

**RE/MAX**  
of New England



# 2012

## Housing Market Outlook & Forecast

## EXECUTIVE SUMMARY

### Employment, Consumer Confidence Needed to Grow Housing Market in 2012

*“New Normal” Has Arrived for Buyers, Sellers*

Historically low interest rates, renewed interest by investors, and job growth helped provide modest stability to the real estate market in 2011, according to RE/MAX of New England. Although the first six months of 2011 failed to keep pace with the first six months of 2010, fueled largely by the pending expiration of the federal tax credit, the second half of 2011 witnessed much stronger sales.

Federal Reserve Chairman Ben Bernanke, in a report to Congress, recently [declared the weakness in the real estate market](#) a “significant barrier” to a meaningful economic recovery. The Federal Reserve, as part of an effort to bring stability to the real estate market and the overall economy, has pledged to keep key interest rates at historically low levels until mid-2013. There is hope in the real estate community that this will help solidify consumer confidence, which remains low, and, with interest rates now in the 3% range, entice more people to purchase homes.

“There is no indication that leads me to believe we will have any significant uptick in the market,” said Jay Hummer, Executive Vice President and Regional Director of RE/MAX of New England. “However, barring a financial catastrophe in the marketplace, it appears that we’ve hit the bottom, and we can expect to see a very slow and very gradual increase over the next couple of years.”

Home values continued to slip in 2011. Just one out of six New England states, Vermont, experienced an increase in sales price. However, home prices in New England declined at a slower rate than other parts of the country. According to the [Clear Capital Home Data Index](#), U.S. home sales prices declined by -2.1%, marking the fifth consecutive year that home values have decreased. Four New England states outpaced this national trend by experiencing smaller declines. “The housing market was fairly similar to the market in 2009. There was a decrease in units, volume, and pricing in most segments,” Hummer said.

In Maine, the median price of single-family homes was virtually flat, down just -0.18%, from \$206,697 in 2010 to \$206,329 in 2011. Condominium prices actually showed a 1.77% price increase, growing from \$211,322 in 2010 to \$215,062 in 2011. Multi-family sales dropped -6.81%, but prices still jumped 11.27% from \$144,357 in 2010 to \$160,629 in 2011.

Rhode Island, despite an unemployment rate of 10.5%, which ranks among the highest in the nation, experienced just a -1.8% decline in average single-family home pricing, from \$271,370 in 2010 to \$266,256. This affordability created a slow-down in the condominium market, which translated to a year-over-year price drop of -4.2%, to \$225,911 in 2011.

Connecticut, also struggling with unemployment, experienced a -1.8% decline sales. In Fairfield County, where financial health is closely tied to the state of Wall Street, year-over-year home sales declined -6.5%, while the average price dropped from \$618,560 to \$606,673.

New Hampshire, influenced by a glut of foreclosure activity, watched Granite State home values drop -4.1%, from \$255,493 in 2010 to \$245,015 in 2011. However, it was also the only New England state to experience an increase in the number of units sold, up 0.7% year-over-year.

Massachusetts, anchored by a diversified economy and an active luxury sector, watched home prices drop a modest -0.4%, from \$376,925 in 2010 to \$375,439 in 2011. Year-over-year condominium sale prices rose by 2.7%, to \$343,215.

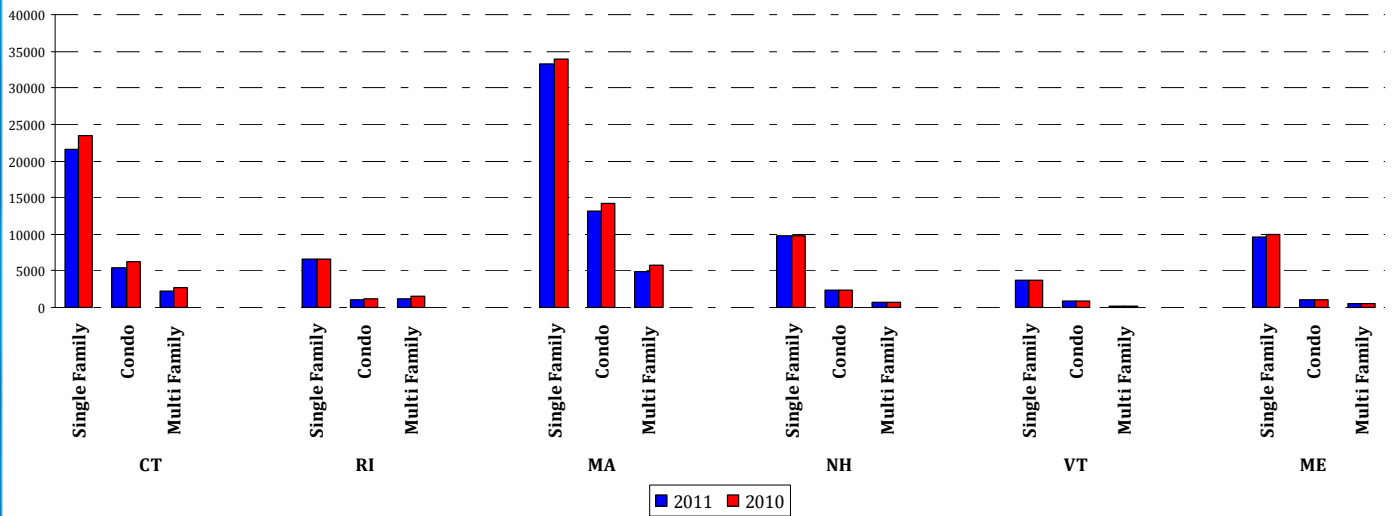
“Foreclosures provide a unique opportunity to investors – whether it is an equity firm or a family looking to create wealth through long-term property investment,” Hummer said. “Many people recognize this is a great investment opportunity and if they don’t take action, they very well may look back at this time with regret.”

Hummer says the ability of Congress to revisit some of the problems which have resulted from the Dodd-Frank Act is paramount. The present law, though written with the intent of protecting homeowners from predatory lending practices, has resulted in incredibly stringent guidelines which have stopped the flow of an open market. Appraisal requirements are also unrealistic in many cases. “If the bar for appraisals is set so high it cannot be reached, we will never see an increase in pricing,” said Hummer.

Jay Hummer, Executive Vice President and Regional Director for RE/MAX of New England has more than 25 years of experience in the real estate franchise industry, beginning his career in New York City in 1984. In his role, Hummer oversees more than 220 offices and nearly 3,000 sales associates throughout Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. RE/MAX continues to be the most recognized name in real estate.

Read more about the housing industry at the RE/MAX of New England blog at [remax-newengland.com](http://remax-newengland.com) and follow us on Twitter at [@REMAXNE](https://twitter.com/REMAXNE). The RE/MAX web site is [www.remax.com](http://www.remax.com).

**New England Units Sold  
2011 vs. 2010**



# State Watch

## CONNECTICUT

Out of the six New England states, Connecticut's real estate market experienced the most difficult set back in 2011.

According to CTMLS data, single-family home sales decreased -8.4% when measured against 2010. The average price also declined -1.8% year-over-year. The condominium market struggled, with a -15.9% decrease in units sold, and a -4.2% decrease in average price. Multi-family home sales were no better off, with a -16.2% drop in units sold, and a -4.3% drop in average price. Days on market also increased across the board for all properties.

"Short sale and real estate owned properties continue to drive the market," according to Ed Sutton, Broker/Owner of RE/MAX Flagship in Glastonbury. "There is a large supply of inventory, but not a lot of buyers."

Sutton, who specializes in REO and short sale transactions, says Connecticut does not have a housing problem. "What we have is an employment problem." Connecticut's unemployment is 8.6%, second in New England to Rhode Island. Sutton says because of economic uncertainty, "the only people selling are those who really need to through a decline in income or divorce."

In the affluent area of Fairfield County, single-family home sales are down -6.5% year-over-year. Average price has also declined -1.9% compared to 2010. Condo sales are down -3.7%, while multi-family home sales have slid -8.5%.

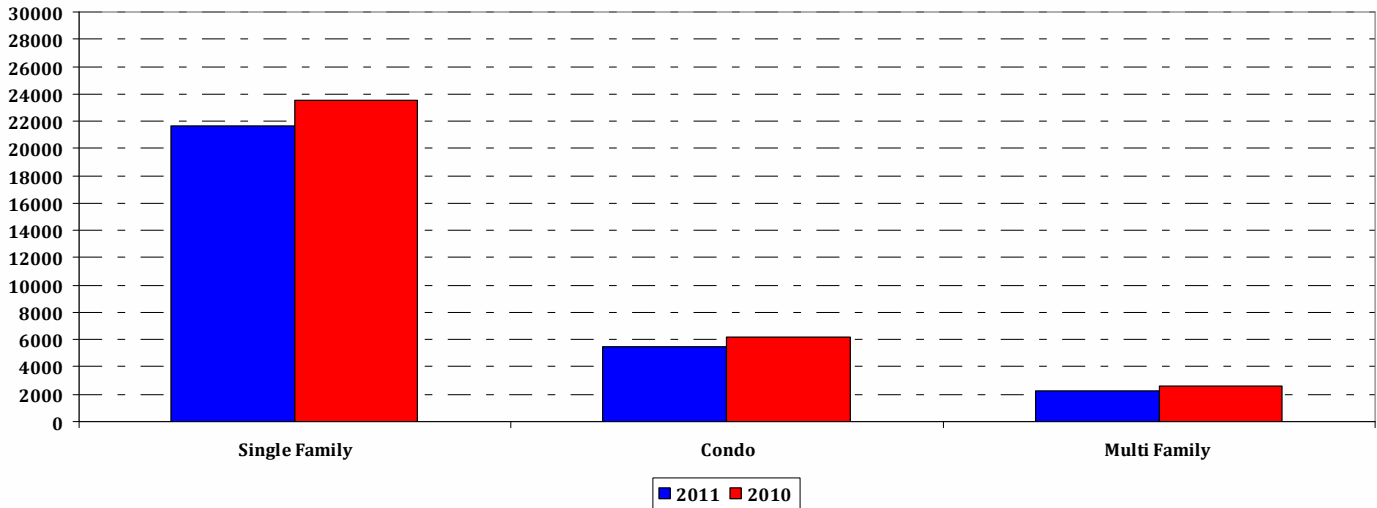
Foreclosures have not affected Fairfield County to the extent that other parts of the state have been affected, according to Virginia Klein, Broker/Owner of RE/MAX Heritage in Westport.

"People with really large mortgages are finding a way to work with lenders and have not been affected to the same extent as other parts of Connecticut. We are seeing more foreclosures in the lower price ranges in Bridgeport, Norwalk, and Stamford."

The availability and demand for property in Fairfield County is similar to a wave, Klein says. "Most buyers begin their search in Greenwich, where properties presently remain high (\$2.45 million range), or Darien (\$1.7 million range). They then settle in Westport (\$1.35 million range) or Fairfield (\$670 thousand range), which are more affordable." Accordingly, inventory in Westport and Fairfield is more limited.

Klein called 2011 a difficult year. "We're a barometer for Wall Street. We're just like the stock market, and we follow the trends of Wall Street."

Connecticut Units Sold  
2011 vs. 2010



# MASSACHUSETTS

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Massachusetts, anchored by a thriving biotechnology industry, a concentration of colleges and universities, and a 7% unemployment rate, saw relatively flat sales in 2011 compared to 2010.

The number of single-family home sales declined just -1.8% while value declined -0.4%. The condominium market experienced larger declines of -6.7% in units sold, but sellers enjoyed a 2.7% increase in price. Multi-family home sales also dropped -13.5% year-over-year, but prices increased 3.9%.

For the second consecutive year, the luxury real estate market in Greater Boston enjoyed an infusion of new activity thanks to historically low interest rates, according to Candice Macoul, Broker/Owner of RE/MAX Luxury Living in Boston.

“The average downtown two-bedroom rental is \$3,500 a month. It makes more sense to buy if interest rates are under 4%.” Macoul also says confidence from investors is returning, with many viewing real estate as a more reliable investment than the stock market.

Linda O’Koniewski, Broker/Owner of RE/MAX Heritage with offices in Melrose, North Reading, Reading and Wakefield, called Boston one of the strongest housing markets in the country. “We have been reintroduced to what our new normal is. Stable markets, but not a lot of appreciation.”

O’Koniewski said Arlington, Melrose, Wakefield, Reading, and North Reading are all desirable suburbs due to good schools and close proximity to the city, with Arlington’s 26% absorption rate leading the way.

Mike DelRose, sales professional and agent with RE/MAX Leading Edge in Watertown, says properties that are priced right continue to sell the fastest. “There’s no particular price point. The best values are what sell. Investor buying is an active segment, too,” DelRose said.

Along the North Shore, sales professional and agent, Deb Hamilton of RE/MAX On The River in Newburyport, says her region has been relatively immune to the foreclosures and short sales being experience in other parts of the state, but “no one is buying up right now. Those who want to move are being forced to sit tight because they can’t sell right now.”

Gil Campos, sales professional and agent of RE/MAX Real Estate Center in Foxboro, believes the strong end to 2011 bodes well for 2012. “Prices won’t be going up, but it points to a better year.”

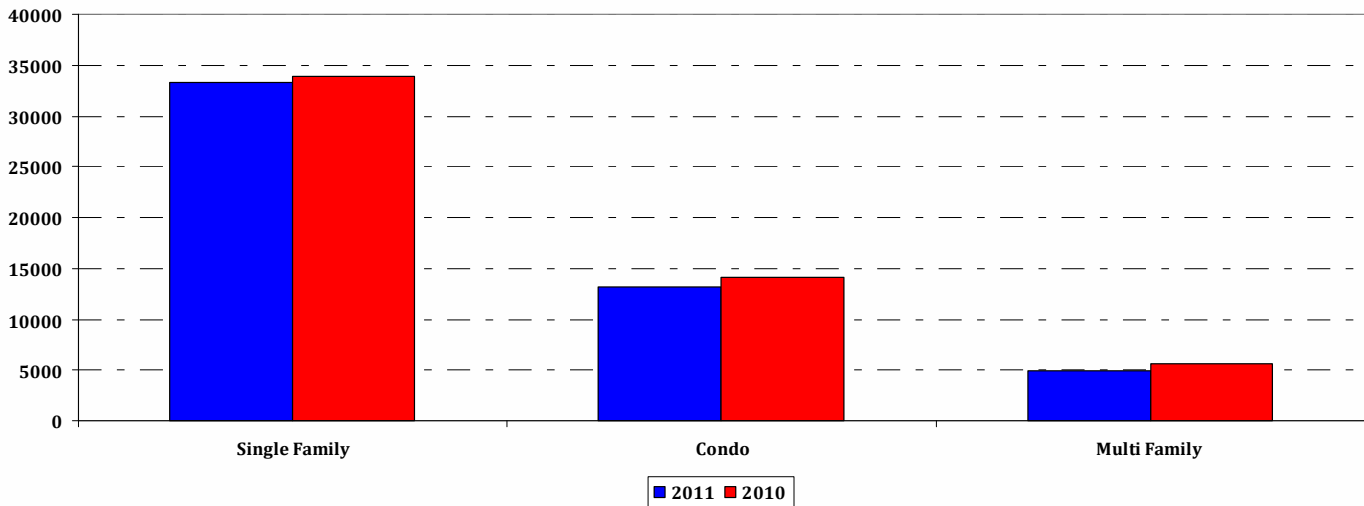
Campos says Foxboro and the surrounding communities continue to be a buyer’s market, with investors scooping up foreclosures. “I used to never deal with investors. Now 10% of my sales come from them.”

For the second consecutive year, real estate professionals also experienced difficulty obtaining accurate appraisals. Annette Norton, Broker/Owner of RE/MAX Best Choice in Framingham, said on occasion appraisers from New Hampshire would be working in the MetroWest area. “You have to know the area. From one street to another, there is a drastic difference in pricing. No matter how good you are, you still need to know the area.”

Further down the Mass Pike, Lorraine Herbert, Broker/Owner of RE/MAX Professional Associates in Sturbridge says potential buyers are nervous. “Pricing is good, rates are good, but it’s a struggle with an overall lack of consumer confidence.”

Karen King, sales professional and agent of RE/MAX Prestige in Wilbraham, says the pool of buyers is small but reliable. “A lot of folks who are good buyers have been saving and waiting to jump into the market. Buyers are beginning to realize we’re at the bottom, and that now is the time to buy.”

Massachusetts Units Sold  
2011 vs. 2010



# MAINE

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In 2011, Maine single-family home prices demonstrated signs of stabilization, declining just -0.18% year-over-year. This was the smallest decrease among the five New England states which saw losses, and the second consecutive year Maine experienced the smallest year-over-year median price decrease for single-family homes in the region.

Pricing for the condominium and multi-family home market also fared better than other parts of the region. Although Maine experienced a -4.3% decline in units sold, from 1,042 units in 2010 to 997 units in 2011, condo sale still outpaced the 963 units sold through the same period in 2009.

The median price of multi-family homes also increased 11.3%, from \$144,357 in 2010 to \$160,629 in 2011. However, the number of units sold actually declined by -6.8%.

According to Susan Scanlon, sales professional and Operations Manager at RE/MAX by the Bay in Portland, the residential real estate market is once again relatively stable. "Buyers looking for the bottom feel like they've found it."

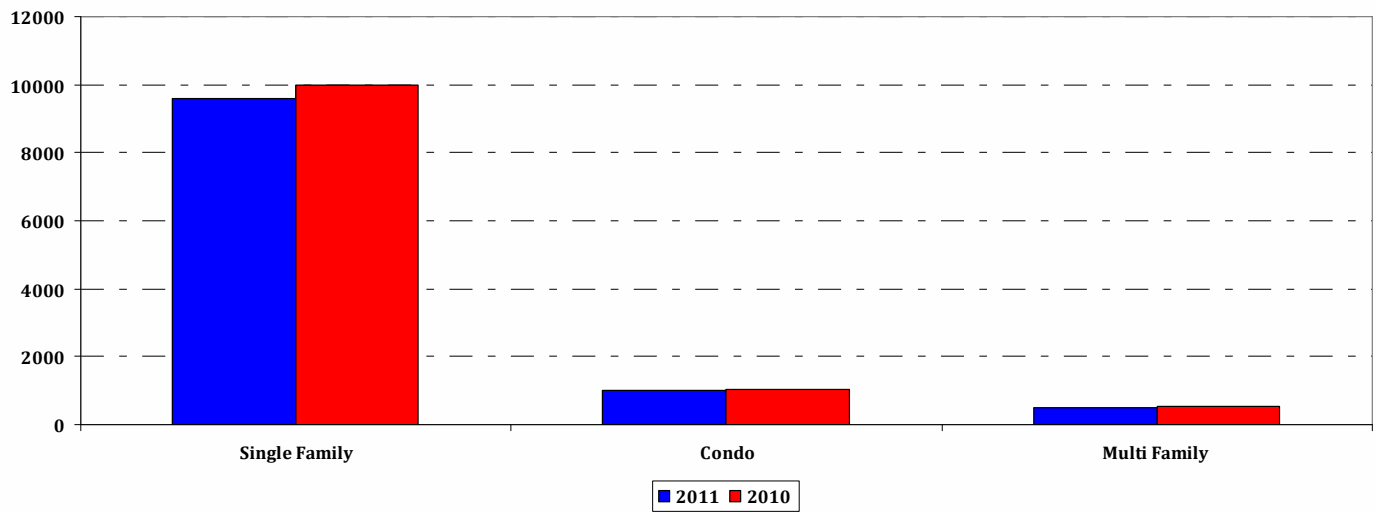
Although the number of total units sold dipped year-over-year, an analysis of MREIS data shows strong year-over-year gains for the months of July, August, September, October, and November. More encouraging, there was no artificial government stimulus to drive home sales, which demonstrates buyers and sellers are beginning to feel more comfortable with making a transaction in the current market conditions.

"Maine is a safe haven. Our highs are not as high, and our lows are not as low. Consumer confidence is still not where it should be, but stability needs to become a good word again," said Scanlon. This is reflected in Maine's unemployment rate, which according to the U.S. Bureau of Labor Statistics is just 7%, tied with Massachusetts for the third lowest in New England.

Commercial properties are also drawing piqued interest, according to Scanlon, who says people are searching for a moderately low-risk investment which will provide a steady stream of income.

Presently, the ongoing national foreclosure crisis is casting a shadow on Maine's newfound stability. While Maine's foreclosure rate remains well below the national average, foreclosure activity in the state rose 29% in November 2011 compared to November 2010, according to the RealtyTrac® U.S. Foreclosure Market report. "Foreclosures are the great unknown. A lot of folks are just holding on and nobody knows what comes next. A program needs to be put in place on the federal level," said Scanlon.

Maine Units Sold  
2011 vs. 2010



## NEW HAMPSHIRE

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Although New Hampshire's unemployment rate consistently ranks the lowest in New England, a deluge of short sales and foreclosures continue to cause homes to sell below their potential value.

Single family home sales remained relatively flat year-over-year, up 0.7%, but the average sale price actually declined -4.1%, according to NNEREN data. This translated into a decline in volume of -\$83.8 million, which is a -3.4% drop compared to November 2010.

Patti Kemen, Broker/Owner of RE/MAX Legacy in Dover, estimated as many as 40% of her transactions fell into the short sale and foreclosure category. "People specifically look at foreclosures or short sales to get a better deal. Average folks who want to sell and move up really get hurt because prices are dragged down."

[According to RealtyTrac®](#), foreclosure activity in New Hampshire was up 45% in November 2011 compared to November 2010, with [1 out of every 735 homes](#) involved in a foreclosure.

Kemen says first-time home buyers and investment buyers continue to drive the market, with more homes being "flipped." There is also an increase in estate sales as families can no longer afford to hold onto two homes. "Move-up" buyers or those buying a larger home account for just a fraction of transactions.

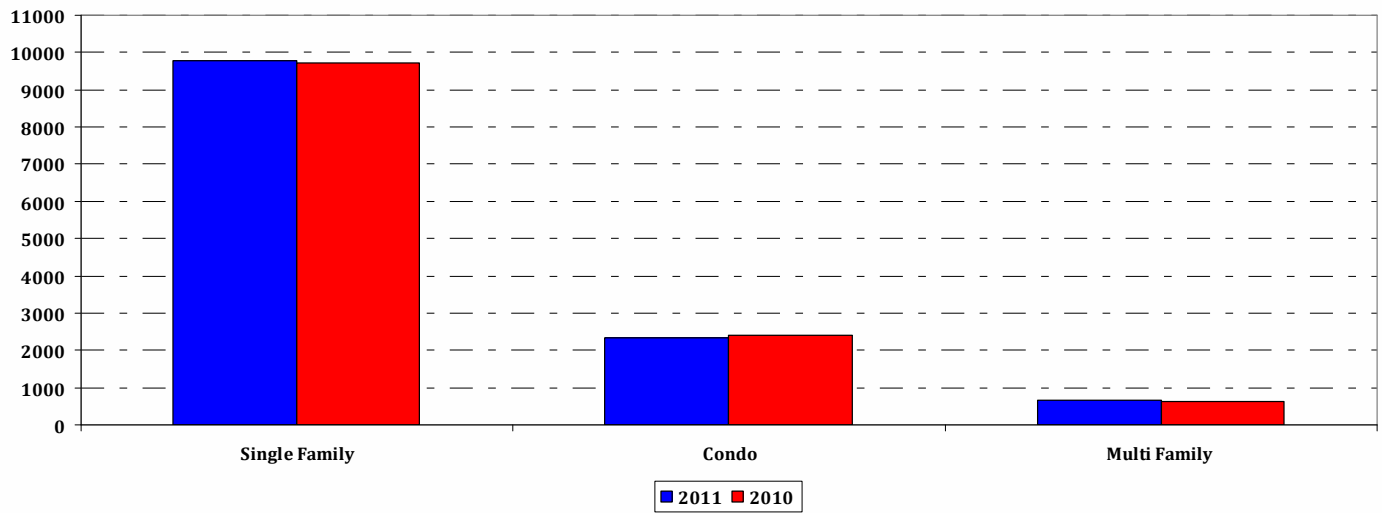
Condominium sales took a small step back from 2010. In 2011, total transactions experienced a -3.4% decrease in units sold. The average price also dropped -2.7%, while days on market increased 6.2%. Multi-family home sales remained flat, with just a -1.2% decrease in average sales price.

Tight lending practices continue to hinder market growth. Kemen says her buyers have found some banks will only lend to purchasers with a credit score of 700 or better, and has seen instances where underwriters squash a loan after discovering minor issues right before closing.

Still, Kemen maintains New Hampshire is better off than much of the nation. She credits low unemployment, economic growth, and New Hampshire's "second home" status, as those who can afford secondary/vacation homes in the Lakes Region, mountains and Seacoast have fared better during the recession.

Although it appears 2012 will look similar to 2011, Kemen points out this year's election is a wild card which could potentially result in new incentives to open up the market, helping buyers and sellers, as politicians facing re-election look for tools to stimulate economic growth. "Anything's possible."

New Hampshire Units Sold  
2011 vs. 2010



## RHODE ISLAND

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Rhode Island's real estate market showed modest contraction in 2011. Year-over-year single-family home sales were down just -1.5%, while the average price declined -1.8%, according to RIMLS data. The affordability of single-family homes, which averaged \$266,356 in 2011, led to declines in the condominium market, as buyers gravitated toward stand-alone properties.

Condo unit sales decreased -3.1%, while the average price declined -4.2% to \$225,911. Multi-family home sales also dropped -15.5%, though the average price showed an uptick of 0.2% thanks to interest from investment buyers in pockets of Providence and other urban areas.

Despite the elimination of the federal first-time home buyer tax credit in early 2010, first-time home buyers continue to make up a large portion of real estate transactions in Rhode Island, according to Karl Martone, sales professional and agent at RE/MAX Properties, based in Smithfield.

This is due, in part, to special financing made available by Rhode Island Housing, a public agency which offers affordable interest rates and 100% financing to first-time purchasers. The activity of first-time home buyers has helped provide some stability to a market which is otherwise coping with the highest unemployment rate in New England, at 10.5%.

"Employment is key here in Rhode Island," Martone said. Rhode Island's unemployment rate is approximately double that of New Hampshire and Vermont.

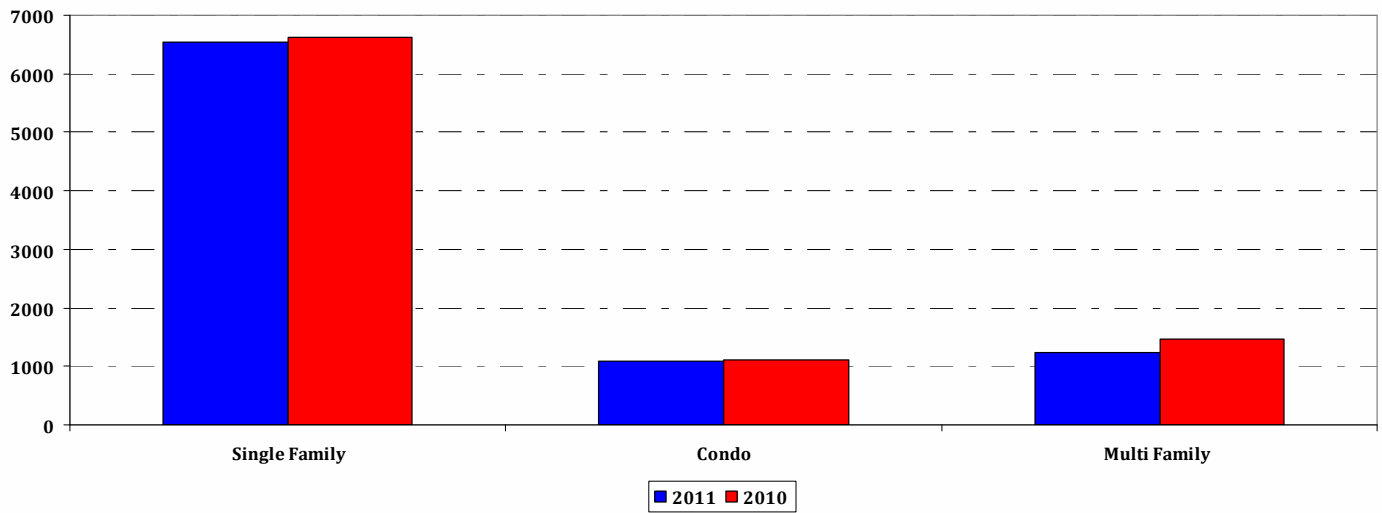
However, unlike other New England states, Martone says there is also a fair amount of activity from move-up buyers. "People who are selling their homes are not capitalizing on a ton of equity, but they recognize they are able to buy more home for less money."

In its November report, the Rhode Island Association of REALTORS® said it expects home prices to remain low until more homes can be sold, striking a balance between supply and demand.

With limited home sales, Martone said the transaction process experienced some unexpected bumps and delays with appraisals, as there simply were not enough sold comps to accurately gauge or support a value. But, he says, at this time the Federal Housing Administration is taking an aggressive approach to lending by supporting purchasers with a verifiable deposit, a solid FICO score, and stable employment.

"I think we're fortunate enough to see interest rates holding low. We need a little more consumer confidence to turn the corner on this market," said Martone.

Rhode Island Units Sold  
2011 vs. 2010



# VERMONT

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Anchored by low unemployment, Vermont was the only New England state to post a year-over-year increase in average single-family home sales price, up 3.3%, according to NNEREN data. In 2011, the average price of a single-family home was \$254,321, up from \$246,288 in 2010.

The number of single-family homes sold remained relatively flat, down -1.4%, year-over-year. Condominium sales were also down -4.2%, but a 3.1% increase in average sales price helped to keep sales volume within 1% of 2010.

According to Bill Desautels, Broker/Owner of RE/MAX North Professionals in Colchester, investors are coming back to the market. "There are a lot more cash buyers than we've seen in a long time. They're buying smaller multi-family properties or easy-to-maintain condos, especially in and around areas where there are universities, like Burlington and Middlebury."

Desautels says activity involving Canadian investors is especially high thanks to a federal program designed to entice Canadians to move to Vermont and become U.S. residents if they agree to invest a certain amount of money.

"Vermont is very fortunate that it touches Canada. Those states that border Canada have an unemployment rate almost one percent lower than the rest of the nation. Canadians are enhancing and stabilizing our economy by investing in our state."

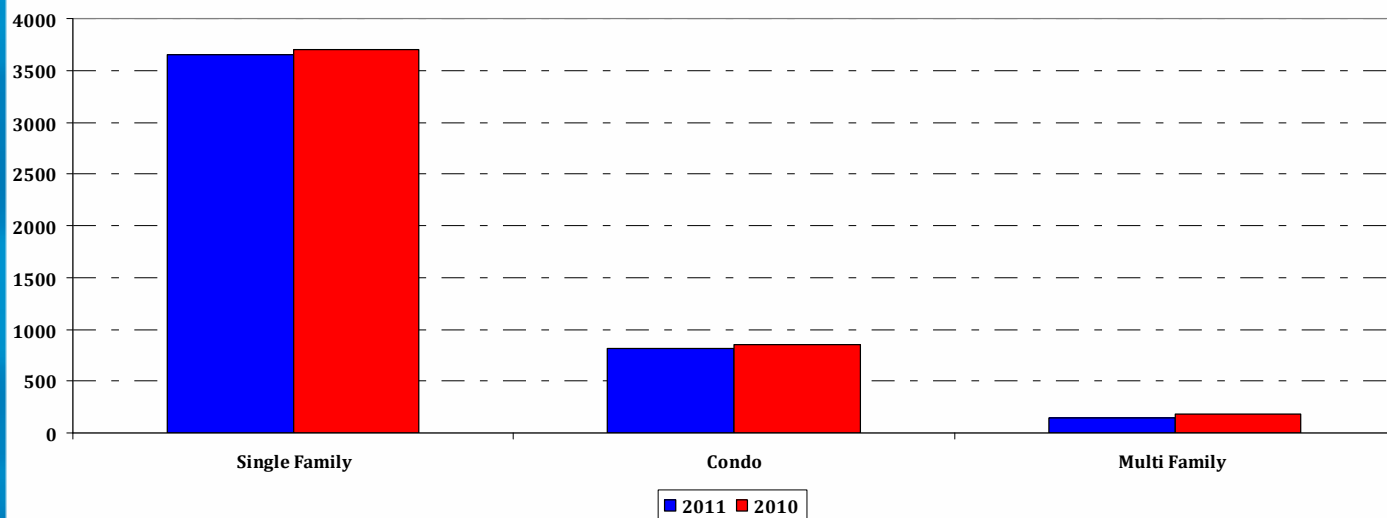
Vermont's unemployment rate stands at 5.3%, which is the second best in New England, and well below the November national average of 8.2%.

When factoring in distressed sales, year-over-year sales appreciated 4.3% in Vermont in the month of November, according to the CoreLogic® Home Price Index. Not only was this the largest gain in the nation, but Vermont home values dramatically outpaced the rest of the nation, which averaged a year-over-year decline of -4.3%.

Still, consistency in the market varies widely by region. According to Desautels, sales are up near major cities, but distressed areas of the state experiencing higher unemployment are more challenging. Warm weather delayed the start of Vermont's annual ski season, depressing activity in resort communities such as Warren, Stowe and Killington. The southern region of the state, where there was widespread damage in some spots caused by Hurricane Irene in September, continues to recover.

Steady employment is renewing confidence in the economy, and Desautels says many people realize the market has hit bottom. "I think we're going to see a decent uptick in the general market in 2012. Those who rent have chosen to rent because of the economic downturn. They could easily convert to purchasers."

Vermont Units Sold  
2011 vs. 2010



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RealtyTrac® U.S. Foreclosure Market  
Report

Rhode Island Association of REALTORS®

S&P/Case-Shiller Home Price Indices

Vermont Housing Finance Agency

MREIS as interpreted by BrokerMetrics

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#### ABOUT RE/MAX OF NEW ENGLAND, INC

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**DEFINITIONS:** Transactions are the total number of closed residential (Single Family, Multi Family and Condo) transactions during the given time period. Supply of Inventory is the total number of residential properties listed for sale at the end of the month (active inventory) divided by the number of sales contracts signed (pending) during the month. Days on Market is the number of days that pass from the time a property is listed until the property goes under contract for all residential properties sold. Median Sales Price is the median price of all residential properties sold during the time period.

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