

# HOULIHAN LAWRENCE

EXCLUSIVE AFFILIATE OF  
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INTERNATIONAL REAL ESTATE



Houlihan Lawrence Corporate Headquarters 4 Valley Road, Bronxville New York

## 2011 State-of-the-Market Report

**A**s the largest real estate brokerage in Westchester, Putnam and Dutchess Counties, Houlihan Lawrence is in an enviable position when it comes to tracking the trends and nuances of the local real estate market—and putting that knowledge to work for buyers and sellers.

Houlihan Lawrence principals Stephen Meyers and Christopher Meyers recently sat down with former New York Times real estate contributor Teri Rogers for a frank discussion of the 2010 real estate market and the outlook for 2011. Their conversation touched on the 2010 recovery that favored New York City commuter towns, changing preferences among luxury buyers, and sellers who finally seem to accept (if not embrace) the new normal of lower prices.

Read on to learn more about what happened last year in your backyard, and what's coming up next.

President and CEO Stephen Meyers joined the 120-year old family business in 1995, bringing his Columbia University M.B.A and 10-years of real estate industry experience. Under his leadership, Houlihan Lawrence has more than doubled its market share to 35% in Westchester and Putnam Counties and expanded into Dutchess County, and now spans 25 regional offices, with 1,000 licensed real estate agents and 2010 sales volume of \$3.5 Billion.

COO Chris Meyers joined Houlihan Lawrence in 2003 after working as a consultant at McKinsey & Co., where he advised Fortune 500 companies on technology and growth strategy. Meyers, who holds an economics degree from Yale and an MBA from MIT Sloan School of Management, oversees Houlihan's day-to-day operations and is the driving force behind the company's next generation of marketing strategies, successfully integrating digital and social media strategy into Houlihan Lawrence's services.

HoulihanLawrence.com The Area's #1 Real Estate Resource

**Q:** After something of a roller-coaster ride the last few years, how did the Westchester-area real estate market do in 2010? What's the bottom line?

**Chris:** 2010 could be termed a year of recovery. Sales activity picked up significantly from 2009, and as more higher-end homes began selling, median prices increased about 10%. If we compare similar properties, however, home values seem to be settling at roughly 2003-2004 levels, which is down about 20-30% from the peak depending on where you are.

**Q:** What trends did you see in the market last year?

**Stephen:** The first half of 2010 was very active. Value-driven buyers returned to the market, and sellers grew more accepting of the fact that prices had come down. This led to a substantial increase in the number of transactions compared to the first half of 2009, though momentum faded somewhat as the year went on.

**Chris:** Demand in the first half of the year grew from the bottom up as first time home buyers took advantage of the federal homebuyer tax credits. By the time the tax incentives expired in June, the high end of the market was leading the way, which wasn't enough to keep the market from leveling off during the second half of the year.

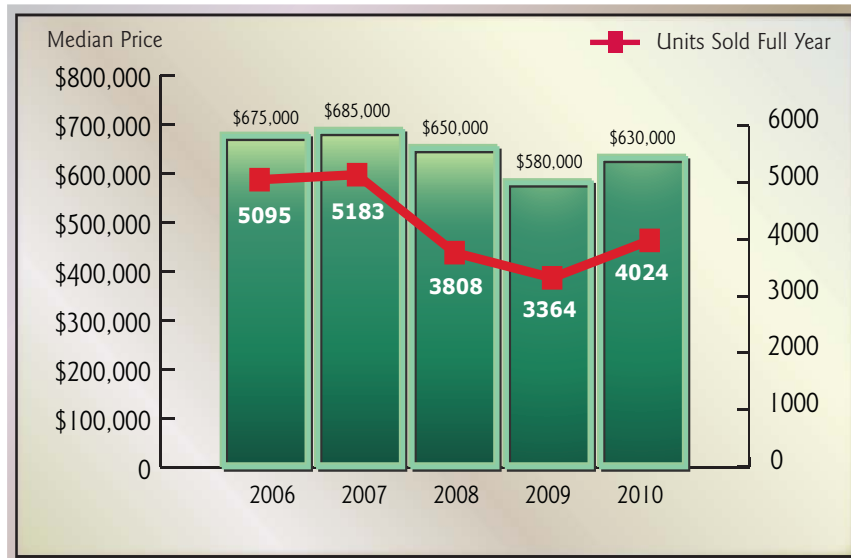
**Stephen:** The choppiness of the stock market during the summer might have affected buyer confidence. There was also a lot of chatter about a double-dip recession, with the Federal Reserve ultimately announcing a second round of quantitative easing.

**Chris:** Following a summer lull that stretched into the fall, we began to see more buyer activity at all price levels toward the end of the year, which usually bodes well for the coming spring market.

**Q:** Did some areas perform better than others?

**Chris:** The recovery was strongest in Southern Westchester, below I-287, in the areas most readily accessible to New York City commuters. It was particularly strong in Bronxville, Scarsdale, Rye and Larchmont – towns where people who work on Wall Street tend to live. Towns

### Westchester County - Five-Year Market History



Source: EAMLS, Westchester County - All Single Family Homes. Information believed to be accurate but not warranted.

further from New York City seemed to struggle to find a catalyst on the buy side, and the recovery was more limited. In Dutchess County, for instance, sales volume actually was down a bit from 2009, and sales crept up just 5 percent in Putnam County.

**Q:** So which towns saw the most activity?

**Chris:** Scarsdale was really the first town to show signs of recovery beginning in 2009, in part because prices there came down faster following the credit crisis the year before. New York City buyers in particular seemed to perceive value in Scarsdale and began buying there. So Scarsdale became a bellwether town for the recovery, and continues to be very active today.

**Stephen:** Bronxville showed the biggest increase in sales volume compared to 2009. Sales there nearly tripled from 29 to 75 single family homes, and nearly matched transaction levels reached during the market peak, though again at somewhat

lower prices. Mamaroneck and Rye also bounced back close to peak sales levels.

**Q:** Even in the commuter towns, home prices didn't go up last year, though more people were buying and selling. Does that mean it's still a buyer's market wherever you are?

**Chris:** Yes, for the most part, but it is definitely more balanced than it was during the worst of the downturn. The bottom line is this: homes that are priced and positioned for today's market will sell. We even saw the return of multiple bids and deals closing above asking price in 2010. However, if your home's asking price doesn't represent value compared to similar properties, it probably won't sell. Many of those sellers find themselves making price reductions, in effect chasing a declining market.

**Stephen:** Pricing strategies need to account for the reality that today's buyers are very savvy about the market, and quick to dismiss listings that are not priced accordingly. Four or five years ago, it was viable to price a little high relative to market comps, leaving room to negotiate. Today, sellers must price competitively to create excitement or they won't have showings or receive offers.

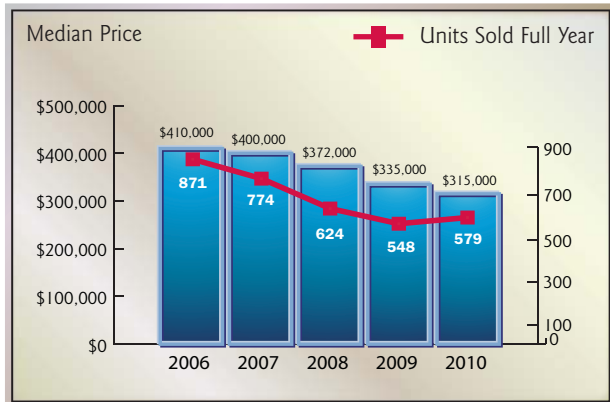
**Chris:** Three of our managers followed this pricing strategy when selling their own homes last year. In all three cases, they sold above their original asking price, whereas on average homes sold at 5 percent under the final asking price.

**Q:** How much of an impact did NYC buyers have on the Westchester market?

**Chris:** Last year about 30 percent of Westchester buyers came from NYC, versus just under 25 percent three to five years ago. But it's not necessarily that there are more people coming from the city. It's because there were fewer in-town

moves than usual. With prices down 25-30 percent from their peak, some potential buyers don't have enough equity in their current home to roll over into a new purchase.

### Putnam County - Five-Year Market History



Source: EAMLS, Putnam County - All Single Family Homes. Information believed to be accurate but not warranted

### Q: Do NYC buyers think about value differently than suburban buyers?

**Chris:** Yes, to some extent. For example, NYC buyers are more likely to compare properties on a price per square foot basis, which is how apartments are priced in NYC. In the suburbs, where other factors like land value can complicate simple price-per-square-foot comparisons, some sellers—and even the brokers—are having to get used to this pricing concept. As it turns out, comparing prices per square foot highlights the relative value of suburban living. In Westchester, the average price per square foot is below \$350, or about a third of what it is in Manhattan.

Beyond square footage, city buyers are very focused on schools, access to mass transportation and staying within walking distance of the villages. They also tend to be less sensitive than suburban buyers to things like street noise.

### Q: How has all the price history and listing data available through online real estate sites like Zillow, Trulia and Realtor.com changed the buying and selling process in your market? Do customers tend to think they're smarter than the broker?

**Chris:** Yes, and sometimes they really are! We always have believed that the edu-

cated consumer is the best client to work with, and the internet has definitely made things more efficient for everyone involved. In the old days you'd have to take someone around to dozens of houses to educate them about the market. Today most buyers have seen probably 50 houses online. They know what they want and they know what they are going to pay for it.

**Stephen:** All this information available at peoples' fingertips is a wonderful thing, but you really need to know how to interpret it, and our agents help people sort through the data to make informed decisions.

**Chris:** That's right. For instance, Westchester County saw a rise of 10% in median prices, but this really reflects a change in the mix of homes that are selling, rather than an increase in property values. It doesn't mean you can price your home higher.

### Q: Besides a great deal, what else are buyers looking for?

**Chris:** They no longer want a fixer upper. That's partly because people are no longer looking to renovate a home and flip it as an investment, and partly because the home equity loan market is more difficult to tap than it used to be.

### Q: How did the luxury market do last year—same, better, or worse than the overall market?

**Stephen:** We're seeing recovery there as well—in part because some of the largest percentage price decreases have been in the higher end of the market. That's helped to bring a lot of buyers back, especially in the \$2-5 million price range. The total number of home sales above \$2 million increased about 40% from 2009, compared to a 20% increase across all price levels.

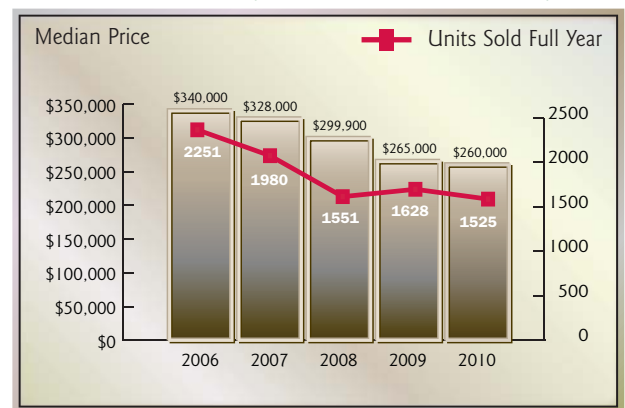
**Chris:** Of course, the luxury market is still not back where it was a few years ago. From 2005 through 2007, Westchester averaged about 25 sales per year over \$5 million, whereas in 2010 there were just 12 \$5 million-plus sales. In the ultra high-end, over \$10 million, there were no sales in 2009 or 2010, compared to three or four each year before that. In the past couple of months, however, we are aware of three deals in our area that are above \$10 million, which will close in 2011. That's a good sign.

### Q: What are luxury buyers looking for these days compared to during the boom?

**Chris:** Like everyone else, they want value. And they are especially interested in prestigious properties that don't come on the market all that often – waterfront homes, equestrian estates, even weekend retreats. So this past year has been an opportune time for the buyer who wants quality, prestige and value.

**Stephen:** The era of sprawling McMansions has ended, and for many it is no longer desirable to "live large." Luxury buyers also want a house that is in perfect, pristine condition, although they do tend to put a lot of additional money into their homes anyway, customizing them to fit their lifestyle.

### Dutchess County - Five-Year Market History



Source: MHMLS, All Residential Detached Homes. Information believed to be accurate but not warranted

### Q: Who is the typical luxury buyer these days?

**Chris:** The heart of the market is the financial services and media industry executive. Many own multiple homes and live very sophisticated lifestyles, but usual-

ly consider their home here as their primary residence.

**Stephen:** And international buyers are certainly part of the mix, though not as prevalent here as in New York City.

**Q:** What's happening with luxury sales in second-home towns like Millbrook and Rhinebeck?

**Stephen:** It was quite dormant for the last couple of years but we've recently seen a flurry of activity.

**Chris:** It's a weekend home market. Buyers often shop in both the Hamptons and the Millbrook area, which is around 25% less expensive than the Hamptons. You also get a totally different kind of home. You are buying land and lifestyle.

**Stephen:** And privacy.

**Q:** Does Houlihan Lawrence do a lot of business in the luxury market?

**Stephen:** Yes, we participated in an overwhelming majority of sales over \$2 million, including three of the top four area sales last year. We were the listing agent for Wildflower Farm in Bedford, which at \$9.5 million was the highest reported sale in Westchester and in our entire market area.

We are the only company in our market with a dedicated team of luxury real estate specialists. The leader of our Luxury Country Properties division, Tony Cutugno, has over 20 years of experience and has participated in the sale of many of the most prestigious properties in the area. Tony's expertise in period architecture and fine art provides a unique perspective for our luxury clients. Our luxury team provides premium services that include marketing, public relations, advertising, and negotiating.

**Q:** We've talked a lot about the housing market, but how did Houlihan Lawrence do compared to other brokerages?

**Chris:** We had our best year ever in 2010 from a market share perspective. We grew to 38% of the single family home market—continuing a trend we established throughout the downturn and recovery.

To learn more about individual markets, go to our home page at [houlihanlawrence.com](http://houlihanlawrence.com) to access Local Market Reports.

**Q:** Why should it matter to buyers and sellers how much market share you have?

**Stephen:** Buyers want to go where the inventory is, and sellers want to go where the buyers are, and we have both. Our market share is also a reflection of the knowledge and expertise of our sale professionals.

**Chris:** It shows we're doing something right and perhaps reacting to changing market conditions more nimbly than some competitors. Also, deal flow in an office provides additional market information we can put to use for our clients. For example, we are on one side or the other of 70 percent of all homes sold over \$1 million and we track all the data on where those buyers come from and how they found us. This gives us the ability to continuously refine our marketing strategies based on actual buyer trends and behavior.

**Q:** How has Houlihan Lawrence leveraged technology to improve the real estate experience for buyers and sellers?

**Chris:** Through the downturn we heavily invested in technology, culminating in the launch of our new website last year. It allows our agents to perform analytics for their clients and keep clients informed on a regular basis through weekly newsletters and email updates on sales that might affect the value of their home. We also launched HLtv, a series of short videos that tell the story of individual communities narrated by people who live and work

there. We're not just selling homes, but also providing a sense of what it is like to actually live in the community. Houlihan Lawrence has been marketing homes in this area for over 100 years and it's a very special place to us.

**Q:** What are your predictions for 2011?

**Chris:** After the sharp correction and bounce back over the past few years, conditions have stabilized. We expect 2011 will look a lot like 2010 with similar transaction levels and prices as we settle into a more stable market with relatively balanced supply and demand. We're seeing a functional, but value-driven market.

**Stephen:** We will also see a continuing slow and steady recovery in the high end, which indicates increased consumer confidence and bodes well for the market overall.

**Q:** Right now we're at 2003/2004 price levels. What will it take to see prices start rising again?

**Chris:** It's going to be several years at least before prices recover to the peak levels of 2007. The timing will be driven by the job market. One of the big unknowns for 2011 is the path of the overall economy. When we see a real jobs recovery, we'll begin to see prices escalate.

### Wildflower Farm ~ 20 Majestic Acres

This Stone Mansion designed in 1915 by Walter Cook was the highest reported sale in 2010.

