

2006 YEAR END IN REVIEW

by Susan Thompson, Agency Manager

According to the National Association of Realtors, existing home sales are expected to rise gradually in 2007 with annual totals comparable to 2006. David Lereah, NAR's chief economist, said there are mixed conditions around the United States. "Most of the correction in home prices is behind us, but general gains in value next year will be modest by historical standards." Financial pundits claim we're nearing the end of the "soft landing" in the real estate market. And Alan Greenspan recently confirmed the sentiment, saying the real estate market has most likely seen its darkest days.

According to RIS Media, home appreciations decreased. In the first three quarters of 2006, the prices of all homes grew on average by an annualised rate of 5.9 percent, the lowest growth rate in any year since 1999, down from 12.5 percent in 2005 and 11.2 percent in 2004. Homes no longer flew off the market. The supply of homes for sale each month averaged 6.9 months of supply for the six months ending in October 2006 - the largest average supply since 1991. So, the question remains, how does Bermuda compare?

On December 1, 2006 in the Royal Gazette the cartoon the Better Half said it all. There was a real estate agent talking to a seller and the seller said, "The house is appraised for \$49,000. Our asking price is \$3.5 million, but we're willing to dicker." I just loved it. In the past this had often been the case where the seller wanted more for the property than the appraised value. The market shift has made a large impact on the seller's perceived value and their property and increasingly sellers are looking to real estate professionals for the fair market value of real estate based on historical comparables.

In Bermuda, the first quarter of 2006 was on par with the start of 2005 with 126 property transactions in 2005 verses 121 in 2006. The overall average selling price was nearly equal with an average of \$1,093,690 in 2005 compared to \$1,073,142 in 2006 for a difference of less than 2%. The second quarter of 2006 was significantly slower than the same period of time the previous year with a 22% decrease in property closings, but with a 5% increase in average price. It is difficult at this time to compare the third and fourth quarters of 2005 to 2006 as completed records have not been recorded within the Government archives. From our experience combined with the records to date and the Coldwell Banker year-end results, we anticipate that the number of closed transactions in 2006 have decreased by approximately 10% year over year.

With the highest inventory of property on the market in measured history, buyers have more choices and are taking their time with buying decisions. We saw a noticeable increase in sales in the third quarter of the year up about 25% from the previous year. Our partners in the lending institutions confirmed an increase in mortgage applications and pre-approvals over the past 3-6 months. Interestingly enough the DTC (days to close) once the offer had been accepted and the contract signed has declined by 55%. I believe that part of the reason for the decline is completion on new homes rather than awaiting construction.

In 2006, our market intelligence indicates that the highest priced property that sold was reportedly around \$20,000,000 in Tucker's Town. The average condo will cost you just over \$900,000 about the same as 2005. To purchase a single family home you will need approximately \$1,325,000 depending on location, acreage, condition, etc. with little to no change from the previous year. Approximately a quarter/third acre (0.25 to 0.33) of land will command \$525,000 and up once again with little change from 2005.

If you are looking for a bargain, once again Sandys topped the list of the most affordable parish with the average selling price for all properties in the area at \$728,333, in a distant second place is Hamilton parish at \$902,110 and a close third was Warwick at \$952,370. In comparison the highest priced parish (and this should come as no surprise) was St. George's with an overall average of \$1,492,203. As Tucker's Town is located in St. George's parish the multi-million dollar properties that sell in this part of the island skew the figures for that parish.

In conclusion we saw 2006 as business as usual with a slight slowing in the second quarter. Prices have remained steady with no significant movement up or down. The most noticeable change was more choices for the buying public and more flexibility by the sellers. Our forecast for 2007 would be an increased interest in real estate particularly in the buoyant Luxury Market, continued purchase by multiple family members for investment and an ongoing trend towards buying condominiums which Bermudians now seem to embrace.