Hudson Valley Regional Housing Market

The Center for Housing Solutions and Urban Initiatives, a unit of Hudson Valley Pattern for Progress, is pleased to present the 4Q 2019 edition of the Regional Housing Marketing newsletter in partnership with Rand Realty Better Homes and Gardens Real Estate. Pattern for Progress has joined forces with Matt and Joe Rand to bring additional perspective and analysis of the regional housing market.

A Tale of Two Markets

Joseph Rand, Better Homes and Gardens Rand Realty Managing Partner and General Counsel

The Hudson Valley real estate market is a tale of two markets right now. In the lower- and middle-end of each market, sales are brisk, inventory is low, and prices are rising. But the highest-end of the market is relatively soft, with relatively high levels of inventory, stagnant sales, and little upward pressure on pricing.

For example, prices for single-family homes were up 3% last year in Orange and Dutchess – the two lowest-priced countywide markets in the region. And prices were also up sharply in virtually every condo market in the region: rising 4% in Westchester, 8% in Rockland, 5% in Orange, and 4% in Dutchess. In contrast, prices were down a tick for the highest-priced property types in the region: single-family homes in Westchester, Rockland, and Putnam.

Why the difference? We think it is because of the 2018 Tax Reform cap on the deductibility of state and local taxes (i.e., the “SALT Cap”), which has particularly impacted the high end of our regional housing market.

Prior to the SALT Cap, homeowners could deduct the full cost of their property taxes (and their state income tax), which made the high tax rate of our local markets a little more tolerable. Now, taxpayers can only deduct up to $10,000 of their state and local taxes, which has cost Hudson Valley homeowners thousands of dollars.

But the impact is particularly strong in the high end, because upper-income taxpayers are much more likely to itemize their deductions rather than take the standard deduction. And those taxpayers are the ones who make up the buyer pool for higher-end homes in Westchester and throughout the Hudson Valley.

Consequently, we’re seeing some softness in the high-end markets, which has suppressed the growth of average prices throughout the region. Eventually, we expect the effects of the SALT Cap to get priced into the market, but we haven’t seen that yet. Even with the drag from the SALT Cap, though, overall demand for housing in the Hudson Valley remains strong. The economy is growing, interest rates are near historic lows, and prices are still well below the highs of the last seller’s market in the mid-2000s. We expect that to continue through 2020, with sales steady and prices slowly increasing through the year.
The region witnessed an average increase of 19.4% in Median Sale Price from 2015 to 2019.

The more rural counties, including Sullivan, Greene, Ulster, and Columbia, showed the largest percentage increase in median prices from 2018 to 2019.

Simultaneously, the inventory in each of those counties declined except for Ulster, which remained flat.

The increase of prices in these more rural counties may be attributed to the 2018 Tax Reform known as the State and Local Tax (SALT) cap.

All counties saw an increase in the Annual Median Sale Price from 2018 to 2019. Sullivan County showed the largest percentage increase from 2018 to 2019 with a 13.4% increase in the median home value from the prior year. Columbia, Greene, and Ulster Counties also showed considerable improvement in the Median Sale Price with more than 7% increase in each county since 2018.

The Median Sale Price over the past five years for every county has shown a significant increase. Sullivan County is showing the largest increase in home values with a 31.7% jump, Ulster is a close second with 28.8% increase, and Orange and Dutchess both showing a 20.8% increase in home values since 2015.
Every county in the Hudson Valley has seen an increase in the number of homes sold in 2019 as compared to 2015, with Orange County showing the largest increase in closed transactions at 36.2% since 2015. Ulster and Dutchess are also showing significant increases in homes sold with increases of 31.5% and 30.5% in closed transactions, respectively.

Compared to 2018, there was plenty of variation across the Hudson Valley region in the number of homes sold this year. Most notably in Columbia County with a 7.5% decrease in the number of closed transactions and in Sullivan with 6.1% decrease. Ulster, Rockland, and Dutchess Counties saw noticeable increases in closed sales transactions, while Orange and Westchester witnessed decreases which may be attributed to the impacts of the SALT cap and the constricted inventory in those counties.
PERCENTAGE OF LIST PRICE RECEIVED
2015 - 2019

Although the changes are small in comparison to 2018, there is some variation in the percentage to list price that homeowners are receiving when listing their homes. However, as a region there was an increase of 1.9% from 2015 - 2019.

Greene, Orange, Sullivan, and Ulster all showed that Sellers are continuing to receive higher prices as we enter the 2020 market, while Columbia, Dutchess, Rockland, Westchester, and Putnam all indicate a lower tolerance for increasing list prices.

INVENTORY OF HOMES
2016 - 2019

Decreased inventory typically indicates a tolerance for increasing list prices as competition between Buyers is increased. Inventory has been on the decline since 2016, with the exception of Sullivan County in 2018.

Overall, the region showed another 4.3% decline of inventory. Greene County showed the highest percentage decrease in the number of homes for sale, while Columbia, Westchester, Dutchess, and Orange all continued to show declining inventory.
MARKET DATA:
LOWER HUDSON VALLEY | TWO- TO FOUR-FAMILY HOMES
2015 - 2019

Analyzing the real estate market data for two- to four-family homes grants a broader perspective of the real estate market. Multi-family properties may be owner occupied with a tenant or tenants providing additional income to offset the homeowner's housing expenses, or they may be purely for investment. Rental housing is in high demand as single family home values have increased, which has led to increased value for multi-family units, as well.

Orange County saw the largest percentage increase in multi-family home values with a 26.7% increase in the last year and a remarkable 138.9% increase since 2015. Rockland and Westchester also saw multi-family home values rise in the last year.

Inventory continues to decline in all counties, resulting in more upward pricing pressure setting the stage for multi-family property values to increase in 2020. Although the data is not represented in the chart, inventory has drastically declined over the last 5 years. This may be as a result of the increasing rents paid to investors. Overall, rental demand has substantially increased in the region since 2015, which follows the national trend away from home ownership. The region has also witnessed a large number of new luxury rental complexes, which are designed with amenities such as in-unit laundry, garages, and extra storage.

Source: Hudson Gateway Association of Realtors
MARKET SNAPSHOT:
Q4 2018 - Q4 2019

Market Snapshot

<table>
<thead>
<tr>
<th>Source: New York State Association of Realtors, Annual Report on the New York State Market 2019</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>County</th>
<th>Closed Sales 2018</th>
<th>Closed Sales 2019</th>
<th>% Change</th>
<th>Median Sales Price 2018</th>
<th>Median Sales Price 2019</th>
<th>% Change</th>
<th>Homes for Sale 2018</th>
<th>Homes for Sale 2019</th>
<th>% Change</th>
<th>Months of Inventory (Supply) 2018</th>
<th>Months of Inventory (Supply) 2019</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Columbia</td>
<td>201</td>
<td>190</td>
<td>-5.5%</td>
<td>225,000</td>
<td>276,000</td>
<td>22.7%</td>
<td>726</td>
<td>590</td>
<td>-18.7%</td>
<td>11.7</td>
<td>9.8</td>
<td>-16.2%</td>
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<tr>
<td>Dutchess</td>
<td>872</td>
<td>928</td>
<td>6.4%</td>
<td>285,000</td>
<td>295,000</td>
<td>3.5%</td>
<td>1,490</td>
<td>1,310</td>
<td>-12.1%</td>
<td>5.8</td>
<td>4.6</td>
<td>-20.7%</td>
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<tr>
<td>Greene</td>
<td>233</td>
<td>226</td>
<td>-3.0%</td>
<td>182,000</td>
<td>205,000</td>
<td>12.6%</td>
<td>786</td>
<td>551</td>
<td>-29.9%</td>
<td>11.9</td>
<td>7.8</td>
<td>-34.5%</td>
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<td>Orange</td>
<td>1,207</td>
<td>1,143</td>
<td>-5.3%</td>
<td>245,000</td>
<td>265,000</td>
<td>8.2%</td>
<td>1,808</td>
<td>1,606</td>
<td>-11.2%</td>
<td>4.3</td>
<td>4.3</td>
<td>0.0%</td>
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<tr>
<td>Putnam</td>
<td>332</td>
<td>322</td>
<td>-3.0%</td>
<td>351,001</td>
<td>331,000</td>
<td>-5.7%</td>
<td>463</td>
<td>488</td>
<td>5.4%</td>
<td>4.7</td>
<td>4.8</td>
<td>2.1%</td>
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<tr>
<td>Rockland</td>
<td>660</td>
<td>701</td>
<td>6.2%</td>
<td>410,000</td>
<td>408,300</td>
<td>-0.4%</td>
<td>982</td>
<td>989</td>
<td>0.7%</td>
<td>4.6</td>
<td>4.3</td>
<td>-6.5%</td>
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<tr>
<td>Sullivan</td>
<td>287</td>
<td>317</td>
<td>10.5%</td>
<td>130,000</td>
<td>145,000</td>
<td>11.5%</td>
<td>1,290</td>
<td>1,244</td>
<td>-3.6%</td>
<td>14.0</td>
<td>14.0</td>
<td>0.0%</td>
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<tr>
<td>Ulster</td>
<td>570</td>
<td>651</td>
<td>14.2%</td>
<td>243,370</td>
<td>250,000</td>
<td>2.7%</td>
<td>1,222</td>
<td>1,109</td>
<td>-9.2%</td>
<td>7.0</td>
<td>5.7</td>
<td>-18.6%</td>
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<tr>
<td>Westchester</td>
<td>2,200</td>
<td>2,198</td>
<td>-0.1%</td>
<td>470,000</td>
<td>495,000</td>
<td>5.3%</td>
<td>2,861</td>
<td>2,429</td>
<td>-15.1%</td>
<td>3.8</td>
<td>3.1</td>
<td>-18.4%</td>
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<tr>
<td>HV Region</td>
<td>6,562</td>
<td>6,676</td>
<td>1.7%</td>
<td>11,628</td>
<td>10,316</td>
<td>-11.3%</td>
<td>7.5</td>
<td>6.5</td>
<td>-13.9%</td>
<td>7.5</td>
<td>6.5</td>
<td>-13.9%</td>
</tr>
</tbody>
</table>

Q4 2019

Median Sale Price

Median Sale Price is showing significant strength in Columbia County with a 22.7% increase from same time last year, and continues to grow in all other counties except for Putnam and Rockland.

Closed Sales

Year over year, the number of closed sales were up in Ulster, Sullivan, Dutchess, and Rockland.

Closed sales were down in the 4th Quarter in Columbia, Orange, Greene, Putnam, and only varied slightly in Westchester.

The MLS data suggests the Seller's Market is strongest with homes priced below $350K, which may be in part be due to the impact of the SALT cap.

Q4 2019

Inventory

Home Inventory continues to decline in the Hudson Valley region, with an average decline of 11.3% available homes for sale as compared to 4th Quarter 2018. The most significant decreases were in Greene County with 29.9% and Columbia County with 18.7% fewer homes available for sale.

The real estate industry considers 6 months of inventory a "Balanced Supply." Fewer than 6 months is considered a "Seller's Market" and more than 6 months a "Buyer's Market". In a Buyer's Market, there is strong upward pricing pressure resulting in increased home values. With 6 of the 9 counties having an inventory of less than 6 months, the data strongly suggests the Hudson Valley remains in a Seller's Market.
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Do you have topics, questions, concerns about Housing in the Hudson Valley?
We’d love to hear from you as we prepare for
The Annual Housing Conference in November 2020
Send your topics to housingcenter@pfprogress.org

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The Center for Housing Solutions and Urban Initiatives thank our investors:

Better Homes and Gardens
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RUPCO
Hudson River Housing, Inc.
PathStone

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