

### Where is the Market Now?

- National Assoc. of Realtors®:
  - Total Sales down 10.6% from 11/07.
  - Median Price down 12.8% from a year ago.
  - Pending sales index dropped to a 7 year low in November.
- S&P/Case Schiller House Price Index:
  - 20 City Composite: down 18% from 1 year ago. Off 23.4% from its peak in mid-2006.
  - Biggest Losers: Phoenix, Las Vegas, San Francisco, Miami, Los Angeles, San Diego

The slide has a green header with a white 'HOUSE FOR SALE' sign icon on the left. The content is in a white box with a green border. The background of the slide is green with a white curved graphic on the left.

## New England

- **New England Economic Partnership**
  - *November Conference – Median Price Decline from Peak Year*
    - Massachusetts: 21%
    - Connecticut: 13%
    - New Hampshire: 11%
    - Rhode Island: 8%

## Maine

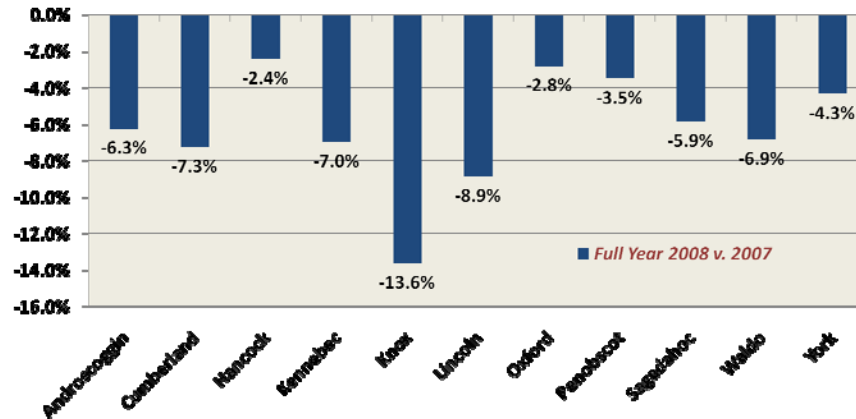
- **Maine Association of Realtors®**  
November Press Release
  - Latest Quarter – 9/1 – 11/30/08 vs. '07
    - Units sold down 15%
    - Median Price down 7.67% to \$174,500
    - Median Price now at 2004 Level, -10% from peak

Housing Starts: Down 35% from 2007, and 62% from 2004



# County Results

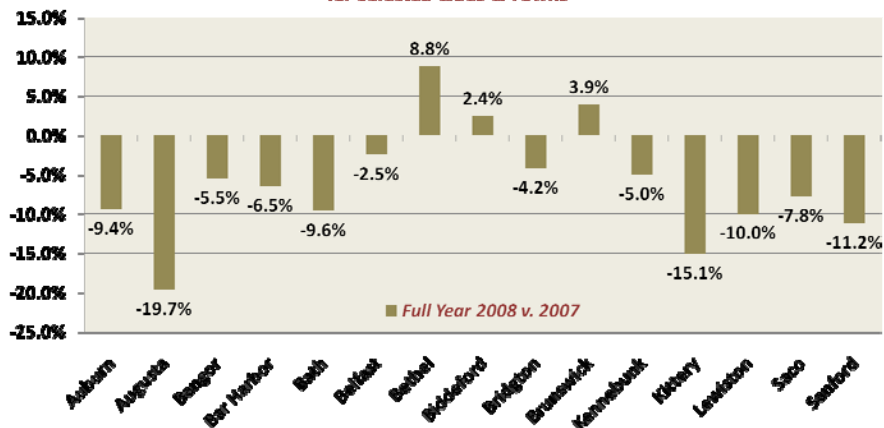
## Change in Median Price



Based on information from the Maine Real Estate Information System, Inc. for Single Family and Condos for the period 1/1/2007- 12/31/2008. Provided by an individual user of MREIS. MREIS has not reviewed the contents and does not make any representations, warranties, or guarantees regarding the accuracy, timeliness or completeness of any statistical information and data provided.

# City & Town Results

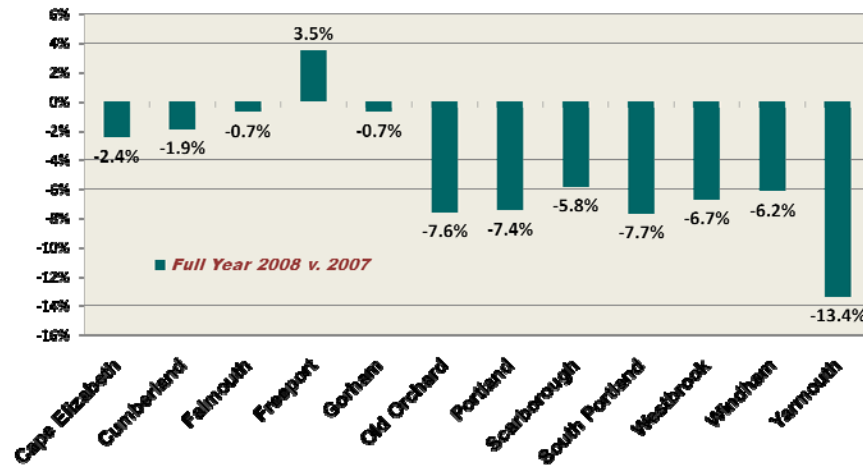
## Change in Median Price for Selected Cities & Towns



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# Greater Portland

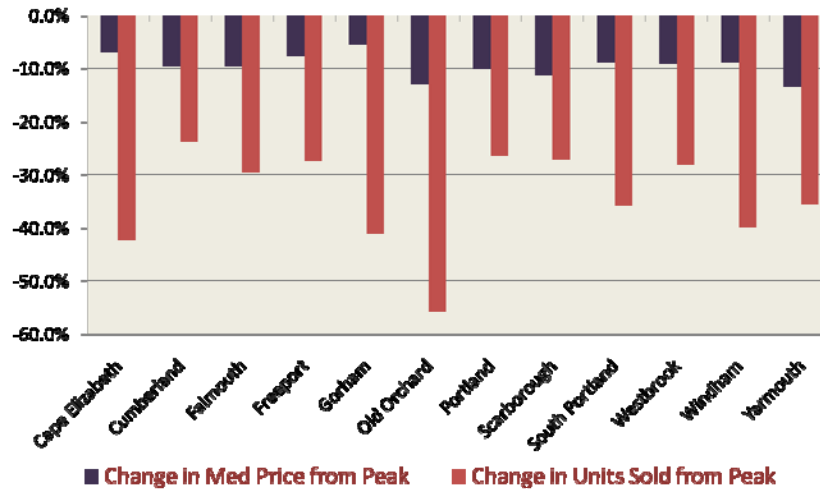
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# Greater Portland

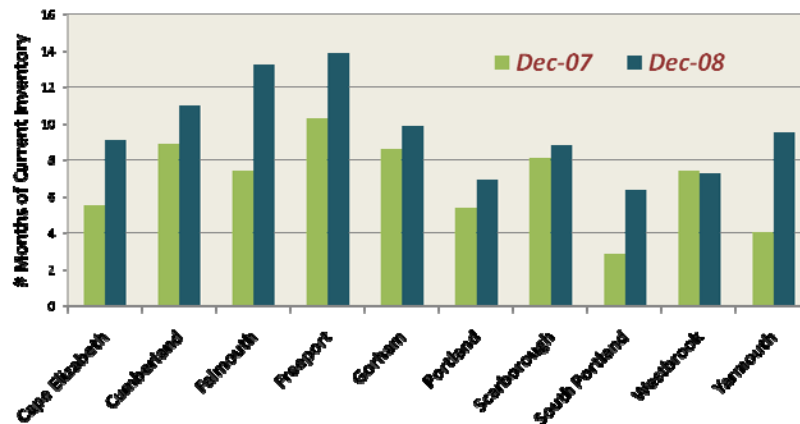
## Change from Peak Year



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# Greater Portland Inventory

## Local Absorption Rates



Source: Absorption reports provided by Coldwell Banker Residential Brokerage, SF homes only

# Portland Condo Market

- In 2008, 246 condos sold. Of those,
  - 197 were  $\leq \$250,000$
  - 4 were  $\geq \$500,000$
- Current inventories are highest at \$300 - \$400,000 level
- There are 39 condos in Pending status on MLS.
  - 21 of these are in projects that have not yet broken ground.

## Portland Condo Market

- **The Bay House**: 82 Units at the corner of Hancock & Middle Streets. Financing was delayed by the credit crunch but is reportedly coming together. If so, groundbreaking is anticipated in April 2009.
- **135 Sheridan**: 21 Units – construction complete. 3 sold and 5 Pending to date.
- **Oak Street Lofts**: 24 Units on Oak Street, 3 pending
- **Danforth On High**: 26 compact, affordable, Units at the corner of Danforth & High Streets. 10 under reservation. Groundbreaking this spring – late fall occupancy.



## Mortgage Markets

**Generally speaking, financing is available to qualified buyers who have down payment funds.**

- **USDA** – Rural Housing program about the only 100% financing vehicle left from main stream lenders – income and geographic limits
- **FHA** – is the most popular vehicle for first time buyers. 3.5% down payment. Loan limit in Cumberland County \$272,550 works for all types of buyers.
- **Conventional** financing – maximum LTV = 95%

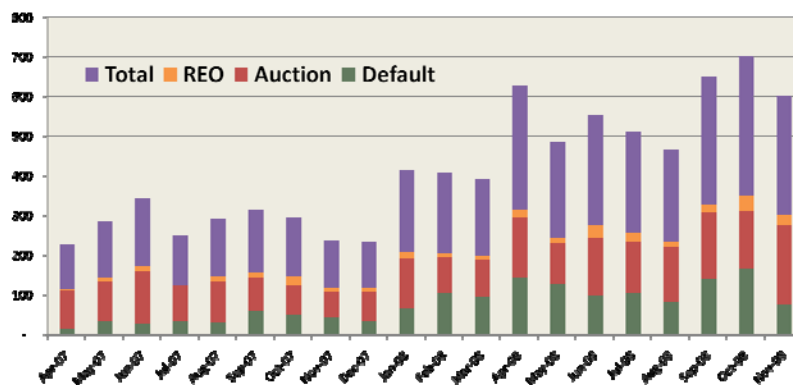
# Mortgage Markets

- **Interest rates extremely volatile**
  - Individualized & sensitive to buyers credit profile, LTV, and debt to income ratios
- **Underwriting becoming much more stringent:**
  - Appraisals: sales comps within 6 months
  - Condominiums: Full review on all condo loans. Want to see all condo docs, 2 year budget, etc.
    - *New Condo Projects very tough to finance. Developers need to find financing options for buyers as part of development strategy.*
  - Private Mortgage Insurance: Guidelines tighter as well. PMI insurer also has to agree to take loan.



## Short Sales & Foreclosures

RealtyTrac Foreclosure Data for Maine



- Maine ranked 36<sup>th</sup> in U.S. in November for total # of foreclosures statewide
- York, Kennebec, and Penobscot counties had the highest foreclosure rates in state
- Sanford has highest number of foreclosures

Source: RealtyTrac.Com

## Short Sales

A workout program between Borrower & Lender that allows a borrower to sell their property for less than the loan amount due to lower property value.

- Homeowner may or may not be in arrears on payments but must demonstrate financial hardship.
- Sometimes done during 90 day redemption period in a foreclosure proceeding to avoid auction.
- Becoming an increasing % of homes for sale today.
- Will negatively impact home values in 2009

## Buying Foreclosed Property

- REO Properties: Post-foreclosure – lender has taken title, property in hands of asset manager who makes all decisions.
  - Motivation: to get Full Market Value for the Property – no emotional involvement
  - Typically sold “as-is”, often in poor condition, utilities aren’t on.
  - Condition may not qualify for financing. Pre-inspection may be required before offer accepted.



## Buying Foreclosed Property

- Buyers must have solid financing ready to go before making an offer. Financing must be appropriate given the property condition.
- Make sure that person/entity making the offer is the one that will close on the property. Lenders don't like changes.
- Buyer must be flexible on closing date:
  - Title problems often create seller delays – HOWEVER,
  - Lenders usually add a PER DIEM CHARGE for a delayed closing if delay caused by Buyer.



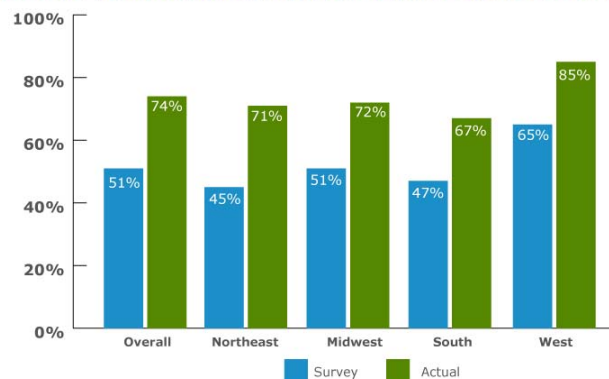
## 2009 ?

- No One Really Knows!
  - Too many variables:
    - Recession & Unemployment
    - Credit & Financial Markets
      - Have all the shoes dropped?
      - Alt-A & Option ARM pool
    - Government Stimulus Initiatives
    - Consumer Behavior
      - Buyers
      - Sellers

# Zillow Study

## Perception Gap

Homeowner perception vs. actual percent of homes that declined in value



Source: Survey of 1,388 homeowners conducted by Harris Interactive October 7, 2008 through October 9, 2008 and Zillow proprietary data, reflecting actual year-over-year change in home value as of the end of Q3.



# National Forecasts



- Sales of Existing Homes – Up 6%
- Sales of New Homes – down 15%
- Median prices to remain at 2008 levels to maybe a 1% increase.



Mark Zandi, chief economist at Moody's Economy.com

11/20/2008 presentation:

- Home sales and housing starts bottom in early 2009
- Foreclosures peak end of 3<sup>rd</sup> quarter 2009
- Home prices bottom in 4<sup>th</sup> quarter 2009
- Home prices start rising 4<sup>th</sup> quarter 2010

## State & Local Forecast

- All real estate is local.
  - Some markets will continue to perform better than others.
  - Prices will continue to fall in 2009.
    - How Much – How Long – Who Knows!
    - Another 5% to 10% decline is possible.
    - Spring/ summer market is KEY
  - Real estate market will be driven by local economic conditions, unemployment rates, effects of short sales and foreclosures on prices.
  - Most practitioners are hopeful now that recovery in the housing market is at the forefront of the Federal economic stimulus efforts.



## Opportunities!

- **Buyers – Time to Get off the Fence!**
  - Low Prices, Low Interest Rates, \$7500 Tax Credit
  - Trading Up Pays Off
    - Amount lost on sale < amount gained on purchase
  - Where do you want to be in 10 years?
    - Waterfront home
    - Intown Condo
    - Miami?
    - Buy now to take advantage of the next up-cycle

## Opportunities

- **Sellers – More Tough Months Ahead**

- If You Must Sell: Price Right – Sell Now
- Presentation key: Home must be in tip top shape
- Know your market; get expert advice
- Know which projects pay off:
  - Windows, vinyl replacements 76% return
  - Siding, vinyl 75%, fiber cement 80%
  - Decks, mid-range wood 76%
  - Kitchen Remodel, 63 - 73%
  - Bath Remodel, 60 – 71%
  - *Source: Realtor Magazine Annual Cost vs. Value Report*

## Opportunities

- **Investors and Developers**

- As prices drop, real estate becomes an attractive investment vs. other alternatives
- Foreclosure market yields opportunistic buys
- Look for stalled projects in good locations or lock up land for future development when market improves.
- Work with local experts to determine where long term “best buys” are located.

# Anne Weigel, Realtor®

- Anne is a 20-year real estate veteran with an extensive background in brokerage, development, management, and leasing of commercial and residential properties. She has held management positions for a number of highly-regarded real estate companies including: Trammell Crow Company, Weingarten Realty, Dead River Properties, and Ram Management, Co., Inc. In 2002, Anne joined Coldwell Banker Residential Brokerage to pursue a long-desired career in residential brokerage. Her sales performance has been exceptional, and she is now a multi-million dollar producer assisting clients with their residential and investment real estate needs in the Greater Portland market.
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