



## **2012 Westchester real estate market: Expect a slight improvement in the year ahead**

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The rollercoaster conditions of the Westchester real estate market will continue in 2012, and barring any significant negative developments such as a repeat of the European debt crisis, in general, we at Marks Paneth & Shron expect a slight improvement in the year ahead.

The upward tick in home sales experienced in 2010 was caused primarily by the federal Home Buyers Tax Credit program which did not exist in 2011, and reports show that residential sales in Westchester County were down by approximately 6% in 2011 as compared to 2010.

There are many other factors affecting the residential picture, both positive and negative:

- \* Supply and demand is a crucial factor - over 5,000 properties (single family homes, co-ops and condominiums) are available - a benefit for buyers as they have numerous options to choose from. For sellers, however, homes can be on the market as long as nine months (the average single family home sells in 140 days). They have been forced to reduce their asking price, driving down the median sale price in 2011 by approximately 5%. This has been the trend since 2008.

- \* Westchester County has one of the lowest unemployment rates in New York, around 6.3%. The improvement over 2010 was insignificant (at approximately 0.5%) and has not provided a boost to the residential market.

- \* Mortgage rates are at a historically low point and qualified home buyers can lock in rates below 4%. Banks have been very selective in their underwriting process; however, the time to close a financing deal is much longer than it was before the 2008 crash.

- \* Increased sales activity in New York City, up 10-15% over 2012, is having a positive effect on the Westchester market. Many people are relocating to the surrounding suburbs' towns and villages in close proximity to the city.

- \* While consumer confidence picked up slightly in 2011, there is a general consensus that Washington has no plans or sound ideas to help improve the overall economy. The inability to turn around the foreclosure mess has negatively affected the real estate market with an estimated 13 million homeowners nationwide who have little or no equity in their homes. The situation in Westchester is not as dire, but many who are deeply underwater will likely end up losing their homes and have damaged credit for years to come.

This assessment does not touch on the negative impact caused by persistent low values from appraisers, and potential changes in tax law, such as the possible elimination of the mortgage interest tax deduction, are causing hesitation and uncertainty in the residential real estate market.

For the commercial real estate market in Westchester, conditions will also improve in 2012; as with the residential market, many of the same factors will impact a business's decision to purchase or lease residential office space:

- \* Many real estate professionals feel that buying a large building for corporate offices may be a thing

of the past in Westchester County. Real estate taxes are among the highest in the nation, a significant negative factor. Rent rates are flat or even lower in certain parts of the county while vacancy rates are high (at over 15% and up from 2012), and currently, businesses can get very attractive lease terms.

\* A 1% increase in the vacancy rate from the second to the third quarters of 2011 (from about 18.7% to 19.6%) equates to about a loss of 300,000 s/f of office space, causing an estimated loss of about 1,200 jobs. Most industries are reducing their office space and staff requirements, but certain industries, such as health-care and biotechnology, have increased their need, providing a little boost to the local economy.

\* Supply and demand has played a large role. For example, space closer to the train station in downtown White Plains appears to be more attractive than space in the so-called "Platinum Mile" along Westchester Ave. Meanwhile, buildings on "Platinum Mile" which have undergone major renovation and provided amenities to tenants have retained interest. An example is the RPW group which generally provides exceptional office space with plenty of amenities.

Our best advice to individuals and businesses entering the real estate market, therefore, is to stay in touch with your trusted advisors as you make the decision to buy or sell a home or purchase or lease office space.

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