

- Bad weather, equity market volatility and a new tax law impacted real estate transaction volume in 1Q2018.
 - Transaction volume in Greenwich ▼19% in the quarter while average transaction price ▲ 7%.
 - Buyers are incredibly patient and are more informed than ever.
 - Absorption rates relatively steady but seeing some shift in price segments.
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The Dirt: Where's The Spring Market?

The question on everyone's mind—what is going on in the real estate market? The spring market has been fickle no doubt, with the answer changing week to week. The first quarter started with a flurry of showings in January and February but ended with a slowdown in the number of residential sales. We attribute the fickleness to several converging factors:

- **Weather.** Bad weather, power outages: how many Nor'easters did we have in March? The extreme weather impacted both showings and supply coming to the market.
- **Stock Market.** The volatility in the equity markets has dampened consumer confidence and conviction.
- **New York City Real Estate.** Whether we like it or not, the health of NYC's real estate market has an impact on all ancillary markets such as Greenwich. For the first time in two years, the average transaction price fell below \$2 million in Manhattan in the fourth quarter which is being attributed to the new tax law (see [article](#) here). Manhattan is also feeling the glut of new supply coming on line at the high end.
- **New Tax Laws.** As we discussed in our [4Q2017 Snapshot](#), the new tax law (SALT) which limits annual real estate property tax deductions to \$10,000 caused some buyers pause. However, as we mentioned, the new law could also result in buyers keying into the benefits of Greenwich's lower property tax levels compared to surrounding New York and New Jersey markets.

So what does this all mean and where does the market stand? Well, it depends.

- Buyers are picky and patient, and do I dare say pickier and more patient than in years past.....and that's okay for now, we're still in the early innings. One of the greatest changes in the industry over the past ten years is that Buyers are incredibly informed thanks to Zillow, Realtor.com and Trulia. In fact, Buyers tend to be more informed on the market than Sellers because they are culling through the data on a daily basis.
- Sellers may still be a bit optimistic on pricing. As we detailed in our [4Q2017 Snapshot](#), we analyzed over 700 properties that sold in 2017. It showed that the average discount from Original Price/Sold Price was approximately 12% and List Price/Sold Price was 7%—suggesting that Buyers hesitate to bid unless the listing price is within that target zone. At that point, agents have reported receiving multiple offers.

There are Buyers with money in hand ready to pull the trigger, but the supply is not quite up to par. If a property is in good condition (construction quality is high, property is turnkey/move-in ready), in a good location and priced appropriately, there will be interest and offers. However, if there is any inferiority in the quality, location, layout/décor or the price does not appropriately reflect these deficiencies, the property will likely sit.

Since the first of the year, there have been 191 new listings, however, 38 of those listing were retreads, properties that had previously been on the market. There should be more supply coming to the market with the warmer weather and some early bird buyers are already stepping up, while others will wait for the perfect match.

First-Quarter 2018 Transactions Down

Closings in the first-quarter of 2018 were down 24% versus 1Q17 and total dollar volume traded was off 19%. During the quarter, there were 127 closings versus 168 a year ago, with the dollar value traded declining to \$289 million compared to \$357 million in 1Q17. As discussed above, we attribute the slowdown to a combination of factors. First, prolonged bad weather impacted both showings and supply.

Throw in some major equity market volatility and a difficult comparison from 1Q17 which saw a post-election bounce back after a lackluster 4Q17 when the Hillary vs. the Donald show took center stage. Looking at 1Q2016, sales activity in 1Q2018 was more in line.

Interestingly, the average price per transaction actually rose 7% despite the drop in closed activity. This is attributable to resurgence in demand in the \$5 million-plus market.

Closing Activity—Single Family & Condo/Co-op

	First-Quarter Activity			Qtr/Qtr % Change	
	2018	2017	2016	2018/17	2017/16
# Closed	127	168	138	▼ -24%	▲ 22%
Total Value (\$M)	\$289.3	\$356.5	\$265.6	▼ -19%	▲ 34%
Avg Price (\$M)	\$2.28	\$2.12	\$1.92	▲ 7%	▲ 10%

Source: 1Q17 closed sales from 01/01-03/31 as reported to GMLS.

Closing Activity—Single Family Vs Condo/Co-op

	First-Quarter		
	2018	2017	% Chg
CONDO/CO-OP			
# Closed	29	42	▼ -31%
Total Value (\$M)	\$23	\$40	▼ -43%
Avg Price (\$)	\$787,196	\$958,212	▼ -18%
SINGLE FAMILY			
# Closed	98	126	▼ -22%
Total Value (\$M)	\$266	\$316	▼ -16%
Avg Price (\$)	\$2,718,917	\$2,510,202	▲ 8%

Source: GMLS

Single Family Transaction Price Up While Condo Market Saw Declines in Transactions & Value

The average transaction price for single family homes in the quarter rose 8% to \$2.7 million, despite a 22% decline in number of transactions and a 16% drop in total valued traded. The condo/co-op market represents about 25% of the total number of transactions in Greenwich and about 8-10% in dollar volume. During the quarter, the number of closings, total dollar value traded and average price per transaction declined well into the double digits in large part to a several high-end projects that came on last year and 2016.

By comparison, the average transaction size for full-year 2017 was \$948,000. Of the 29 condo/co-op sales, six were above \$1 million with the high priced sale being \$2.73 million (215 Milbank #E).

Pricing A Bit Of A Mixed Bag

Two segments saw an increase in activity and volume—the \$5-7.99 million market and the \$10 million-plus segment. These two segments together represented 9% of total transaction and 32% of volume. Other quarterly highlights include:

- The \$2 million and under market saw the biggest drop-off, 29% in number of transactions to 75, and a 35% decline in volume to \$73 million.
- The \$2.0-3.0 million segment posted a 23% drop in activity but average transaction size remained relatively steady. These buyers are likely more sensitive to the new tax implications and mortgage rates and need more time to digest the changes.
- The \$3-5 million segment saw 4 fewer closings in the quarter but the average transaction size held steady. The buyer pool in this segment tends to be more trade-up buyers already with a roof over their heads and are fine biding their time.
- The top end of the market its holding its own, but the number of transactions is small so 1 or 2 closings can create a big delta.

Activity By Price Point

1Q 2018 Closings	#	Total Value	\$/Transaction
Up to \$2.0 M	75	73,027,232	973,696
\$2+ to \$3.0 M	24	57,308,800	2,387,867
\$3+ to \$5.0M	15	58,218,500	3,881,233
\$5+\$7.99M	9	53,528,000	5,947,556
\$8.0 to \$9.99M	1	9,525,000	9,525,000
\$10.0+ M	3	37,675,000	12,558,333
Total	127	\$289,282,532	2,277,815

1Q 2017 Closings

Up to \$2.0 M	106	111,917,864	\$1,055,829
\$2+ to \$3.0 M	31	75,659,000	\$2,440,613
\$3+ to \$5.0M	19	73,699,500	\$3,878,921
\$5+\$7.99M	8	46,004,000	\$5,750,500
\$8.0 to \$9.99M	2	16,500,000	\$8,250,000
\$10.0+ M	2	32,750,000	\$16,375,000
	168	\$356,530,364	\$2,122,205

Source: GMLS

Absorption Rates Improving At Top End of Market

As of April 10th, there were 733 active single family and condo/co-op listings in Greenwich. Based on trailing 12-month closing activity, market absorption rates are approximately 11 months which is up from 8 months at the end of the year, but steady with a year ago. Not surprising, absorption rates are lowest in the under \$2 million segment, with the biggest bump in absorption in the \$2-3 million segment, up to 18 months from a year ago.

Interestingly, absorption has dramatically shifted by price point from a year ago.

- Absorption rates are relative steady and lowest in the \$2 million-and-under price segment. This segment typically has the lowest discount in pricing as well.
- Absorption rates improved in the over \$5-plus million price point as sellers becoming more realistic on pricing.
- Absorption in the \$2-3 million price segment, where activity has been delayed, grew to 18 months versus 11 a year ago.

Absorption By Price Point

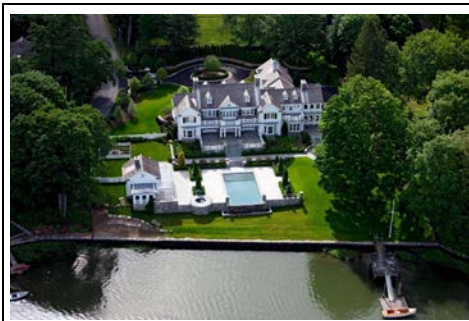
	Closed		Avg Sales	Months Supply	
	Sales	Actives*	Month	Current	03/31/17
Up to \$2.0 M	499	310	42	7	5
\$2+ to \$3.0 M	95	139	8	18	11
\$3+ to \$5.0M	96	145	8	18	20
\$5+\$7.99M	48	84	4	21	43
\$8.0 to \$9.99M	4	22	0	29	63
\$10.0+ M	9	33	1	44	91
Total	751	733	64	11	10

*Trailing 12-month closings including SFH and Condo/Co-op as of 4/10/2018.

The Chart Toppers

Orig PR\$	Sold PR\$	Address	Sold/Orig	DOM	SQFT	PR\$/SF	YR Built	Acre	Bed	FB / HB
\$15,900,000	\$14,500,000	51 Glen Avon Dr	91%	188	8,916	\$1,626	2009	1.52	5	8 1
9,395,000	12,075,000	11 French Rd	129%	406	10,500	1,150	2017	2.00	7	6 3
13,500,000	11,100,000	11 Skyridge Rd	82%	130	11,229	989	2000	4.99	7	8 3
9,525,000	9,525,000	16 Walsh Ln	100%	0	6,287	1,515	2013	1.14	6	6 3
7,500,000	7,145,000	6 Ford Ln	95%	8	5,871	1,217	1986	0.71	6	4 1
10,950,000	6,815,000	38 Parsonage Rd	62%	934	9,703	702	2004	3.85	8	10 3
6,995,000	6,375,000	142 Cedar Cliff Rd	91%	668	9,258	689	2016	1.16	5	5 2
5,995,000	5,995,000	10 Flagler Dr	100%	269	7,764	772	1929	2.69	4	5 3
9,250,000	5,950,000	71 Byram Shore Rd	64%	761	7,628	780	1994	1.12	5	5 2
5,995,000	5,600,000	5 Lindsay Dr	93%	232	7,503	746	1968	2.00	5	5 2

Source: GMLS



51 Glen Avon Drive
Sold \$14,500,000 02/07/18



11 French Road
Sold \$12,075,000 01/03/18



11 Skyridge Road
Sold \$11,110,000 01/18/18

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