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MARKET MATTERS: It's a seller's housing market

Sunday, June 17, 2018

You can tell that spring has finally arrived in the Northeast with the cascades of flowers and plethora of “for sale” signs, noting that the housing market, too, has sprouted again.

It felt like a longer-than-normal winter in Connecticut and New York, and it seems that many seasonal activities have been delayed. The housing market is no exception. Going into the second quarter, which is usually the most active season, some indicators were down substantially from last year.

For instance, the inventory of single-family homes in Greater Hartford decreased more than 21 percent from March 2017 to March 2018, and new listings dropped nearly 4 percent. Yet, all clouds have silver linings. In this case, that means prices are rising and profits are growing for sellers and investors.

As a result of decreased inventory, home sales prices rose more than 7 percent in the Hartford area from March 2017 to March 2018 and the median sale price of single-family homes in Greater Hartford rose to \$224,900. Closed sales increased 2 percent, but the average number of days on market increased 25 percent to 90 days.

In real estate, location is everything. In Westchester County Connecticut, the median sale price is more than \$626,000, but the average sale price is nearly \$825,000, a one percent increase year over year.

Overall, the median sale price in Westchester increased, which has much to do with shrinking inventories. Right now, potential sellers are still in a good position to make the most of their investment, especially since buyers also are keeping an eye on rising interest rates.

If you are just beginning to invest in real estate, many first-time investors may consider purchasing a rental property which, if structured correctly, can pay back the initial

investment over time — down payment and closing costs — while on a monthly basis pay the mortgage, taxes and upkeep from the rental income. With little to no out-of-pocket expenses, there could be a monthly income, while the property, if maintained and in a good neighborhood, continues to increase in value.

Realistically, owning rental properties requires an upfront cash outlay and that should be considered before committing to a particular property. There are likely to be maintenance costs, not to mention the danger of tenants falling behind on their rent. Maintaining a separate account for emergencies is a must for rental properties.

If long-term rentals are not feasible, consider the house-flipping business. The numerous television shows on house flipping paint a rosy picture of the riches that can be attained from buying low, renovating and selling high, but exercise caution.

Even the television shows have highlighted houses with hidden flaws, costing thousands or even tens of thousands to repair, knocking the renovation budget out of kilter and killing the potential for high profits. Nonetheless, flipping houses can be profitable for people with more than a passing knowledge of home construction and real estate marketing.

All in all, the real estate market has plenty to offer potential investors. Rising interest rates combined with the shrinking housing inventory, can make investing in real estate an attractive option. But, as with any investment, success requires work on the part of the investor to understand trends, potential and opportunities, and to stay abreast of the varying factors that can influence the investment; and keep in mind, approaches vary.

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