

## ROUND HILL PARTNERS VIEW

VOLUME I ISSUE 4 FALL 2011

*"Thank goodness I live in Greenwich!"*, a Greenwich shopper in Whole Foods Market, September 2011, acknowledging that Greenwich has not felt the impact of the economic downturn as severely as the rest of country.

*Greenwich is rated #1 among Connecticut towns with populations over 50,000, ranking highest for economic strength, educational excellence and low crime rate.*

Source: Connecticut Magazine, November 2011

*The first half of 2011* showed improvement over the first half of 2010 in the Greenwich real estate market. We believe that this trend will continue through the second half of this year. For the first nine months of 2011, there were 443 single family home sales, up 17% from 379 in 2010. We have seen continued activity in our market during the month of October. Brokers are busy. There are a variety of reasons for this. Sellers have become more realistic in pricing their homes to reflect current market prices. There is a pent-up demand among potential buyers, who in some cases have postponed their home purchases for 3 to 4 years. But, lastly, mortgage rates in this country have reached all time lows and home buyers are waking up to the fact that what they pay for when buying a home is not just the sale price but rather the total cost of home ownership, including the mortgage payments, real estate taxes and insurance for as long as they own the property. (See Cost of Home Ownership Analysis)

*For the buyer* in the Greenwich market, we say again, this is the best time to buy since 2001-2002. The inventory on the market today is approximately 590 homes. This number is down slightly from October of 2010, when there were 684 homes for sale. Buyers have choices in this market but the most sought-after neighborhoods in Greenwich continue to be in demand.

*For the seller* in Greenwich, properties are moving. One of the key reasons is that mortgage rates, in particular jumbo mortgage rates, (mortgages above \$575,000 principal) have become more attractively priced with rates as low as 4.0%-4.5% for fixed rate loans. Properties are selling at 93.8% of the list price this year.

We continue to be optimistic about Greenwich real estate going forward. We believe that the declines that occurred in 2008-2009 are now behind us and our market is on the mend. There are signs that the real estate markets in many parts of the country are bouncing back and we would cite New York City, Washington, D.C. and San Francisco as prime examples.

**Renee Graham Gallagher**, President and Co-Founder

**Joann Erb**, Vice President and Co-Founder



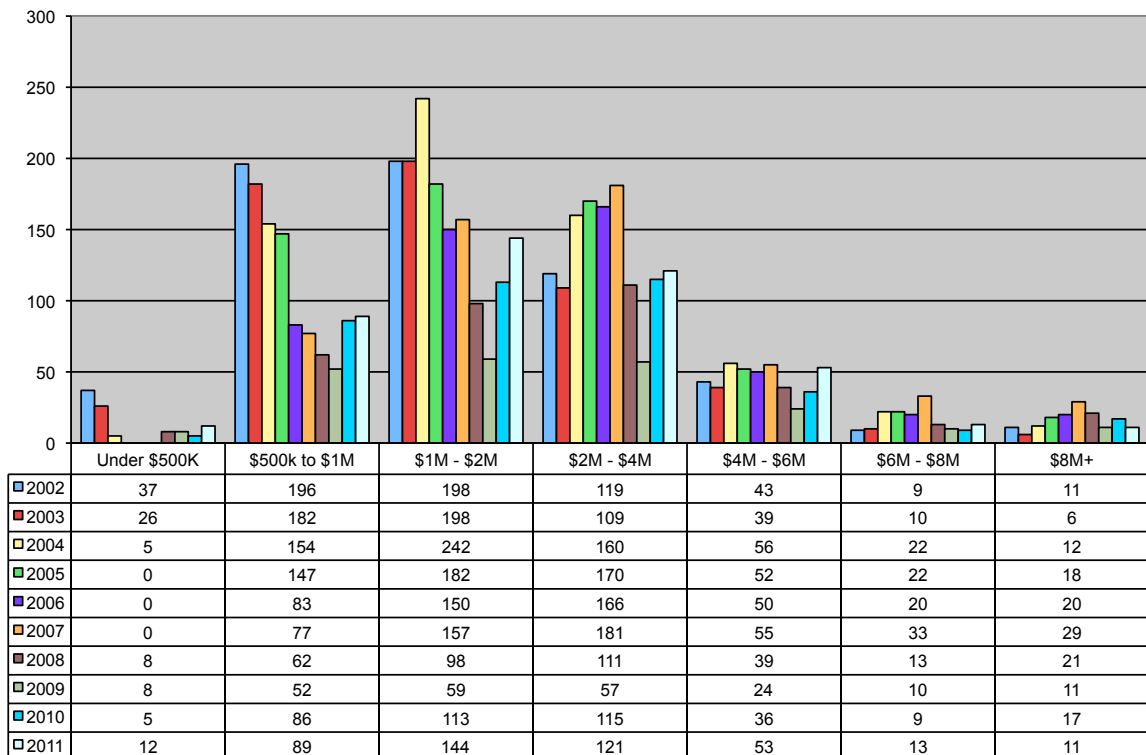


# MARKET WATCH

It is helpful to evaluate the market by looking at sales in various price ranges. (See CHART I) Single family homes in the \$1 million to \$2 million category lead the pack with a total of 144 sales for the nine months ended September 30, 2011. The second most active sector was homes between \$2 million and \$4 million with a total of 121 sales. The sweet spot in the Greenwich market is still between \$1 million and \$4 million but there is a very active buyer group in the \$500,000 to \$1 million category where there were 89 sales. We would add that the inventories in these three categories between \$500,000 and \$4 million are declining at a faster rate than the higher priced homes in the market.

We are pleased to add that sales of properties in the \$6 million to \$8 million range have actually improved during the first nine months from 9 to 13 sales. The same cannot be said of the homes above \$8 million which are down to 11 sales versus 17 sales in 2010. We should note that there has been an increase in inventory for homes above \$6 million as well as above \$8 million.

**CHART I**  
GREENWICH HOME SALES BY PRICE RANGE: 2002 TO SEPTEMBER 2011



# WHY GREENWICH NOW? THE BEST TIME EVER TO BUY.

We borrowed some information from a speech by David Stevens, President and CEO of the Mortgage Bankers Association. In talking on delinquency rates and foreclosures: The delinquency rate for standard fixed rate loans was running at 6% in 2010 and is now down to 5% in 2011, not far above the normal historical rates. With foreclosures, you have to differentiate among the states; 24% of foreclosure activity is concentrated in Florida. The top five states, Florida, California, Nevada, Arizona and Idaho, had 50% of the foreclosure activity.

Why is it the best time to buy? For most of us, buying a house is the biggest financial transaction that we will ever undertake in our lifetimes and in the vast majority of cases, the homebuyer needs a mortgage to make the purchase work. As we stated above, mortgage rates for 30-year fixed-term jumbo mortgages are in the range of 4.0%-4.5% today versus 6.0% as recently as two years ago. You can buy now at the 4.0%-4.5% rate, or you can wait and run the risk of a higher rate in 2012 or 2013. Chart II below shows the Cost of Homeownership based on a 4% and 6% interest rate. Since many of today's buyers are concerned that prices might fall further, we have factored in a 5% decline in the value of the home purchased this year, 2011. The numbers speak for themselves. You would be better off at \$96,684.75, even with the 5% decline in home value, if you bought and financed now.

## CHART II COST OF HOME OWNERSHIP

### TERMS:

Purchase Price:	\$1,000,000.00
Mortgage Financing:	\$750,000.00
Equity Capital:	\$250,000.00

### TERMS OF FIRST "JUMBO"

MORTGAGE FINANCING:	BUYER A	BUYER B
Mortgage Principal:	\$750,000.00	\$750,000.00
Purchase Date	November 1, 2011	November 1, 2012
Interest Rate (Fixed):	4.0%	6.0%
Term:	30 Years	30 Years
Monthly Payment:	\$3580.61	\$4496.63

### COST OF HOME OWNERSHIP

(Cash Basis):

### OWNERSHIP FOR TEN YEARS

#### Term of Ownership:

Purchase Price:	\$1,000,000.00	\$1,000,000.00
Cumulative Mortgage Payments:	\$429,673.20	\$539,595.60
Subtotal:	\$1,429,673.20	\$1,539,595.60

#### Net Benefit of Occupancy (Cash)

With Lower Interest Rate:	\$109,922.40	000.00
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Sales Price:	\$950,000.00 (*)	\$1,000,000.00
Principal Balance:	\$590,880.36	\$627,642.71
Cash Proceeds to Seller:	\$359,119.64	\$372,357.29

Net Benefit on Sale (Cash):	000.00	\$13,237.65
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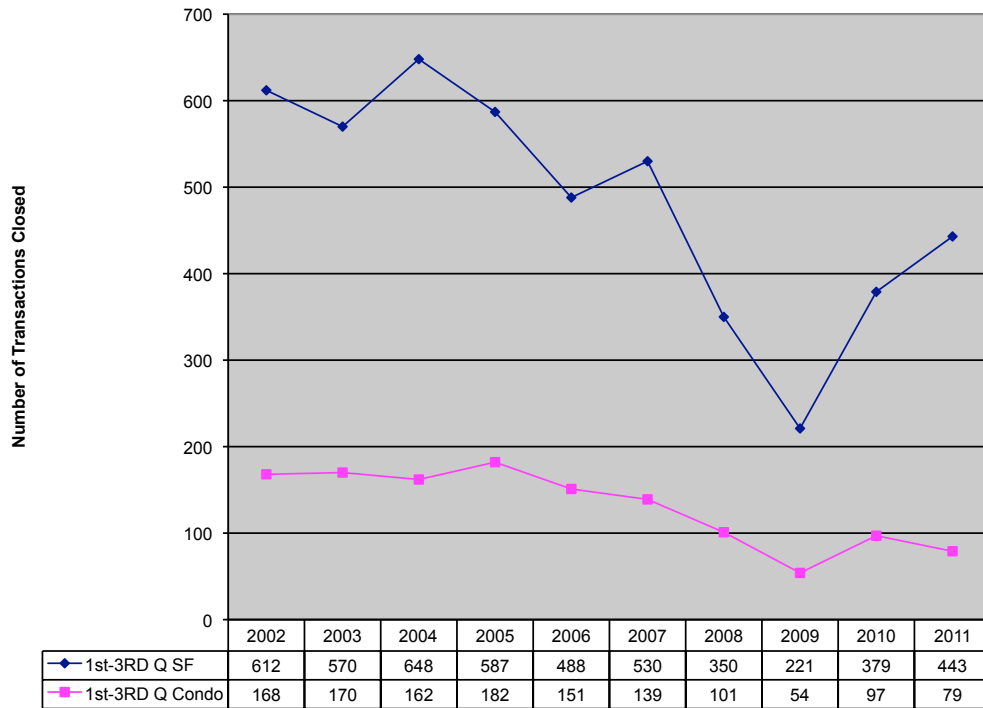
Overall Net (Cash) Benefit: (Buying Today)	\$96,684.75 (**)	000.00
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(\*) Assumes that the home purchased in 2011 declines in value by 5% over the 10-year term of the ownership.

(\*\*) Note that these savings are even more pronounced if we used the full 30-year amortization period. We chose to use 10 years as a more realistic time frame for comparison.

### CHART III

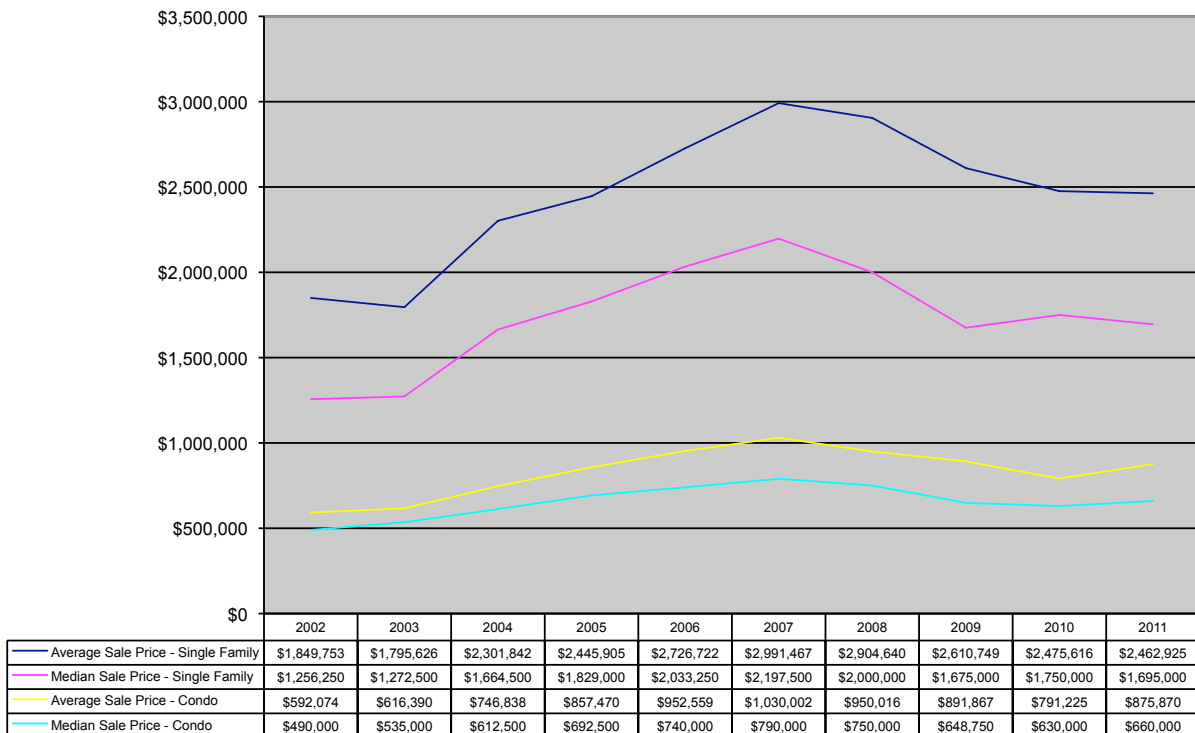
#### SINGLE FAMILY HOME AND CONDOMINIUM UNITS SOLD, 1ST THROUGH 3RD QUARTERS COMPARISON 2002 TO 2011



Home sales have picked up since the depressed market in 2009. We believe that the improving trend will continue into 2012 and beyond. We say again that this is a great time to be looking at Greenwich real estate. Looking at CHART IV below, the market is still down 18% from its peak in 2007. It is still a buyer's market.

### CHART IV

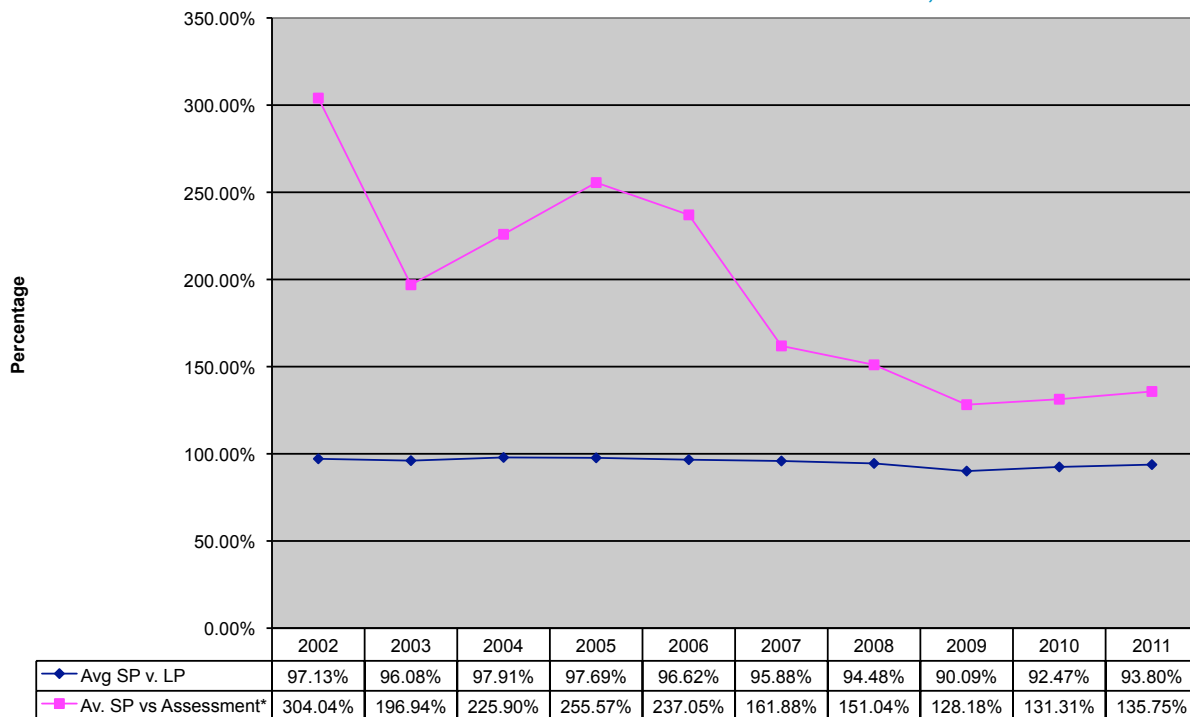
#### GREENWICH REAL ESTATE PRICES: 2002-SEPTEMBER 30, 2011



Everyone likes to know what their home is worth and sale price information provides the facts. We, as a firm, like to look at sale price compared to list price and assessed valuation to help evaluate the trends going on in the marketplace. CHART V offers some perspective.

## CHART V

### GREENWICH SINGLE FAMILY HOME AND CONDOMINIUM SALES AS PERCENTAGE OF LIST PRICE AND ASSESSED VALUE: 2002-SEPTEMBER 30, 2011



\*Home revaluation effective as of mid 2006.

Source of real estate statistics: Greenwich Multiple Listing Search as of November 7, 2011

## THE UPCOMING HOME SHORTAGE: POPULATION AND HOUSING SUPPLY

Generation Y (those born between mid-1970s and mid-1990s) are estimated to total about 80 million, or about 25% of the U.S. population. Generation Y is entering their prime time to be starting their careers, their families and buying or renting a home. Will there be housing out there? In 2010, the U.S. Census put the U.S. population at 309 million. By 2050, that number is estimated to grow to 439 million. That is an increase of 130 million people in just 40 years. They will all need housing whether they own or rent! As to supply, new construction over the last four years since the financial meltdown in the economy has averaged about 600,000 new units per year while new family formations have totaled about twice that number, or 1.2 million. We will have to go back to the goal of 2 million new units per year if we have any hope of meeting this population demand.



## THE REAL DEAL

Our firm represents the meaning of the real deal in Greenwich. *We are a deeply rooted local boutique. Our clients always come first. There is never a transaction too small or too large for us to undertake.* The core of our business is Greenwich real estate, from waterfront to backcountry and from rentals to multi-million dollar estates. Our expertise extends naturally into every neighborhood and price point in town. *It doesn't take a big name to sell a big house.*

Our website, [roundhillpartners.com](http://roundhillpartners.com) provides our customers and the marketplace at large with the very best up-to-date information on real estate in the Town of Greenwich.

# NO ONE KNOWS MORE ABOUT GREENWICH REAL ESTATE. CALL US. VISIT US.



\$7,500,000



\$7,295,000



\$3,995,000



\$3,295,000



\$2,395,000



\$2,295,000



\$1,825,000



\$1,745,000 or Rent \$8,250/Month



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