rather we have experienced more sales of homes in the \$200,000 to \$300,000 price range over the past few months than we had in early 2010.

The 'buyers market' dynamic, with differing effects through each price range, appear poised to continue throughout 2011. But, these trends respond to many external stimuli such as interest rates, employment, and consumer confidence. Even though inventory appears to be waning, it will take a dramatic increase in sales volume before the overall market dynamics are affected.

Everyone wants to know what is happening with prices. Our analysis is highly specific to the property type and current active listings, but does break down initially by price range.

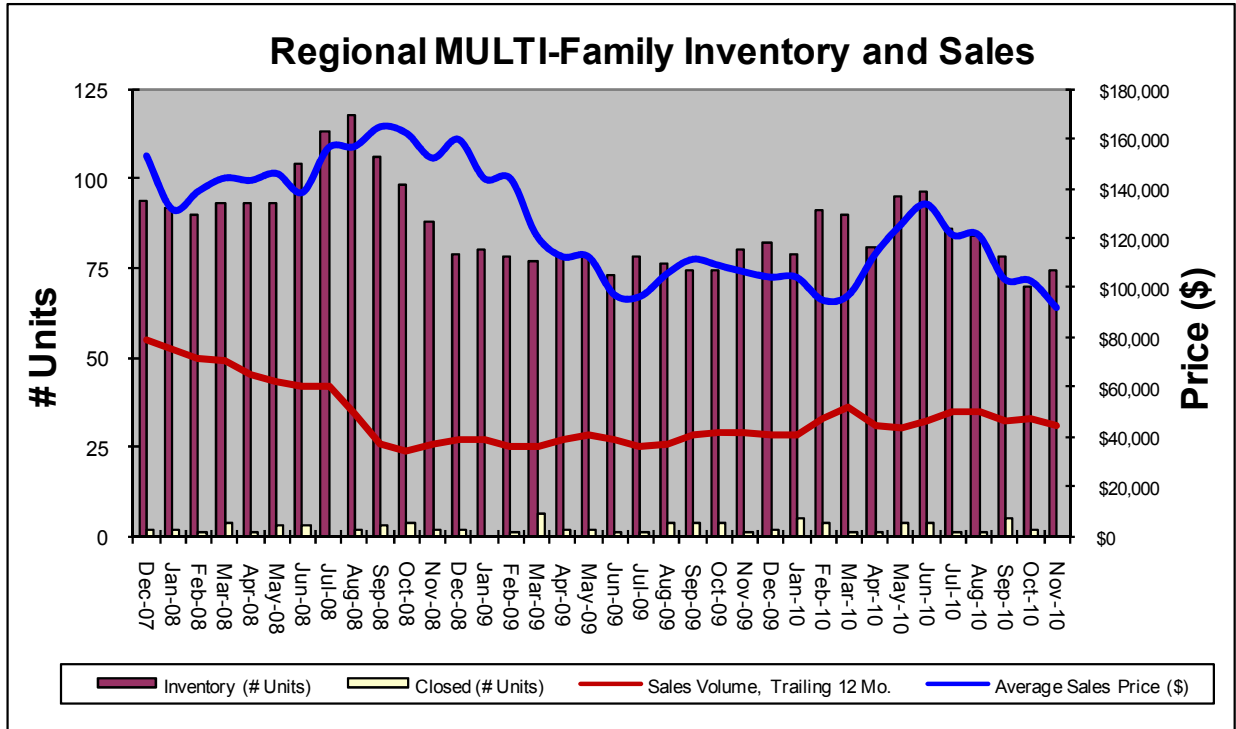
Initial Asking Price (\$k)	Current Period				Year Ago			
	Median Asking Price (\$k)	Median Closing Price (\$k)	Median Reduction in Asking Price (%)	Median Days on Market	Median Asking Price (\$k)	Median Closing Price (\$k)	Median Reduction in Asking Price (%)	Median Days on Market
below 200	158	138	13%	88	150	130	13%	77
200 to 500	299	219	27%	230	265	230	13%	193
over 500	700	650	7%	212	747	553	26%	292

On a *macro* level the OFHEO Home Price Index for Vermont has, quarter on quarter, been mixed over the last year; but on an annual basis the index is down 4% year on year. The index is now at its early 2006 level.



Multi-Family Data:

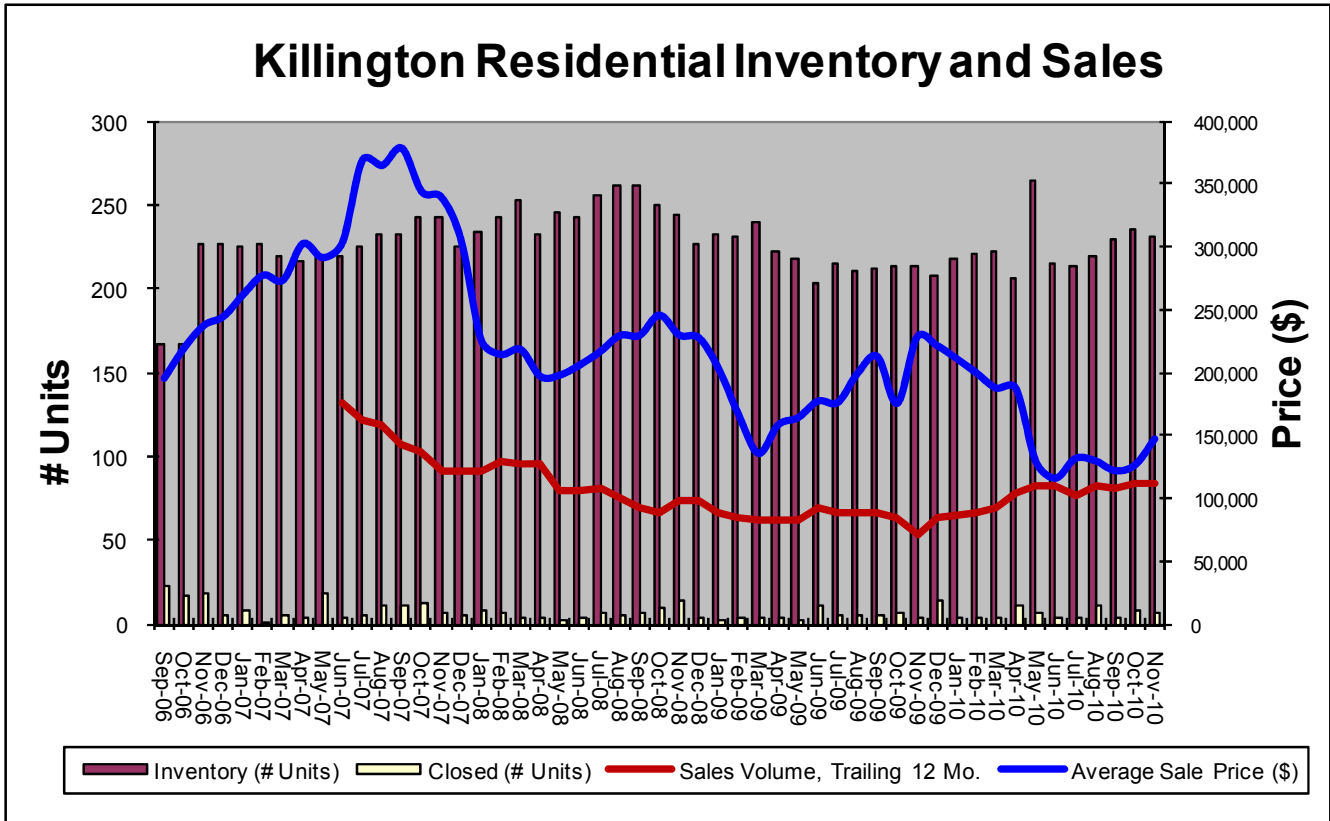
Inventory of two- to four-family listings no longer follows a seasonal pattern. With a trailing 12 month sales pace at 31 sales/year, there is now 2.2 years of inventory on the market.



The multi-family market continues to show two distinct markets based on the perceived quality of the investment. Well maintained properties that are fully leased and up to date on their permits, especially those with owner-occupant appeal, continue to sell at per unit prices indicative of values in 2005 to 2007. However, poorly maintained and vacant properties, most with conditional Certificates of Occupancy, are selling at per unit prices reminiscent of the late 1980's!

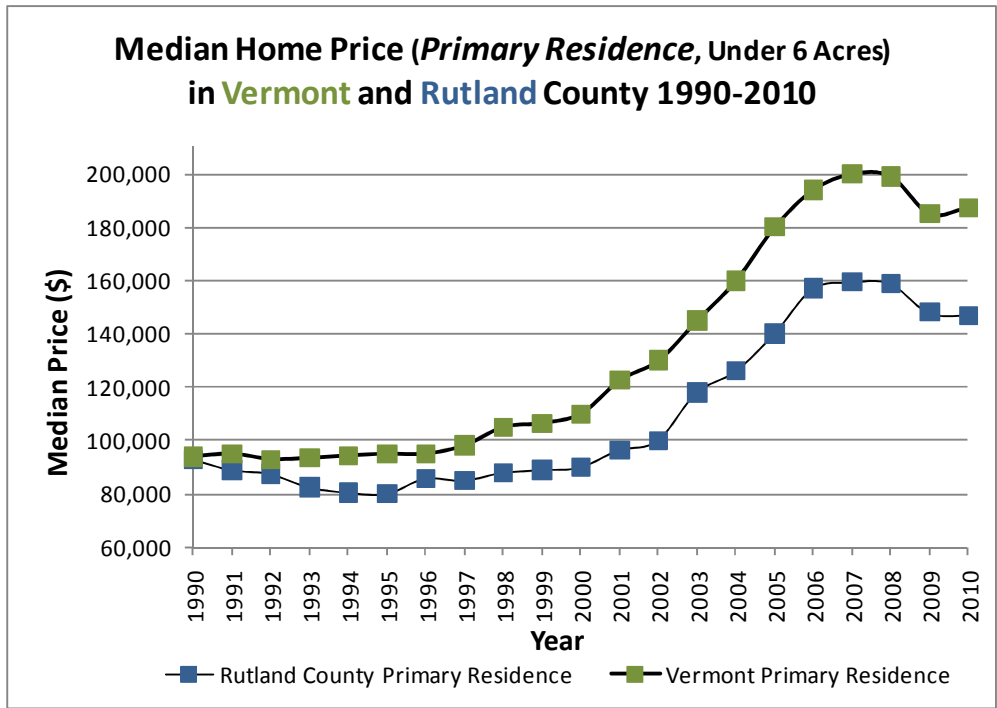
Killington Market Dynamics

The Killington market is still experiencing long marketing times and low sales volume. The average Killington property actively on the market for sale was listed 443 days ago; however the average sale was on the market only 280 days prior to going under contract. This underscores the need to properly price a listing in this market. One year ago this market formed a bottom and the 12 month trailing sales pace is up, month over month, for the past 12 months. However, active listings have also risen and there is 38 month inventory in this market, which is nearly identical to the 36 month inventory this time one year ago.

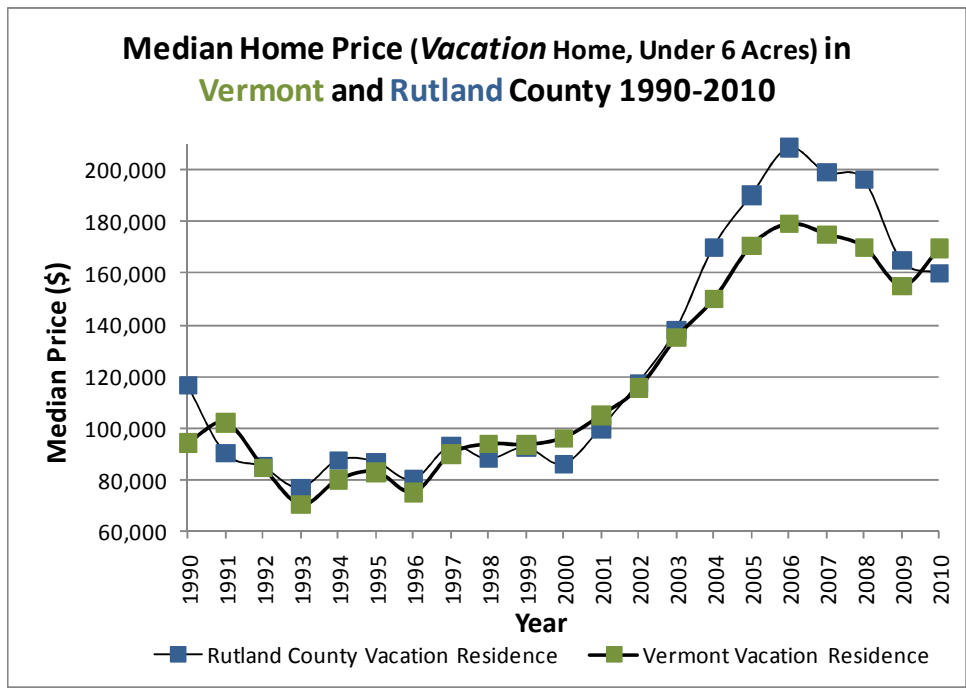


Sales Volume Trend & Percent of Sales in Vacation Use

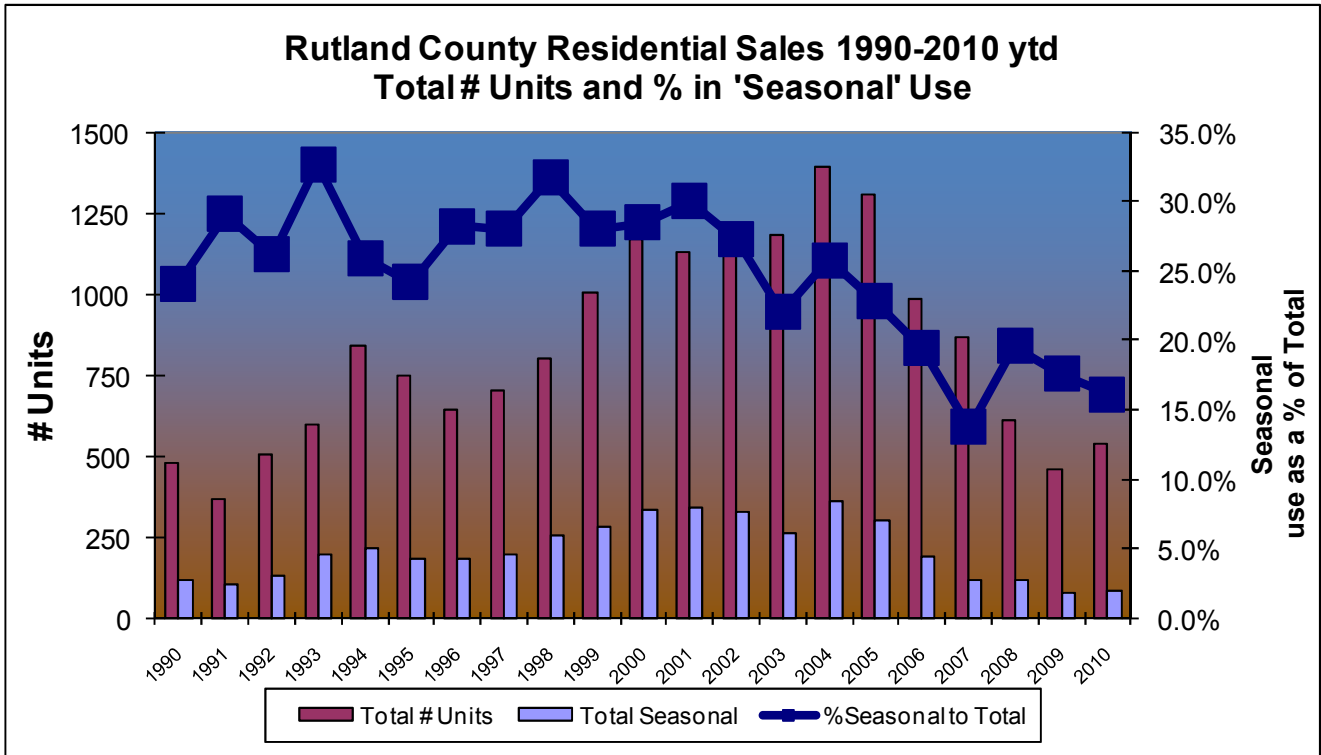
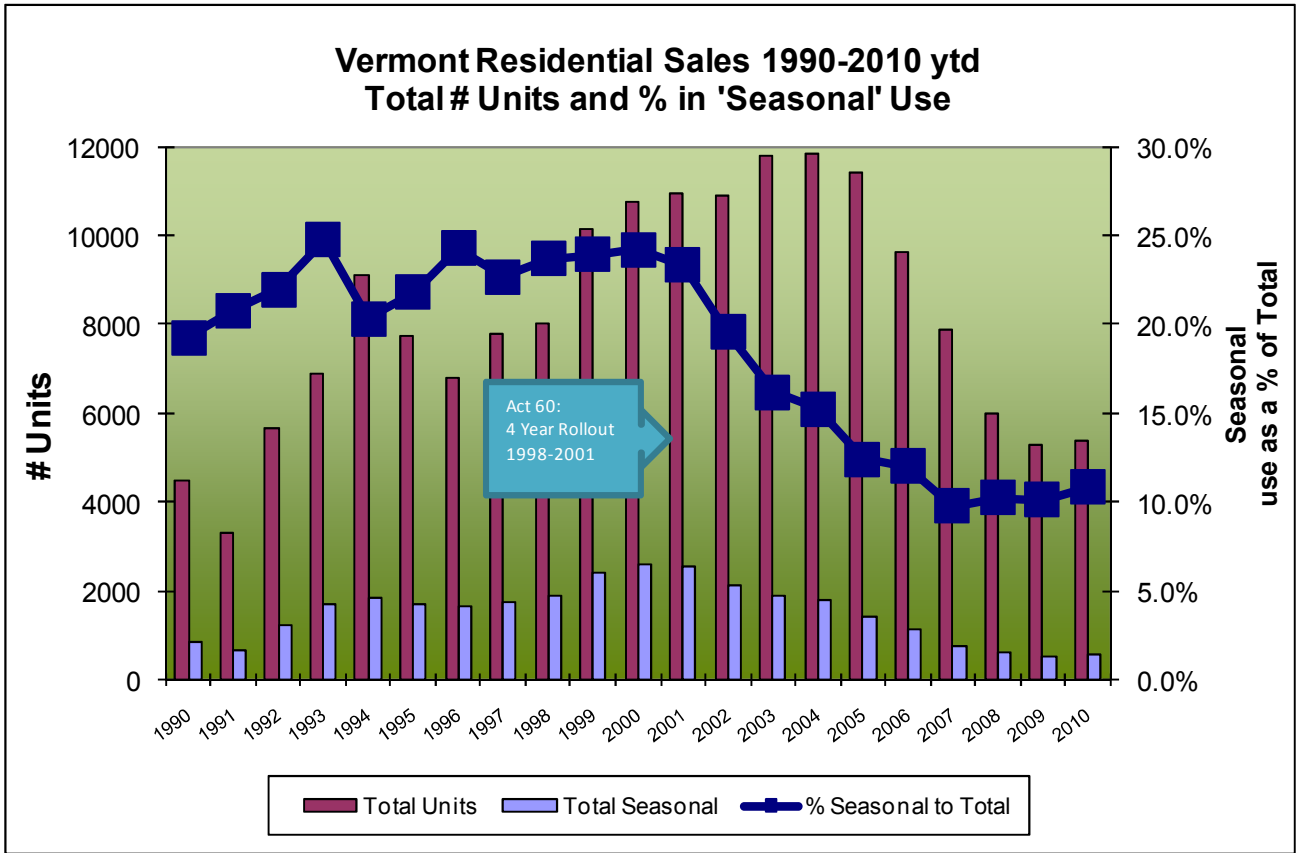
We continue to track sales volume and the percentage of home sales going into vacation, or second-home, use. In addition, we are tracking a new metric, *median sales price* of single-family homes and vacation homes in both Rutland County and statewide. In 1990, the median sale price of a primary residence in Rutland County was identical to the median figure in all of Vermont. Since that time the median price of a home sold in Rutland County has fallen behind the statewide figure by a larger and larger margin each year. This may be due to an underinvestment in Rutland County home maintenance, an accelerating lack of demand, or slow new home construction in the county relative to the rest of the state.



The same is now true of homes in vacation use. Starting in 2004 median vacation home prices in Rutland County lead the rest of the state. However, this trend was broken in 2010.

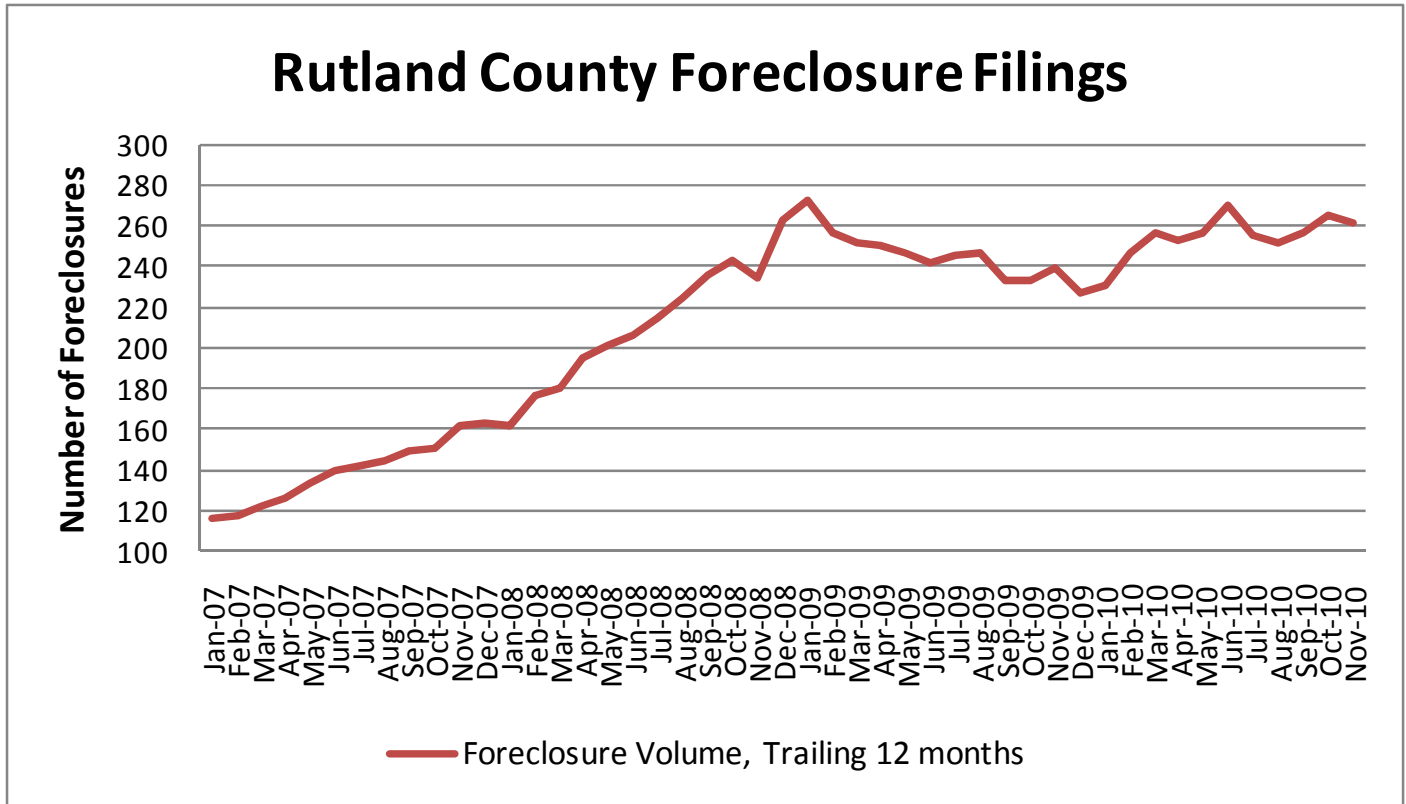


2010 will be the first year since 2004 to show a sale volume increase both statewide and in Rutland County. However, the total volume will be less than one-half the 2004 volume. The percentage of homes going into second home use statewide has grown each of the past 4 years, but is still well below the 20-25% experienced between 1990 and 2001. The percentage of homes going into a second home use in Rutland County has declined each of the past two years.



Rutland County Foreclosures

In some well publicized areas foreclosures define the market; luckily the same cannot be said in Rutland County. After peaking in December 2008 annualized foreclosure filings have held between 230 and 275 units/year. There are +/- 32,000 housing units in Rutland County. With an annualized rate of 260 foreclosure filings/year the percentage of homes in foreclosure is now 0.8%, or 1 out of every 123 homes.



Renovation Costs and Resale Value

Remodel Magazine recently published their 2010 survey of renovation cost and resale value for the northeast United States. Based on data collected in larger markets, like suburban Boston, MA and Burlington, VT, these data show there is no renovation that returns its initial investment.

We often have to explain to our clients that a \$25,000 kitchen renovation does not add \$25,000 to their market value; in fact based on the data below it only adds about \$17,000, or 76% of its cost. The other 24% is lost to either physical depreciation or functional obsolescence, which can be thought of as the penalty a buyer will charge because they did not get to design the new kitchen to their tastes and desires.

But don't confuse a renovation with a repair. Peeling and leaking roof shingles or broken windows are examples of repairs that need to be completed in a timely manner. The market penalizes repairs at a value much more than the cost of the repair due to the hassle of getting these items fixed and the questions they raise about the overall maintenance of the home.

Renovation	Cost (\$)	Resale Value (\$)	% Cost Recovered
Home Office Remodel	29,480	12,510	42%
Backup Power Generator	15,002	7,007	47%
Bathroom Addition	42,670	21,300	50%
Sunroom Addition	76,779	39,838	52%
Entry Door Replacement (fiberglass)	3,662	2,079	57%
Garage Addition	61,332	36,456	59%
Master Suite Addition	112,509	68,250	61%
Bathroom Remodel	17,620	10,773	61%
Basement Remodel	68,253	41,918	61%
Family Room Addition	88,951	55,824	63%
Roofing Replacement	23,232	14,689	63%
Two-Story Addition	166,862	108,217	65%
Attic Bedroom	54,414	37,131	68%
Major Kitchen Remodel	60,038	42,653	71%
Deck Addition (composite)	15,809	11,367	72%
Deck Addition (wood)	11,163	8,114	73%
Window Replacement (vinyl)	11,447	8,366	73%
Window Replacement (wood)	12,441	9,185	74%
Minor Kitchen Remodel	22,267	16,802	76%
Siding Replacement (vinyl)	11,653	9,173	79%
Garage Door Replacement	1,330	1,076	81%
Entry Door Replacement (steel)	1,264	1,081	86%

Source: Remodel Magazine

HVCC, BPOs and other ‘Frank-Dodd Act’ Changes

The Frank-Dodd Financial Regulatory Reform Bill of 2010, or the ‘Frank-Dodd Act’, signed into law this fall includes the most substantial changes to appraisals and collateral evaluation since 1991. The Home Valuation Code of Conduct or HVCC, under which most appraisals are now ordered, will sunset once regulatory agencies including the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the National Credit Union Administration, establish unified appraiser independence rules.

Some guidelines have already been released. These highlight the responsibility of financial institutions to select appraisers based on their competence, experience and knowledge of the market; require lenders to demonstrate the independence of their processes for obtaining property values; adopt standards for appropriate communication with appraisers; and require valuation methods to return a property's market value, specifically stating that broker price opinions (BPO) are not acceptable as an evaluation.