

Local housing industry holds its breath for 2011 rebound

By CAROLYN SWIFT
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EASTON — Although real estate inventory remains high in the area, prices seem to be bottoming out, leaving local Realtors optimistic that a recovery of some sorts will begin this year.

In Talbot County, home prices have dropped between 25 and 50 percent — depending on the market — since the peak in 2006, according to local Realtors, who expect those prices to remain largely stable in the coming months.

"I think prices are bumping bottom and will continue to bump bottom," said Hugh Smith, owner/broker of Coldwell Banker in Easton. "I don't think we'll see any more radical depreciation unless there are some extraordinary events."

But agents don't expect to see any rapid appreciation, either.

"By mid-2012, I think we'll have a relatively stable market again from an activity standpoint, but I don't think prices will be going back up again for several years, maybe many," said Chuck Mangold Sr., managing partner of Benson and Mangold.

One of the reasons prices aren't expected to increase anytime soon, Smith said, is because of the high level of property inventory — a result of sellers continuing to seek aggressive asking prices.

"A recovery will only begin when the inventory is in sync with the demand for the properties," he said. "Some economists say a six-month inventory of properties is healthy and neutral, meaning values would stay consistent. Right now, we have a multi-year inventory of properties."

As a result, Smith said, the recovery will be gradual, as the inventory must first be bought down before the county sees any real appreciation in values entering the market.

"What it's going to take is a little further asking price repositioning," Smith said. "When the buyers perceive value, then that's when the recovery begins. Buyers in general are buying on value, not on amenity."

And there are some "extraordinary values" to be found in the market now, Smith said.

"We're seeing the best values in many generations," he said. "There are plenty of mortgages available at 4.78 percent for qualified purchasers."

The best values lie in properties conforming to Fannie Mae lending guidelines, priced at less than \$417,000, Smith said. That market is down about 30 percent from the peak in 2006, he said.

Meanwhile, waterfront property prices have dropped 20 to 35 percent, Mangold said, but inventory continues to increase, as sellers in that market are showing more patience and holding out for a certain price.

While most markets have taken a hit, Mangold said, farmland and unimproved lots have seen the least decrease in value, remaining fairly stable in price. That may be one of the reasons why the turnover in those markets remains slow, another being that buyers are requiring high down payments for loans on these properties, Smith said.

"I think that will change, though, as banks get more confidence in the general economic recovery," he added.

Other markets that continue to struggle, Mangold and Smith said, are those for second homes and fixer-uppers.

"Generally, buyers are looking for turnkey opportunities," Smith said. "We're finding it hard to generate interest in properties requiring rehabilitation or renovation, or extensive repairs."

Mangold said the core markets in the county are actually fairly healthy, but the second home market continues to struggle.

"There's a normal world of real estate out there. People are getting married, divorced, entering nursing homes and moving to the area," he said. "The prices are down, but the real world market has stabilized."



Josh Cooper, center, of J.A. Cooper Builders, shows his employees blueprint details at a job on Talbot Street in St. Michaels, top, where the contractor is renovating a former coffee house into a restaurant. The progress of the job is evident in the inside view of the job.

PHOTOS BY ERIN FLANNERY