



# Sargeant Appraisal Service Rutland County Newsletter

January 2010

Winter 2010

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## Contact Us

[www.sargeantappraisal.com](http://www.sargeantappraisal.com)  
[sean@sargeantappraisal.com](mailto:sean@sargeantappraisal.com)  
(802) 775-5916

## 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](mailto: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](http://www.SargeantAppraisal.com). Click on the [Newsletter](#) button in the upper right corner.

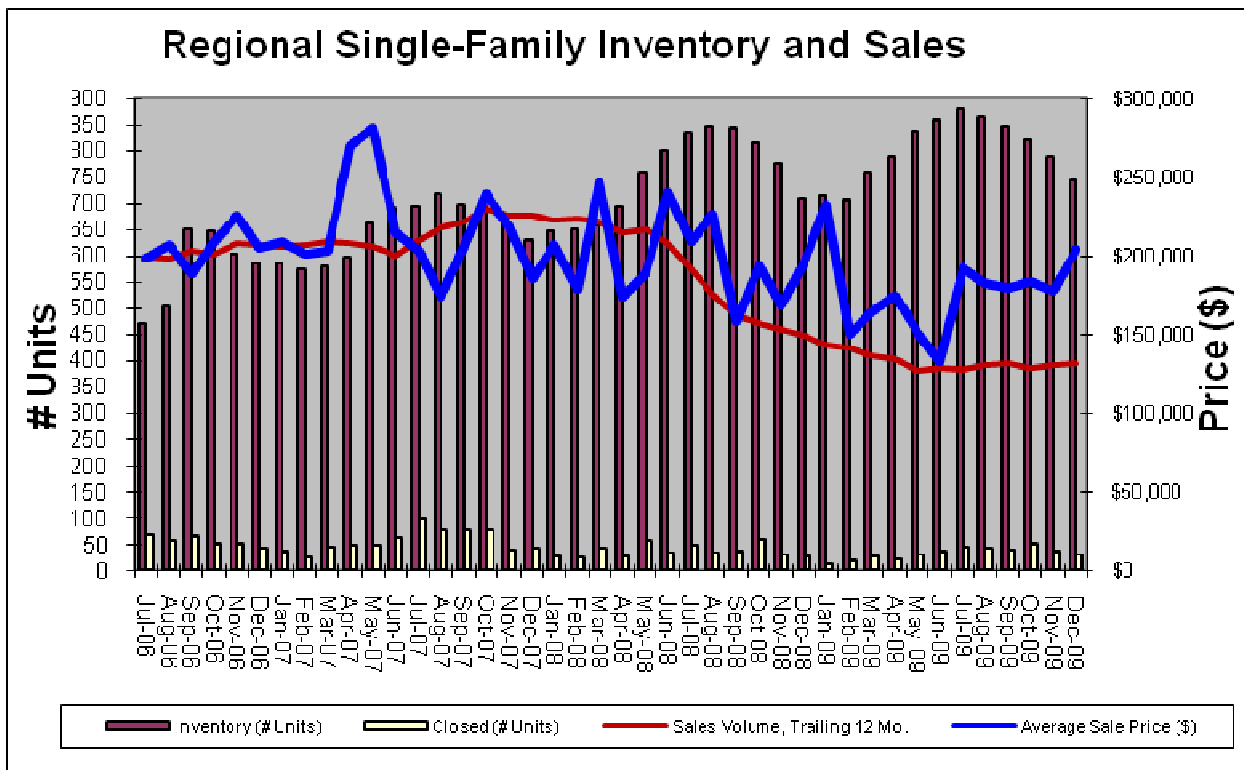
In addition, past issues of the newsletter are stored under the [Blog](#) button.

# Rutland County 2009 Year End Market Dynamics.

Rutland County metrics specifically exclude Killington data which is treated, in our analysis, as a separate market.

## Single-Family Data:

The sales volume decline in the Rutland County residential housing market appears to have bottomed in the early summer of 2009. The inventory of single-family homes for sale in December 2009 was, typical of the winter months, well off the summer inventory and sat at 744 units. This is down from the recent peak of 880 units offered for sale in July 2009, but year on year, up 5% from the inventory level of 708 units in December of 2008. Overall, this represents an 18 month housing supply at the rolling six-month average sales rate. This is identical to the 18 month supply in December of 2008, and down 50% from the peak of 36 months inventory in May 2009. The past 40 months of Rutland County inventory and sales data show:



The supply metrics are a combination of both historically high inventory levels and a sales pace that is the lowest since 1991. In all of 2009, we closed 456 single-family homes, which is the lowest since we closed 356 homes in 1991, and a 26% reduction from the 2008 sales volume! Over this past summer the 12 month rolling sales pace fell to 381 units/year which is 33% below the sales pace in the summer of 2008 and 38% below the summer of 2007.

There are seasonal trends in listings and sales as well as macro trends, which extend over years. It now appears there will be a slightly greater inventory on the market throughout 2010 than there was in 2009 and the 'buyers market' dynamics are expected to continue. But, these macro trends respond to many external stimuli such as interest rates, extensions in the first

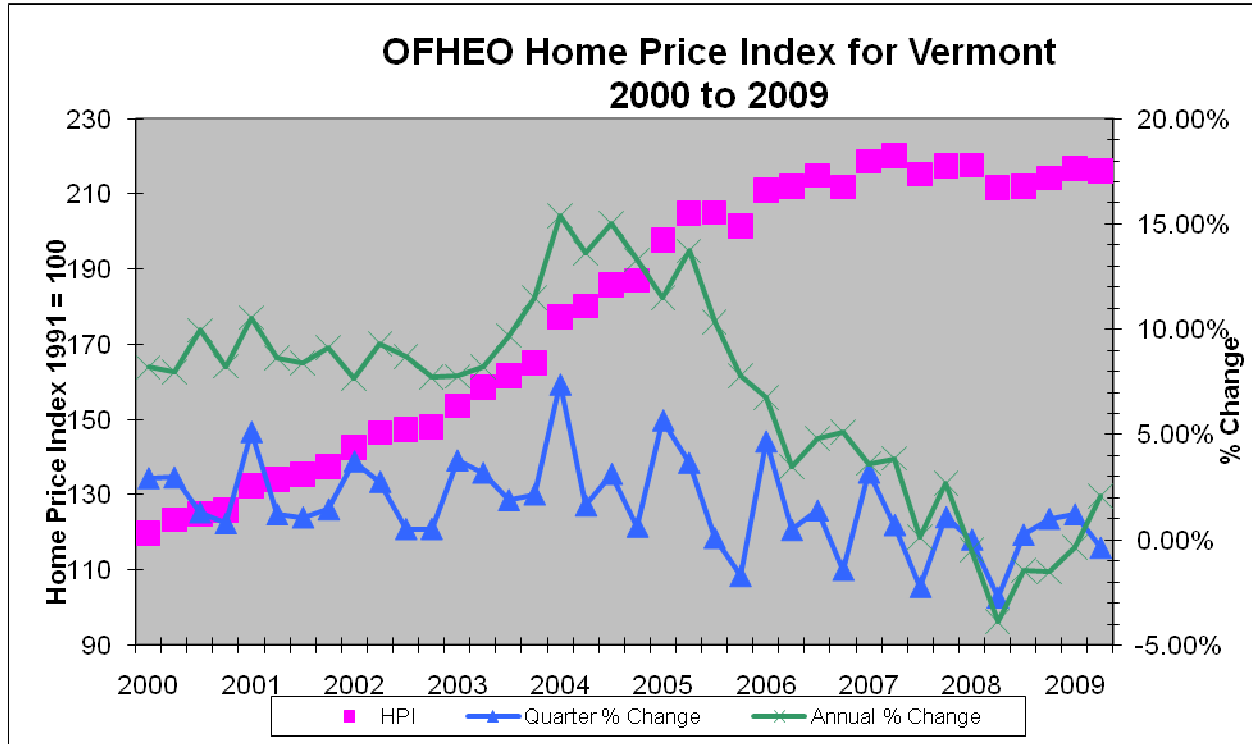
time buyer's tax credit, and employment trends.

However, we formed a sales volume bottom over the summer of 2009 and, month to month, sales volume stopped getting worse. With the increase in first time buyers taking advantage of the tax credit, it actually felt like things were getting better. But, with inventory projected to grow it will take a dramatic increase in sales volume before the current market dynamics are affected.

Everyone wants to know if prices are going down, and by how much. Our analysis is highly specific to the property type, but does break down, initially, by price range. The most recent sales data, by price range is compared to the period 7-12 months ago.

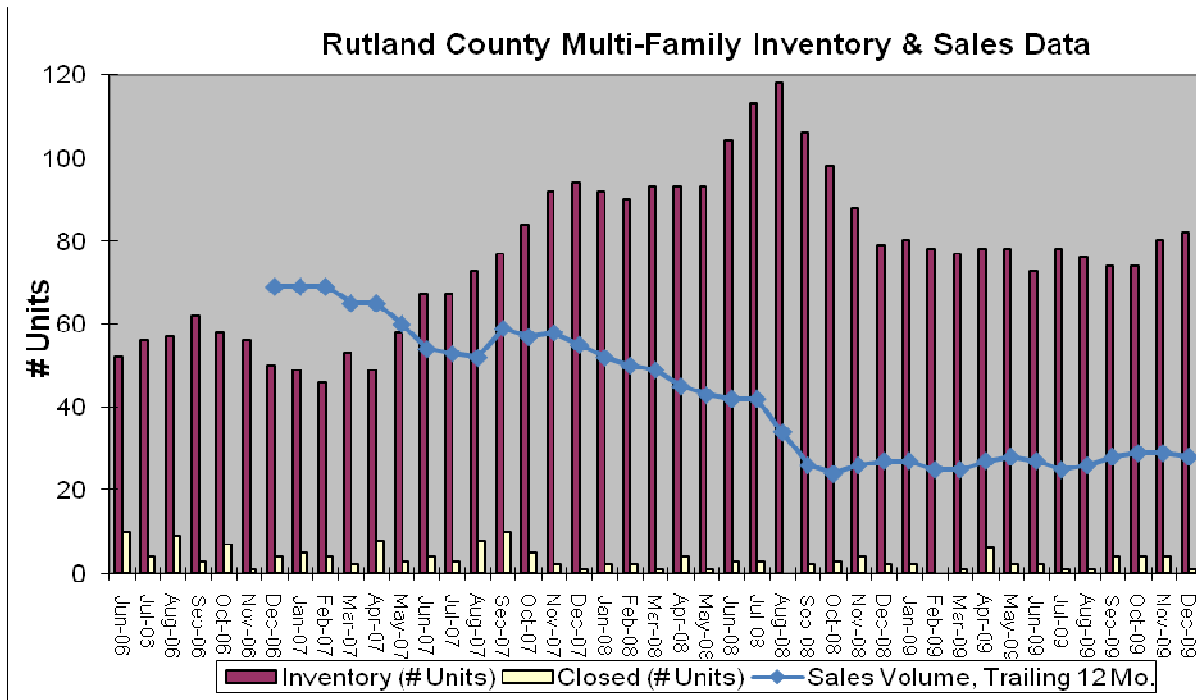
Initial Asking Price (\$k)	Current Period				7-12 Months Ago			
	Median Asking Price (\$k)	Median Closing Price (\$k)	Median Reduction in Asking Price (%)	Median Days on Market	Median Asking Price (\$k)	Median Closing Price (\$k)	Median Reduction in Asking Price (%)	Median Days on Market
below 200	150	130	-9	78	139	127	-10	96
200 to 500	274	235	-11	138	275	240	-13	140
over 500	1095	855	-30	172	1395	800	-40	394

On a macro level, while still off of the high set in 2007, the OFHEO Home Price Index for Vermont has, quarter on quarter, been positive for three of the last four quarters and is now 2% above its year-ago level.



### Multi-Family Data:

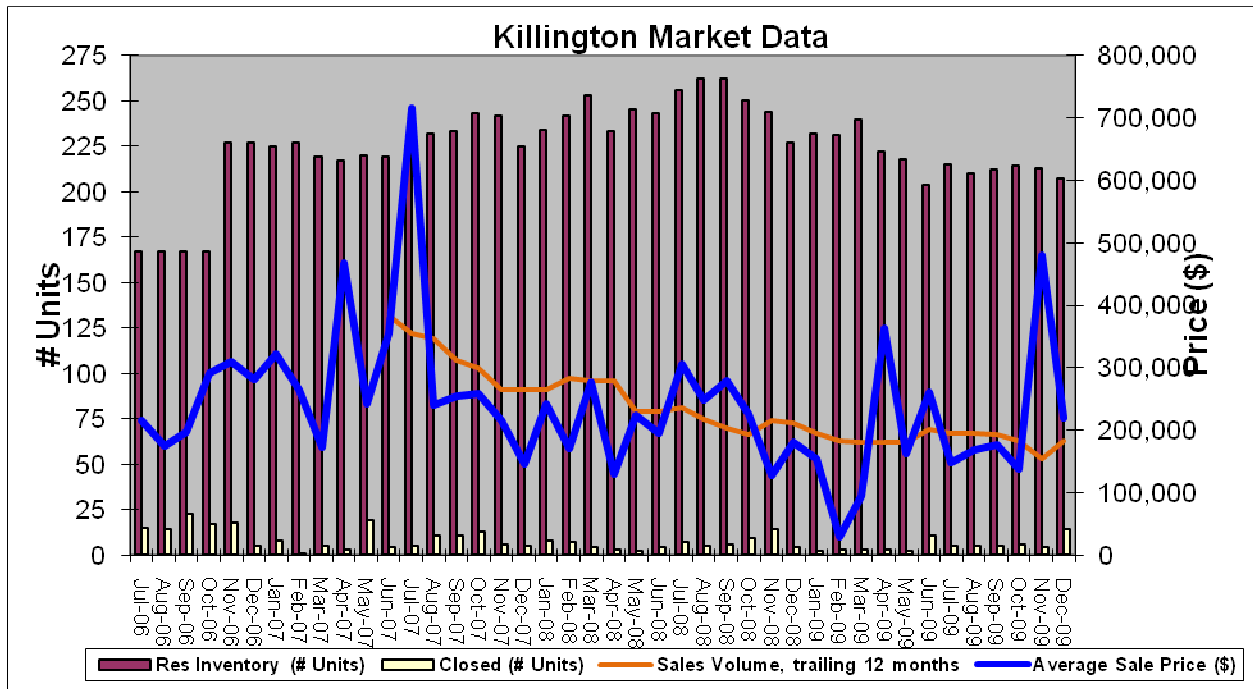
Inventory of two- to four-family listings no longer follows a seasonal pattern. With a trailing 12 month sales pace at 28 sales/year, there is now 33 months of inventory on the market.



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, has been listed for 472 days. In addition, the average sale was on the market for 378 days. In November 2009 this market broke through a volume bottom that appeared to be forming over the summer of 2009, with very weak volume relative to the fall of 2008 and of 2007. While in December sales volume was up, there is now a 32 month inventory actively on the market.

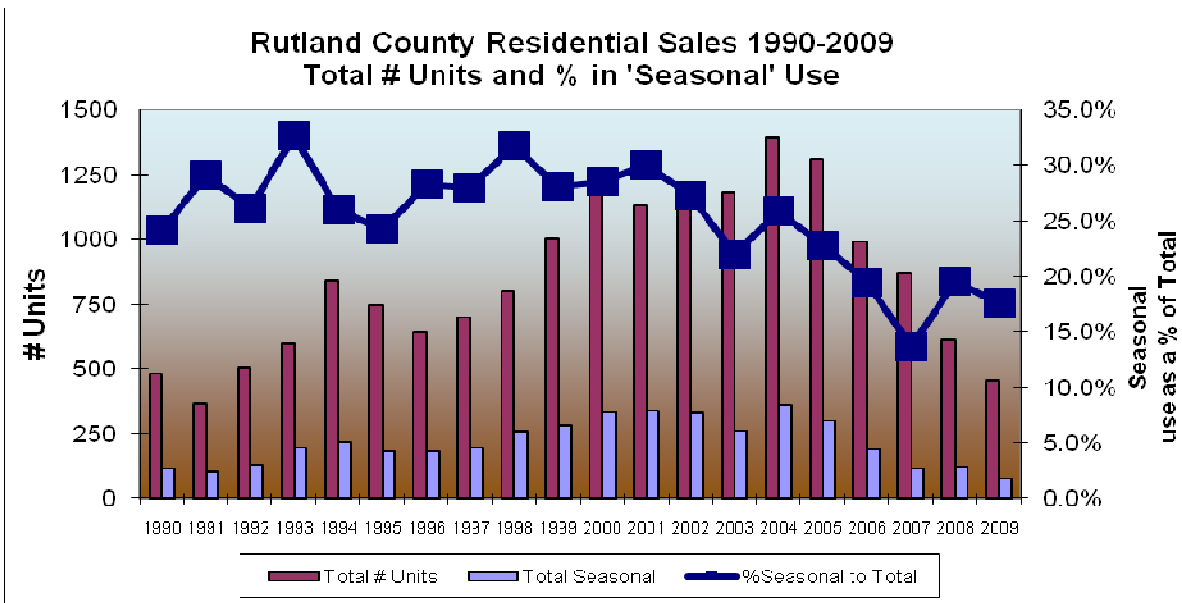
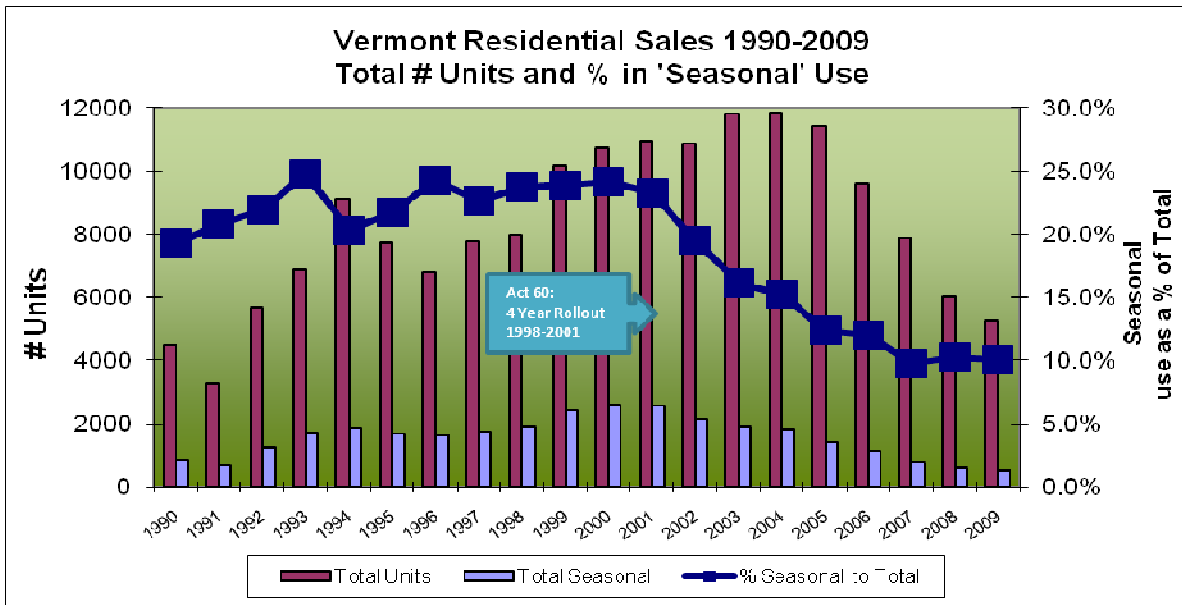


## Sales Volume Trend & Percent of Sales in Vacation Use

In 2009, declines continued in total sales volume while the percentage of home sales identified as second-home or 'vacation' use sales in the Vermont Property Transfer Return database appeared to stabilize at +/- 10% of the total. With the 2009 year end data now available, Rutland County recorded 456, arm's length, residential property transfers. This is 26% less than the number of sales in 2008, but well above the recorded minimum of 364 sales in 1991. Statewide, we closed 5,271 residential sales, which is only 12% less than the number of sales in 2008. Therefore, *the volume loss in Rutland County was over twice the volume loss statewide*, and may be partially due to the fact Rutland County's unemployment rate led the state, and peaked at 10.2%, over most of 2009.

While the decline in total sales volume seems to be a function of the current economic conditions, we continue to ask for any ideas or suggestions concerning the cause of the decline in the percentage of sales going into second-home or vacation use. To date, we have only identified Act 60 as a possible contributor. Over the 12 years prior to 2001, the first year Act 60 was fully implemented, second home sales tracked between 20% and 25% of the total number of property transfers. Starting in 2002 and continuing until 2007, second homes sales, as a percentage of all property transfers, dropped, year on year, to between 9.7 and 10.3% of all sales.

As always, your comments on our analysis are encouraged.



## Use Value Appraisal Program

Many of the land parcels we appraise are now enrolled in the 'Use Value Appraisal Program'. This is a voluntary program that allows a land owner, of qualifying forest or agricultural land, to obtain a reduction in their property tax assessment used for both town and educational tax calculations. In return for a promise not to develop the land, the state places a lien on the property. If an owner decides to develop the property, the lien is removed with a payment of either 10% or 20% of the market value of the land.

Based on our research, this is an extremely popular program, and 36% of all the land in the state (+/- 2,200,000 Acres) is now enrolled. Of course, the reduction in the assessed value of these parcels, and the tax savings to the landowner, is paid by Vermont taxpayers through both an allocation from the general fund and a cost shift under the Act 60/68 educational tax calculation. Here is the available

program data for the last 5 years. 'Reimbursements' appear to be the allocation made from the general fund to pay for the 'Working Farm Tax Abatement' and 'Hold Harmless Funding' portions of the program, the remainder of the program is funded through a cost shift under Act 60 and 68.

	<b>Enrolled Acres (Acres)</b>	<b>% of All the Land in VT (%)</b>	<b>Reimbursements (\$)</b>	<b>Total Cost Shift (\$)</b>
<b>2005</b>	1,995,000	34%	7,233,000	32,980,000
<b>2006</b>	2,033,000	34%		35,996,000
<b>2007</b>	2,085,000	35%		39,600,000
<b>2008</b>	2,119,000	36%	9,000,000 est	44,600,000
<b>2009</b>	2,118,000	36%	9,500,000 est	48,969,000

Additional facts include:

- 48% increase in the cost, but only 2% increase in enrolled land over the past 5 years
- 1/3 of enrollees are state residents, 2/3 are non-residents
- Top 3 'receiving towns' in 2009 (where non-residents are ¾ of the enrollees)
  - Woodstock \$ 1,200,000
  - Stowe \$ 1,169,000
  - Pomfret \$ 1,089,000
- Pawlet is the top 'receiving town' in Rutland County at \$357,000 (number 25)

Of course, the most important question for us is, "Does enrollment in the program change the market value of the land?" In general, the answer is no. Enrolled land appears to sell at the same rate as unenrolled land. This leads us to believe buyers and sellers have concluded the current value of the future tax benefit under the program is roughly equal to the current cost of having to make a lien payment in the future (if/when it is developed).

During the last economic downturn, 1991-1995, the legislature voted to defund portions of this program up to 41%, resulting in the unenrollment of less than 1% of the land in the program. With the current budget discussions occurring in Montpelier we do not currently know what will happen with this program in the future.

## Sean A. Sargeant, SRA: Certified General Real Estate Appraiser

On December 8, 2009, Sean was awarded his Certified General Real Estate Appraiser's license. This allows him to appraise all types of real property, regardless of complexity, and is generally referred to as a 'commercial' license.

Sean is now one of only eight SRA designated appraisers in the state, and one of only four commercial appraisers active in Rutland County. He is also the 2010-2011 Vice President and Education Chair of the Vermont Chapter of the Appraisal Institute, and will attend the Appraisal Institute's Leadership Development & Advisory Council in Washington, DC this May.

We are proud of his dedication to our profession, and the fact that we are now better able to serve our customers with two, designated, commercial appraisers located right here in Rutland County.