



Market Briefing ▪ Fall 2010

As we enjoy what many consider the best time of year in Santa Fe, we are starting to see how this year will stack up as compared to past years in residential real estate. As has been the norm for several years, it will be a mixed bag of good and not-so good news.

The most accurate description of the local real estate market would have it separated into 3 distinct phases. It started off with the continuation of the relatively strong market we experienced in the latter months of 2009. By the end of the first quarter of 2010 the market had seen an improvement in year-to-date closed sales of nearly 45% as compared to the first quarter of 2009. The biggest improvement was in the under \$500,000 price range. By the end of the first half the overall residential market still experienced a 30% improvement over the first half of 2009. The \$1,000,000 - \$2,000,000 market segment was up almost 80% as compared to 2009.

Then began the pounding to the stock market, causing buyer and sales activity to change in a matter of days. The ranks of buyers who were comfortable enough to jump in and take advantage of the declining values seemed to thin out before our eyes. By late summer the advantage of 2010 year-to-sales as compared to 2009 had dropped to just over 15%. The gains in the 1.0 – 2.0M market had receded to just over 10%. The only segment of the market still enjoying a large percentage increase in closed sales was the over \$2,000,000 segment. The 50% increase was the difference between 4 year-to-date closed sales in 2009 as compared to 6 this year. Obviously a very small segment of the total market, clearly impacted by what can now be purchased at prices below \$2,000,000.

Phase three is what we are experiencing now. With relative calm in the stock market (do I dare put this in writing!) and the Dow over 11,000 for the first time since May, buyers are returning with greater confidence and appreciation for what is available to them. The number of quality homes available is plentiful and many sellers have and are continuing to reduce prices to the point where serious and committed buyers are compelled to act.

There is no way to avoid the fact that Santa Fe property values have been greatly impacted by the economic downturn. There is also no way to determine a specific percentage value decrease that has occurred in the past 3-4 years. There is no one specific statistic because individual properties and the various areas of Santa Fe have been affected very differently. However, based on the actual prices that are being paid for properties as they sell, (in contrast to rumored sales or current asking prices) the price erosion is in the 20% - 45% range as compared to what peak values were, for most properties, in 2006.

A few words about the national real estate market:

I tend to be pretty cynical about the real value of regularly reported national real estate indicators, which include statistics on changes in home values, increases and decreases in existing and new home sales and changes in the rates of mortgage delinquencies and foreclosures. Let me be clear. The reported statistics are usually correct. However, they rarely represent what is going on in a particular market. They are aggregated national numbers that impact how consumers feel about "the market", but they do not accurately depict many individual markets. And what is very clear, the statistics rarely accurately reflect our local market.

There are many statistics that indicate our independence as compared to the "national" market. Foreclosed properties, while a very serious issue, is not of the scale in Santa Fe as compared to many other markets around the country. As an example, 24% of all US residential sales in the 2nd quarter of 2010 were in the foreclosure process. However, in Nevada, nearly 56% of all 2nd quarter sales were foreclosure properties. Arizona's 2nd quarter foreclosure sales rate was 47%. There were 8 other states that had foreclosure sales that made up at least 25% of their total 2nd quarter sales...and New Mexico wasn't on the list. (Others that were: California, Rhode Island, Massachusetts, Florida, Michigan, Georgia, Idaho and Oregon)

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So after sifting through all of this conflicting data, how do consumers feel about "the market"?

In the most recent Fannie Mae National Housing Survey, 47% of the respondents believe that home prices will hold steady over the next year. 31% of the respondents believe that house prices will increase over the next year. 70% said "it is a good time to buy" as compared to 64% who felt it was a good time to buy in January of 2010.

In another recent survey, completed by Bankrate.com, 90% of homeowners say they don't regret buying their home "despite a nationwide Tsunami of foreclosures, short sales and loan modifications".

Back to Santa Fe:

It is heartening to note that based on US News & World Report's survey of the most attractively priced retirement locations, Santa Fe made the top 10 list at #6, just after #5 Las Vegas and just ahead of #7 Punta Gorda, Florida. (Price to income data was examined in 384 metropolitan statistical areas to determine the top 10).

August, September and October are often times the busiest months in Santa Fe for new sales contracts, leading to a very busy 4th quarter for closed transactions. It is difficult to judge whether we'll have the hoped-for strong 4th quarter market-wide, however, the activity that my team is experiencing will result in a strong 4th quarter, although showing activity from week to week is varying dramatically. Our hope is that the positive stock market activity will lengthen the strong fall market into later months. It is entirely possible that this will be the case. Record low interest rates make this even more of a possibility.

Lastly, I am very pleased to announce that Evelyn Spiker has joined the Neil Lyon Group, bringing a very strong business and real estate background with her. As a top producing broker at her former firm, we are thrilled to have her with us. In the short time Evelyn has been with us, her significant contributions have been plentiful. She is a very valuable asset to our Group and to our many clients.

For timely and detailed information about the local real estate market, neillyon.com is always available to you. The USA report shows detailed weekly activity that will give you all that you need to stay current. If we can ever be of greater assistance, please let us know.

Sincerely,

Neil D. Lyon, CRB, CRS, GRI
Santa Fe's 2001 Realtor of the Year
Direct: 505.954.5505
Cell: 505.660.8600 neil@neillyon.com

Come visit us at Neillyon.com

NOTES: The YTD sales statistics cited are from the Santa Fe Multiple Listing Service (MLS) and reflect residential home sales in Santa Fe County.

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